



# WIRC BULLETIN

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## From the Desk of Chairman



Dear Professional colleagues,

In continuation to the series of Professional Development Activities, I congratulate the P.D. Committee WIRC for successfully organizing the seminar on "New Mechanism of Cost Audit & Cost Records" on 16th and 17th of September in Mumbai. Constructive feedback is very important for performance improvement and growth.

The feedback has been overwhelmingly supportive and with many constructive suggestions. As an organiser, the WIRC takes good note of these suggestions in view to improve future activities.

I am grateful to CMA Kalyanraman (Convener National Task Force), CMA J.K. Puri (Chairman National Task Force) and CMAD. V. Joshi (Member - National Task Force) for organizing CFO meet in Mumbai, jointly in association with WIRC. The CFO meet was attended by top finance people and an effective presentation from CMA D.V. Joshi, highlighting the different aspects of 'New Mechanism of Cost Audit and Cost Accounting Records' followed with thought-provoking and inspiring interactive session that helped us to exchange the views with corporate representatives, understanding their expectations and resolve their queries.

I am happy to announce that Indore-Dewas Chapter is going to organize 'Regional Cost Conference' on 23rd and 24th of

Dec. 2011 at Indore, I wish managing committee members all the success.

WIRC has organised Campus Interview on Friday & Saturday, the 14th & 15th October, 2011, in Mumbai for students who passed June, 2011 Final Examination of ICWAI. I wish new entrants all success and hope that they will grow up the ladder and become a well known professional Cost and Management Accountant soon.

We all were worried about the performance of the students in last attempt, and therefore in the faculty meet organized by WIRC, we have received many valuable suggestions from senior faculty members that will help us in improving the quality of education support to be provided to our student in the region.

We all know that, our Past President (ICWAI) and Past Chairman (WIRC of ICWAI) Mr. P.D. Parkhi, left us for heavenly abode on 24th Sep-2011. For us at WIRC, it is saddest of the moments. We all had the greatest respect for him and will miss his generous nature. May Almighty God grant him eternal rest and may his soul rest in peace.

I would request you to keep the emails and the feedback coming, as it will provides us with very valuable inputs.

Wishing you all a Joyous Navratri, a Very Happy Vijaya Dashami, a Very Happy Diwali & Prosperous New Year. May God fulfill all your wishes in wealth, health & happiness in your life.

With Warm Regards

CMA Vijay P. Joshi



**CMA PRAMOD D. PARKHI**  
(M/2732)

Past President ICWAI (1988-1989) &  
Past Chairman WIRC (1979-1980)  
passed away on 24-09-2011 at Pune

## OBITUARY

CMA Pramod D Parkhi was a statutory cost Auditor of many public limited companies as well as financial consultant. He was director of many reputed companies in India. He was elected member of the western India Regional Council as well as Central Council of Institute of Cost & Works Accountants of India, Kolkata. He was President of the Institute in 1988-89. For his contribution to the Institute of Cost & Works Accountants of India, he was honored by the former President of India, Shri APJ Abdul Kalam. Shri Parkhi was also represented India in the 'Confederation of Asia & Pacific Accountants' & 'South Asian Federation of Accountants'. He was also the Director of Cosmos Bank since 1978-79.

"MAY HIS SOUL REST IN ETERNAL PEACE"

### CONDOLENCE MEETING

A condolence meeting was convened at WIRC Office to pay homage to Late P.D.Parkhi, Past President ICWAI on 27th September 2011.

CMA V.V. Deodhar, Past President, ICWAI, CMA Ashish Thatte, Hon. Secretary WIRC alongwith members, students & staff members were present.

## Glimpses from Two Days Seminar on NEW MECHANISM OF COST AUDIT & COST RECORDS Friday 16th & Saturday 17th September 2011 organised by WIRC



CMAD. V. Joshi lighting the lamp. CMAs Vijay Joshi, A. B. Nawal, B.B. Goyal, Advisor (Cost), MCA and Rakesh Singh, Vice President ICWAI looks on.



CMA B.B. Goyal, Advisor (Cost), MCA addressing participants



CMAD. V. Joshi



CMA Vijay Joshi



CMAs A. B. Nawal, S. R. Bhargave, Ashish Thatte



CMA B. B. Goyal



CMA Neeraj Joshi



CMA S. R. Bhargave



CMA (Dr.) N. M. Vechalekar



CMA Harshad Deshpande



CMA Malav Dalwadi



CMAs Harshad Deshpande, Kirit Mehta, P. A. Sevekari



CMAs D. V. Joshi, J. K. Puri, Vijay Joshi



View of Audience

## Report on Two Days Seminar on NEW MECHANISM OF COST AUDIT & COST RECORDS Friday 16th & Saturday 17th September 2011 organised by WIRC

The new Cost Audit Report Rules and Cost Accounting Record Rules issued by The Ministry of Corporate Affairs have totally transformed the Cost Audit Mechanism. With a view to help the Corporate World and our members to understand the new concepts, clear their doubts and to comply with the requirements of new rules and orders, Western India Regional Council (WIRC) of ICWAI organized Two Days seminar on 16th & 17th September, 2011 on this new mechanism at Mumbai.

The program started with CMA Neeraj Joshi, Treasurer WIRC inviting all the dignitaries to the dais. On the dais were CMA B. B. Goyal - Advisor (Cost), Ministry of Corporate Affairs-Cost Audit Branch as Chief Guest, CMA Rakesh Singh - Vice President of ICWAI, CMA Dhananjay Joshi - Former President of ICWAI & Keynote Speaker, CMA Vijay P. Joshi - Chairman of WIRC, CMA Ashok Nawal - Chairman P. D. & CEP Committee of WIRC.

Dignitaries on the dais inaugurated the seminar by lighting the lamp. CMA Vijay Joshi - Chairman WIRC welcomed the dignitaries, speakers of the seminar and the delegates. CMA Neeraj Joshi, Treasurer of WIRC introduced the dignitaries on the dais and felicitated them. CMA Ashok Nawal, Chairman P. D. & CEP Committee of WIRC explained the theme of the seminar.

CMA Rakesh Singh, Vice President of ICWAI in his speech expressed the need of such seminars to create awareness of this New Mechanism amongst industry. He also expressed need for the members to gear-up and update themselves with correct skill set so as to meet the needs of the industry. He wished the seminar success.

CMA B. B. Goyal, architect of this new mechanism and Chairman of the Expert Group formed by the MCA to review and recommend New Mechanism of Cost Audit and Cost Records was present as Chief Guest for the seminar. In his address he explained the basic ideology behind bringing this mechanism in place. He explained that the New Mechanism is an outcome of a detailed and deliberated study by all the stake holders and is aimed at empowering the India inc with required cost competitiveness and cost awareness. He further explained that government is also expecting to get value added information on the health of Indian economy from this new mechanism. He expressed his concern over the preparedness of the professionals to handle such responsibility and wished that more of such seminars and even specific training workshops are carried out in all parts of the country. He wished that a detailed technical discussion in the seminar will help participants clear their doubts and understand the new mechanism. He concluded by wishing seminar success.

CMA Dhananjay Joshi in his Key Note Address appreciated the foresight of the MCA in revamping the mechanism of

Cost Audit and Cost Records which will go a long way in benefiting the Indian economy for its continued growth. He further explained that this measure of making Cost Accounting Records across the board will bring in Cost Competitiveness in the Indian industry which will benefit all stakeholders. He further observed that this seminar is going to be a very good platform to understand the intricacies of the new mechanism of rules and regulations incorporated in the notifications issued by the Ministry of Corporate Affairs and observed that the new mechanism comes under Social Economic Regulations. He expressed the need of clarifications and guidance from ICWAI and MCA from the perspective of Industry and professionals and appealed that such guidelines be issued for the use and benefit of the stakeholders. He wished that the seminar will be a good value addition and will help participants to be prepared for the new mechanism.

CMA Shrenik Shah - Vice Chairman of WIRC gave a vote of thanks at the end of the inaugural session.

The speakers for the Technical sessions were CMA Sanjay Bhargave - CCM, CMA Amit Apte - CCM, CMA Vijay Joshi - Chairman, WIRC, CMA Ashok Nawal - RCM, CMA V. C. Kothari - Former CCM ICWAI, CMA Kirit B. Mehta - Past Chairman WIRC, CMA Neeraj Joshi - RCM, CMA Dr. N. M. Vechalekar - Former Chairman, WIRC, CMA Milind Date, CMA Harshad Deshpande, CMA Dalwadi.

The speakers explained in detail The Companies (Cost Audit Report) Rules, 2011, The Companies (Cost Accounting Record) Rules, 2011 with special focus on Cost Accounting Standards, Generally Accepted Cost Accounting Principles. All annexures and paras as per the new mechanism were deliberated upon with the help of practical illustrations. Delegates participated in the sessions enthusiastically to make it highly interactive seminar. Expert panel addressed queries raised by the delegates with support from senior members from amongst the participants. The last session was of Panel Discussion where queries of the delegates were addressed by expert panel. The seminar was concluded with National Anthem. More than 125 delegates attended the seminar.

The seminar was attended by participants from Industry as well as practicing professionals. Senior professionals from Mumbai like CMA Prakash Sevekari, CMA Talati, CMA Kirit Mehta, CMA V C Kothari shared their views and participated in the discussions enthusiastically. CMA Kalyanraman, CMA J K Puri, CMA Deodhar, CMA P. D. Phadke (Former Presidents of ICWAI), Former Chairmans of WIRC, CMA Aruna Soman, CMA Omprakash, CMA Sanjay Gupta (CCM of ICWAI) graced the seminar with their presence. ■

# DEPB out, Drawback Enhanced

CMA A. B. Nawal (Regional Council Member)



The end of DEPB scheme has now really been declared without any extension. Mindset of the exporter was already prepared since the scheme was extended at least more than three times.

Task force for revamping/ reviewing EOU scheme have already submitted their report and Ministry of Commerce & Industry has released the same. Exporters are eagerly waiting for early amendment in Foreign Trade Policy which is due in the month of August 2011 itself. It was thought that the report submitted by the Task Force for revamping/ reviewing of EOU scheme will find the place in the new Foreign Trade Policy.

Meanwhile, since DEPB scheme was not to be extended, Department of Revenue, Ministry of Finance have really tried to give justice to enhance Drawback Schedule which needs to be appreciated.

The following factors has been declaring " All Industry Rate of Duty Drawback for the year 2011-12 which were notified vide Notification No. 68/2011 dated 22.09.2011 made effective from 1st October 2011.

- A. All items covered under DEPB list has been aligned with 4 digit level and corresponding serial number has been given which is available at [www.cbec.gov.in](http://www.cbec.gov.in)
- B. Drawback Rates has been determined on the basis of certain broad parameters like prevailing price of inputs, Standard Input -output Norms(SION), share of imports in the consumption of inputs, FOB value of export goods and present rate of applicable duties.
- C. Incidence of duty on Furnace Oil / HSD have been factored in the Drawback rates.
- D. Incidence of service tax paid on taxable services which are used as input services in the manufacturing / processing of export goods have also been factored in the Drawback rates.

There is a major shift from earlier Drawback schedule, earlier drawback restricted in some of the items based on value cap on FOB value of export, now Drawback is also made restrictive as Drawback amount per unit of measurement.

Drawback schedule will have two rates :

- i. When Cenvat Benefit has not been availed - These rates include the element of Customs duty on imported Inputs, Excise Duty on indigenous inputs and Service Tax on input services used in manufacturing and processing of export goods. However it doesn't include service tax on services mentioned in Notification No. 17/2009 ST dated 07.07.2009, therefore exporter can avail the drawback

as well as entitled for refund of service tax of the service mentioned in Notification No. 17/2009 ST dated 07.07.2009.

- ii. When Cenvat benefit is availed - These rates includes the element of Basic Customs Duty & Education Cess of Customs Duty. However it doesn't include service tax on services mentioned in Notification No. 17/2009 ST dated 07.07.2009, therefore exporter can avail the drawback as well as entitled for refund of service tax of the service mentioned in Notification No. 17/2009 ST dated 07.07.2009.

In view of above, following aspects need to be considered.

- i. If Cenvat benefit is availed export can not take place under the claim of rebate under Rule 19 of Central Excise Rules, 2002.
- ii. No Drawback claim can be taken on the goods manufactured by EOU or goods manufactured in warehouse under section 65 of Customs Act, 1962,
- iii. No Drawback under All Industry Rate can be taken, when export is made for discharge of export obligation under Advance Authorisation / Duty Free Import Authorisation.
- iv. No Drawback will be allowed if export of goods are made under the claim of rebate under Rule 18 of Central Excise Rules, 2002.
- v. If Drawback Rate under heading "with availing Cenvat benefit" and under the heading "without availing Cenvat benefit" is the same then the Drawback Rate reflect the element of Basic Customs Duty plus Education Cess on customs and therefore exports can be made under the claim of rebate under Rule 18 or 19 of Central Excise Rules, 2002.

While close comparison of the DEPB schedule with new Drawback Rates, it is noticed that there is a reduction of benefit in the range of 1% to 3 % of FOB of exports which will directly impact the profitability & competitiveness of exporters

We give below the segment wise reduction of Drawback rate as compared to earlier DEPB rates:

Product Group	Product Segment	Average Reduction
61	Engineering including Automobiles	3%
62	Chemicals including Pharmaceuticals	2- 2.5%
63	Plastics	2-3%

64	Leather & Leather Products	2%
65	Sports Group	2-2.5%
66	Fish & Fish products	2.5-3%
67	Food Products	2.5-3%
68	Handicraft	2-3%
83	Electronics	2.5-3%
89	Textiles	2.5-3%

However, duty drawback rate has been increased in number of items and therefore exporters who were exporting goods under duty drawback will be benefited, comparison chart of earlier Drawback rates and present drawback rates can be view at [www.bizsolindia.com](http://www.bizsolindia.com) .

However, this can be viewed as bonanza for promoting indigenous goods whether final product or intermediate product for export or inputs of exports. Proper procurement strategy has to be made considering following categories are considered as Deemed Export and Duty Drawback on Deemed Export is available on such supplies.

- Supply of goods against Advance Authorisation
- Supply of good against Duty Free Import Authorisation
- Supply of goods against EPCG Authorisation
- Supply of goods to EOU/EHTP/STP.

We give below the methodology to be adopted to maximize the benefit and increase competitiveness and export profitability:

- Supply of goods against Advance Authorisation/ Duty Free Import Authorisation/ EPCG Authorisation :- Generally there is a belief that only imported items are included in the Advance Authorisation, however all items even though planned to be procured indigenous are included in list of items to be imported. Thereafter exporter can approach DGFT for obtaining invalidation letter / Advance Release Order in favour of domestic supplier. In such cases domestic supplier can import duty free items or avail duty drawback, which will reduce procurement cost of inputs. Now new duty drawback rates for most of the items have been increase on the background of end of DEPB scheme.
- Exporters availing Duty Drawback Benefit:- Generally it is the trend to obtain drawback based on rates prescribed under All Industry Drawback Rates rather than doing the cost benefit analysis under Drawback under Brand Rate application in accordance with Rule 6/ 7 of Customs Central Excise & Service Tax Drawback Rules, 1995. Exporter needs to appreciate that there is a mandatory provision now drawback will be disbursed along with interest if drawback claim is given after one month.
- Re-export of imported goods:- Drawback under

section 74 of Customs Act, 1962, and claimed drawback equivalent to 98% of Customs duty paid if goods are re-exported within 6 months or reduced rate as prescribed in notification issued under section 74 of Customs Act, 1962, subject to following procedure as prescribed under the said notification.

- Export by EOU/EHTP/STP:- All supplies by manufacturer to EOU are entitled for deemed export benefit under para 8.3 of Foreign Trade Policy which are given below:
  - Duty free import under Advance Authorisation
  - Entitlement of Duty Free Advance Authorisation
  - Deemed Export Drawback - now the said benefit has been substantially enhanced due to increase in Drawback Rates.
  - Refund of Terminal Excise Duty/ Cenvat Credit

EOU can avail benefit under i. or ii. And iv. Or iii. And iv. above simultaneously, thereby reduce the procurement cost. Those EOUs which are planning to convert to Domestic Tariff Area unit in absence of Income Tax benefit under section 10 B under Income Tax Act, needs work out cost benefit analysis before taking decision of debonding /exit from EOU scheme.

To conclude the enhancement of Duty Drawback rate on background of end of DEPB scheme will prove bonanza if proper planning is done, needless to say at most care to be taken while preparing export documentation including ARE-1 / ARE-2 where declaration is printed and whatever is not applicable should be strike out after understanding scheme otherwise substantial benefit will be lost due to wrong declaration. ■

## FACULTY MEET OF WIRC

Faculty Meet of WIRC was held on 17th September, 2011. The meeting was focused to get some feedback from faculty on the backdrop of June 2011 examination results. CMA Neeraj Joshi - Chairman of Students, Members & Chapters Coordination Committee of WIRC, CMA Vijay Joshi - Chairman WIRC, CMA Shrenik Shah - Vice Chairman WIRC, CMA Sanjay Bhargave - CCM and CMA Amit Apte - CCM attended the faculty meet. CMA Neeraj Joshi welcomed all the faculty members. He introduced the new team of WIRC to the faculty. CMA Neeraj Joshi requested faculty to share their experience and express their views and give suggestions for improving the results and quality of training imparted to the students. Faculty members then expressed their views. All the queries of faculty were addressed by CMA Sanjay Bhargave. CMA Vijay Joshi shared his thoughts and expressed vote of thanks to conclude the faculty meet.

# TOWARDS STRONGER CORPORATE GOVERNANCE FRAMEWORK

**CMA A. N. Raman**

*(The author is President, South Asian Federation of Accountants.)*

Good governance does not mean complying with the laws alone or showing a healthy bottom line through unsustainable means.

The Ministry of Corporate Affairs (MCA) at the Centre has spearheaded various initiatives over the last few years. Its recent notifications relating to the maintenance of cost accounting records and related reporting is a significant step towards improving the quality of governance.

## **Background**

The Cost Accounting Record Rules and Report Rules (CARR and CART) were introduced in the backdrop of the misuse of national resources and the intimidation of market forces in the 1970s and 1980s, leading to several enquiry commissions. But the impact of these rules was not publicised by the policy makers at that time as they were used mainly as interventionist policies. Even at that time, Parliament had envisaged it as a scheme for monitoring resource utilisation by the corporate sector. Since the framework was very incisive, bringing more transparency in operational areas, it was never welcomed by the business world of yesteryears.

In continuum of corporate law reforms, post-liberalisation, MCA formed an Expert Group (EG) in 2008 to study and suggest suitable changes to remould cost accounting/audit to a framework that would facilitate the competitive regime and also protect the stakeholders wherever relevant. It is pertinent to note here that the EG consisted of nominees from FICCI, CII, Assocham, the IIMs, academia, ICWAI, ICAI, ICSI and other stakeholders. The EG submitted its report in 2009, with the sole dissenting note from ICAI. The report was open to public comment. The current notifications are a result of the consensus reached on the EG deliberations hosted countrywide.

## **Recommendations of EG report**

The notifications issued by the MCA on CARR and CART were premised on the following conclusions of the EG:

oSome business sectors concerning the common man will continue to be under administrative price control and the concerned regulators will need reliable cost information.

oGood governance does not mean complying with the laws alone or showing a healthy bottom line through unsustainable means. Financial statements and their annexure alone cannot present insights into business

performance internally. This is validated by various reports of the International Federation of Accountants (IFAC) and the evolution of business reporting projects.

oGood governance has another side to it called Performance Governance (IFAC document on Governance published in 2008). For performance governance, entities charged with governance, such as the board of directors (BOD), should ensure the existence of internal performance management systems. ERM systems is one such requirement ensured through Clause 49 of the Listing Agreement. ERMs are internal systems but yet have an impact on the investor community. Environment systems are now emerging in the same way through an emphasis on ESG.

oNot all companies in corporate India present a high level of maturity in cost management. An enabling mechanism could nudge the corporate sector towards good management practices (Such a statement was enshrined even earlier in the OnkarGoswami report on Company Law.) to induce confidence in investors.

oHighly cost competitive companies whose cost accounting systems are at a best practice level would, in any case, be beyond the basic costing systems (supporting good governance) and, hence, should not be impacted by any reforms in the CARR and CART.

## **Notifications aligned with the above tone**

The notifications that have been issued by the MCA are in line with the above thought processes. The salient features of the notification, if understood properly, will make amply clear the lofty ideals behind the same:

- Product-specific costing record rules now apply to just eight industries from 44 earlier. The regulatory bodies of these eight industries - including power, telecom, bulk drugs, formulations, fertilisers - that are under the price control regime today, would need externally attested cost information.
- The remaining 36 industries have been brought under a single general cost accounting rule that is not prescriptive but only says that the cost accounting information should be available to the minimum standard prescribed by ICWAI through its cost accounting standard board (CASB). It may be noted here that CASB has nominations from CII, FICCI and Assocham, among others.
- The scope of application of these 36 has been further expanded to inculcate a cost accounting discipline for improved governance in many other sectors.

- The minimum standard on cost accounting by ICWAI will not accept financial accounting information maintained as per accounting standards as cost information. They will expect resource utilisation discipline for performance assurance under an enhanced governance framework at the entity level.
- Other than the eight core industries and another set of eight industries of national priority, including cement and steel, the remaining companies need not undergo any cost audit by an external cost accountant. Instead, even a cost accountant who is an employee, can file a compliance report to the board of directors that the notifications are being complied with.
- As a result of the above notifications, a well-managed company with a good existing cost accounting system will benchmark itself with the minimum standards required on cost accounting. If an entity has such a robust system, there will not be any need for maintaining any extra records and will be compliant with the rules.
- Further, in the 16 industries that will be subjected to cost audit, the board (and not the MCA) will receive

a performance management appraisal report about various aspects of cost competitiveness and resource utilisation, including the impact of IFRS vis-a-vis the historical cost structure.

### **Are there any similar global practices?**

It may be useful for those who look for similar global practices that any company doing business with the Federal US Government needs to compulsorily maintain cost accounting records subject to certain threshold limits. The Korea Accounting Regulator has issued cost accounting standards to be used in financial statements. Way back in 1962, the Japanese Finance Ministry issued circulars prescribing cost accounting practices, calling it a social discipline framework for the corporate sector. The IFAC document on costing holds the auditability of cost information as a best practice.

The MCA move on costing, therefore, is a step in the right direction and if taken in the right perspective will build best management practices for a competitive environment and bolster governance. India can, therefore, show the world the way to setting a new trend in governance framework. ■

## **CAMPUS INTERVIEW**

WIRC is planning a Campus Interview on Saturday, the 15th October 2011 at SGSJK's Aruna Manharlal Shah Institute of Management & Research, R.B. Kadam Marg (Jivdaya Lane), Near MTNL Exchange, Off: L.B.S. Marg, Ghatkopar (W), Mumbai 400 086 for the students who passed their Final Examination in June 2011.

All Corporates, Financial Institutions, Management Consultants, Cost Accountants are invited for participation for the Campus Interview to select talents from our Institute.

***For Details Please Contact***

**CMA Ashish P. Thatte,**

*Hon. Secretary WIRC – Mob.: 98209 73559*

**CMA Neeraj D. Joshi,**

*Treasurer, WIRC – Mob.: 98225 96057*

## **REPORT ON CEP**

On 10th September 2011, WIRC organized a CEP on "Discussion on Exposure Draft Guidance Notes - Cost Accounting Standards (CAS 4) at Students & Members Facilitation Centre, at Thane. CMA Hemant Kulkarni, Practising Cost Accountant was the faculty for the programme.

Large number of members attended the programme.

## **REPORT ON 'XBRL' PROGRAMME**

The XBRL Programme was arranged by the CEP Directorate of The Institute of Cost and Works Accountants of India organized by WIRC at Grand Hotel, Mumbai on Monday, the 12th September 2011.

CMA Vijay P. Joshi, Chairman, Western India Regional Council of The ICWA of India inaugurated the training programme. CMA Ashok B. Nawal, Chairman, PDP & CEP Committee, WIRC, CMA Aruna Soman, CCM., ICWAI, CMA Ashish P. Thatte, Hon. Secretary, WIRC were also present on the occasion.

Mr. Nimesh Mittal, Functional Consultant on MCA21 of TCS, Mr. Swaminathan, CEO, IRIS. XBRL Software Demonstration and Ms. Suchita Goyal, XBRL Consultant, IRIS were the resource persons for the programme.

Mr. Anil Bhardwaj, Director, Ministry of Corporate Affairs, also guided the participants during the Panel Discussion & Question Answer Session. The programme was well attended by more than 50 Professionals.

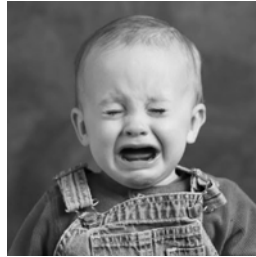
# BANKS CRY, MORTGAGAGE RATING, Q3 & Q4

Written by **Indraneel Sen Gupta,**

*Financial, Economic Writer and Research Analyst, ICWA (FINAL), MA in Economics*

The World financial market lost around 4.40 trillion Dollars in 10 days.

What a cry was for the loss across the globe, but did we ever hear the cry of the banks across Europe and US. We never placed our ears to them. With the blessing of globalization the world economic system has become so much convoluted that a single pinch at any of the global footstep.



**The Cry of Banks.** With recent fraught of Europe the US banks are very much on the verge of peril. Three US banks are having great numbers of exposure in European debts. Citigroup, JPMorgan Chase and Bank of America are having have billions of dollars exposed to European banks and debt. U.S. banks are most at risk in Europe because of the gyrations of the overseas debt markets and potential inability to undertake fixed-income underwriting securities from European economy. The respective exposures being taken by the 3 banks of US are as follows:

- Citi's exposure to Greece, Ireland, Italy, Portugal, Spain as well as other financial institutions and corporations located in Europe sit at roughly \$13 billion.
- Citi has the most overseas exposure of anyone in our group, with roughly 50% to 60% of revenues non-U.S. based, both on the corporate and consumer side.
- JPMorgan Chase's aggregate net exposure to Greece, Portugal, Spain and Italy currently stands at about \$14 billion, with the bank's total credit exposure sitting at \$121 billion.
- Sovereign exposure in all five countries represented approximately 26% of the aggregate net exposure, with the majority of the sovereign exposure in Spain.

What ever might be the position or exposure of US banks into the European debts that amount is being owned by the US citizens and not of the Financial Players of the Wall Street. It will be a contagion fall for the US and rest of Atlantic.

## Mortgaging Ratings: Borrowing.



France is one the verge of collapse due to having maximum exposure in Italian and Greek government debt which especially vulnerable. Using data from European Union stress tests on 91 European banks, Fitch Ratings said losses of 50 percent on Greek bonds and

25 percent on Portuguese and Irish bonds wouldn't have made any of four big French banks flunk the test. Moreover the prime reason why Europe don't want its rating of France to be below AAA credit rating since by mortgaging the rating of France Europe will raise funds to save the other nations.

US will not be taking any guarantee or backing the any European economy as they have lost faith on the European banks. Now the difficult phase comes for Europe regarding whom they will mortgage and who will lend them. U.S. money market funds have been slashing their exposure to banks in the Euro zone. Their holdings of Euro zone bonds declined about 10 percent in July, to \$340 billion from \$378 billion, according to research from J.P. Morgan Securities LLC.

More than the question of who will lend the question of political stability is very much on debate side. Political unrest was not visible during 2008 recession which is very much present now in the atmosphere of global economy. You might get G-20 and G-7 nations meeting on an emergency basis but the questions come who will bailout whom. The nations will come up with another round of printing money but no mechanisms for how to repay the lender.

## Q3 and Later on Q4.

Every nation is actively planning to keep the inflation moving like a pendulum with borrowed capital. But even if this time Q3 (Quantitative Easing) comes for a rescue that will again come to an end at some of time. Within that time all the Presidential elections across the Atlantic will get over and another round of Q4 will be ready as a promotional political Measure. But what we economist has forgotten is the physiological behavior of the citizens of these Atlantic countries.

The riot of Europe is a prominent example of the change happening in the nature and outlook towards the future Course of Actions adopted by these 'Fragmented Economies'. Cutting down spending and finding no way to increase income is one of the worst and toll of weakening an economy further making its recovery difficult for a prolonged period. We need to understand that we are not dealing with numbers or bailouts we are dealing with humans and their human labor which is the real back bone of any economy across the planet.

## EUROPE...WHO IS NEXT.....

### My Best Child S&P.

If some one has done mistake in early then it does not make sense that every time it will repeat the mistake. S&P has



done the perfect thing that this time it has went ahead and declared the most vulnerable danger awaiting for the world market. In other words what the 12000 Dow Jones and Mr.Obama administration was trying to hide was revealed by S&P.

This time the rating agency deserves an honor that it did not get influenced by any powerful authority on the earth. I will not make my easy to be prolonged to boar my readers but I will rather cut short and request my readers across the world **ACCEPT THE BRUTAL FACTS**. Easy days for the world market and US is over. It time for some hard work and cut short your appetite and focus on basic growth strategy rather than focusing deeply on how fast we beat each other in economic growth competition. Can any one explain how the Dow Jones climbed the ladder of 12000 when real growth was not happening in US economy. And if growth was their then a meager of 1% in GDP drags Dowjones to 12000 mark then 3% GDP growth will make Dowjones climb 20000.Sounds funny, extremely funny.

### **No clothes for my Emperor**

This time we have something more to dig out. Europe is not the volcano of financial collapse. Greece after that its was Spain and now Italy has come out with its naked body. It reveals that the Emperor has no clothes to wear and not even in the wardrobe.

Rating agencies in the last couple of weeks have been battered like anything for declaring the original crisis figures and situations to the world economy. Thanks to the world leaders in hiding their fragmented economic situation. If we make quick look towards the Italian economy we find it is standing one the verge of collapse. Italy's average quarterly growth rate since 2000 has been just 1%,meanwhile, its debt-to-GDP ratio is 120%.What an economic performance maintained by one of the largest economy of Euro zone. You will surprise to know that is Italy is the third-largest economy in the euro zone. It's also the third-largest bond market in the world, behind the US and Japan.

So when a call will raise over its economic payment structures the world will go for hip hop dance. Spain's 10-year borrowing costs rose above 6% yesterday, while Italy's hit 5.7% and are still rising. If there is panic in the market that European economies are all plummeting then borrowing cost will increase and bonds will bear the heat. Already the gap between the yield on Italian government bonds and German government bonds is at a euro-era record. (In other words, investors are lending to Italy at much higher rates than to Germany. Banks of Italy are under the biggest threat since Italian banks hold so much Italian government debt that any Panic bell will make the life difficult for Italian Banks.

### **Money Makers**

Among these entire debacles the biggest Money Makers of these situations is those who are lending easy money



at high cost to these fragile fragmented economies. The biggest problem apart from providing easy money and Austery measures is the political condition prevailing over these fragile US and European economies. The biggest hard work is that to bring growth in these economies which were ailing for decade under low economic growth. In act these economies were dead a long ago, Euro might have kept them alive. It very astonishing to find that US and Europe lived and ruled the world economy on 'Borrowed Capital' without thinking when they have to be returned. Cutting down expenditures will only result less jobs and no consumption and Zero economic growth. I find next year also many economies of Europe will use the German Credit card and Austerity cards for mounting debts.



### **Another Feather: France**

France has already proved the theory that cutting down expenses internally leads to Zero economic growth. Despite of delivery a Zero GDP growth France government insisted that French economic fundamentals remained "solid" and that the country was still on course to reach its official target of 2.0 percent growth for the year. Now tell me whom you will believe and where you will plan your safe investments. Now if S&P grades France economy to a negative marking will it is Big Crime or is not the word expected from rating agency as loyal voices raised their voice when S&P downgraded US treasuries. Some economic data of the Eurozone economies will really make one to think where the world is heading for:

Production in the 17-nation euro area slipped 0.7 percent from May, when it rose 0.2 percent.

- Output of capital goods slumped 1.5 percent in June from the previous month, when it rose 1.1 percent.
- Energy production slipped 0.4 percent and output of intermediate goods decreased 0.6 percent.
- Production of durable consumer goods declined 2.5 percent from May.



**What might happen if France is downgraded?**

If France, the euro zone's second-largest economy, lost its AAA rating the effect would stretch far beyond its borders.

France provides the second-largest contribution, after Germany, to the euro zone's temporary rescue fund, the European Financial Stability Facility, which enjoys an AAA rating to borrow at low rates and lend to states under bailout programmes.

By this time France, Belgium, Spain and Italy, are all under intense pressure from the financial markets, hence from Friday onwards a ban on the speculative practice of

short-selling bank stocks to combat "false rumors" that destabilized them have been imposed.

Hence I rating agencies have done their ratings correct this time its their Duty to inform and cautious the global citizens about the hidden deeds of the greatest world Leaders and Financial Heads.

**Who is Next?**

In fact this is one of the hardest questions but still it needs its reply. Turkey is the next economic going to face slow down in growth as it is already over heated and Belgium might be the next tag line of every economic news paper. ●

## CHAPTER NEWS

**NAVI MUMBAI**

Report on" XBRL - Revolutionizing Financial Reporting "organized by the Navi Mumbai Chapter of Cost Accountants on Sunday, the 18th September 2011 :

Mr. B. Renganathan, member of the Professional Development Committee, welcome the members and the Speaker, CA Surendra Ramamurthy - Manager KPMG. He also explained the relevancy and importance of XBRL.

The applicability of XBRL, including the recent updates were explained during the program. The speaker, with the help of screen shots, clearly explained various terminologies used in XBRL. The Business Rules, key requirements to file the Return and the purpose and importance of "Tagging" were explained in a detailed way. The discussion meet was thoroughly interactive, interesting and thought provocative. CMA V Narayan, Managing Committee Member of the Chapter proposed the vote of thanks.

**PUNE****CONDOLENCE REPORT**

A condolence meeting of the members of the Institute from Pune Region was convened on 27th Sept 2011 to pay homage to Shri P.D.Parkhi at the Chapter's premises.

The members of the Institute, the members of the Managing Committee of Pune Chapter, Faculties, Students and staff of the Pune Chapter were present and paid homage to late P.D.Parkhi. The members closely associated with him recollected their memories about him. Two minutes silence was observed and a resolution was passed at the end as under

"We, the members of the ICWAI, deeply mourn the sad demise of Shri. Pramod Parkhi. He was the one of the Founder Member of this Chapter and had taken lot of initiative & efforts in establishing the Chapter.

He was President of the Institute in 1988-89. During this period, he served the interest of the profession with full vigor. He represented the Institute in various capacities at international level. The profession of Cost & Management Accountancy has suffered a very huge loss

due to his sad demise". All of us share the grief of the bereaved family. May the departed soul rest in peace.

**SURAT SOUTH GUJRAT**

Surat South Gujarat Chapter of Cost Accountants - Ankleshwar Bharuch Facilitation center of ICWAI organized a seminar Jointly with Ankleshwar Industrial Association on "Important Changes in Excise, Customs & Service Tax & Recent Changes in Cost & Management Accountancy" on 25th September 2011 at Hotel Lord's Piazza, GIDC, and Ankleshwar. CMA B M Sharma Immediate Past President of ICWAI was the Chief Guest. In the Welcome address CMAS N Mundra (Vice Chairman of the Chapter) elaborated that the starting of Bharuch Ankleshwar facilitation center and oral classes for ICWAI courses at Ankleshwar has received very good response from Asia's biggest industrial estate. In the first technical session CMA B M Sharma, Immediate Past President of ICWAI elaborated the reasons for recent changes in Cost Accounting record rules and Cost Accounting Audit order and its implication. The second technical session was on implications of Indirect tax where Mr. Anand Nanavati & Mr Jigar Shah (from reputed firm was Laxmikumaran & Shridharan) were the experts. In the third technical session CMA Manubhai Desai, Senior Practicing Cost Accountant gave his views on implications of recent changes in Cost Accounting record and audit rules. The program was co-ordinated by CMA Rajendra Rathi. It was well attended by CMAs, delegates from the industries and students apart from Managing Committee members of the Chapter. Vote of thanks was given by Mr. Rajesh Makwana.

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"A seminar on Recent changes in Cost Audit & Compliance report was organised at Vapi. The seminar was attended by 46 participants from various companies from Vapi, Daman & Silvassa and 24 students of Final ICWAI. The faculties CMA Ashok Nawal and CMA B F Modi enlightened the participants on recent changes in Cost Audit & Compliance report. CMA Ashwin Dalwadi gave detailed view on XBRL and the new way of reporting." ■

## Glimpses from CFO Meet Organised by ICWAI National Task Force on Friday, 16th September 2011 at Mumbai



CMA Amit Apte (3rd from left - standing) along with other members during 17th SAFA Board Meeting



CMAs V. V. Deodhar, Past President ICWAI and Ashish Thatte, Hon. Secretary, WIRC paid their respects to Late Pramod Parkhi at the Condolence Meeting held at WIRC on 27th Sept. 2011



CMA B. E. Modi addressing the participants, during seminar on Recent changes in Cost Audit & Compliance Report organised at Vapi by Surat-South Gujarat Chapter (L to R) CMA R M Kandoi, CMA Ashwin Dalwadi, Mr. G. D. Goel, CEO of Action Shoes Ltd., Daman and CMA Ashok Nawal.



Ms. Suchita Goyal, XBRL Consultant, IRIS, Mr. Anil Bhardwaj, Director, Ministry of Corporate Affairs, Mr. Swaminathan, CEO, IRIS and Mr. Nimesh Mittal, Functional Consultant TCS during XPRL programme arranged by CEP Directorate of ICWAI at Mumbai on 12th Sept. 2011.



CMA Neeraj Joshi - Chairman Students, Members & Chapters Coordination Committee of WIRC addressing the Faculty Meet organised by WIRC on 17th September 2011. (From L to R) : CMA Amit Apte - CCM, CMA Sanjay Bhargave - CCM, CMA Vijay Joshi - Chairman of WIRC & CMA Shrenik Shah - Vice Chairman of WIRC)

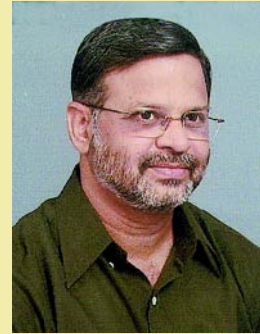


View of Faculty members during Faculty Meet organised by WIRC on 17th September 2011.



CMA Rathi, CMA J. T. Parmar, CMA S. N. Mundra, CMA M.K.Desai, CMA S. Saxena, CMA B. F. Modi with Key Note Speaker CMA B. M. Sharma Past President ICWAI in middle during a seminar on "Changes in Excise, Customs & Service Tax & Recent Changes in Cost & Management Accountancy, organised by Ankleshwar Bharuch Facilitation center of SSGCA on 25th Sept. 2011

## Congratulations !!!



Yashwantrao Chavan Maharashtra Open University, Nashik has nominated CMA Sanjay Bhargave, CCM, as the member of the School Council, School of Commerce and Management for the period of three years.

The School Council shall have various powers including to organize development and research work, to approve the course structure of the academic programmes in Commerce and Management stream, to approve the syllabus for the various courses in Commerce and Management etc.



If undelivered please return to:

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To