



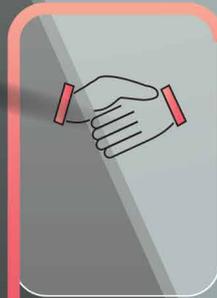
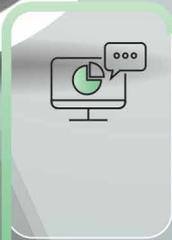
The Institute
of Chartered
Accountants of
India
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The Chartered Accountant STUDENT

Your monthly guide to CA news, information and events



SPECIAL ISSUE ON
**STRATEGIC
MANAGEMENT**



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SWACHH BHARAT - A STEP TOWARDS CLEANLINESS

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Dear Students,

Greetings to all of you, and it is my pleasure to communicate with you as the President of this esteemed institution which ranks amongst the best and numbers of members and students apart, has withstood the test of time in providing integrated facets of an internationally benchmarked quality education, regulatory framework for training, a world class examination system, CPD for members, standards setter and a time tested Quality Assurance mechanism; in addition to the Disciplinary mechanism. You should be proud of the legacy that the name of ICAI brings with it. You, the budding professionals are the future of this great profession and being a part of a public interest mandate of certifying a true and fair view of the financial statements; it is in you where lies the mandate of carrying forward the pristine glory that the profession has so steadfastly brought so far.

Indeed, it is the quality of our professional services which have set high benchmarks for others to emulate and I am of full conviction that a profession which is based on edifice of maintaining trust, independence and integrity will go further stronger with an adept young breed of professionals in you who are to carry forward the sagacious journey which ICAI members have carried so far in national interest quality. You can count on unstinting support of Council, Board of Studies and myself who have pledged to work with the zeal for the growth of accounting education and profession, enhancing opportunities and at the same time bringing value for the society.

Our Top Priority: Globalizing CA Education and Training

We at ICAI are always committed to facilitate best learning resources, infrastructure and services for our students. Similarly once you become members, ICAI is deeply engaged in providing avenues for taking overseas qualifications of other institutions as well. Globalising CA Education and Training is our top priority in strategic focused areas of the year 2018-19 and various tasks are proposed to be undertaken with this objective. As you are aware, the **Revised Scheme of Training and Education** has already been launched in the interest of students, to enable you in positioning with accountants globally and prepare for a fulfilling career ahead. In the present global business environment, subjects are becoming more and more interrelated. Therefore, electives have been introduced at the Final level to encourage you to specialize in a specific area/field of your choice. Comprehensive training programmes like **AICITSS (Advanced Integrated Course on Information Technology and Soft Skills)** have been introduced with an objective to **scale up** your performance.

To further enhance the credibility of our course and enable you to meet the challenges ahead, it will be endeavored that the examinations will include more practical problems and case studies. The BOS, ICAI has already started uploading Questions for Practice and Revision Test Papers to help you to prepare for first examination in the revised scheme in May 2018. Facilitating knowledge and its effective delivery systems have always been our priority. In line with this philosophy, we at ICAI, intend to introduce next generation **Interactive Learning Management System** and **Soft Skill Courses** as a part of **e-learning**. As a professional institution, it would be our endeavour to provide ample exposure, placement and training opportunities for our young

and budding chartered accountants by enhancing participation of national and foreign organizations/ companies/ regulatory authorities in campus placements/industrial training programs and also conducting student exchange programmes with the international accounting bodies to share knowledge and best practices.

To render best services to you, timely delivery of information and effective guidance is essential and that will be achieved by improving grievance management system and introducing online services for quick resolution of your queries. In order to provide you the opportunity to pursue further higher education after successful completion of the course, ICAI will be collaborating with national and international institutions for doctoral programmes in accounting, assurance, taxation, finance and business management. To leverage technology, the digital infrastructure will be strengthened by establishing **ICAI Technology Centres** with advanced ITT, hi-tech labs, for your benefit.

Articleship Training your learning ground

While theoretical knowledge provides the necessary foundation, articleship training imparts the necessary skills to apply that knowledge in actual practical situation to maximize learning and value addition. Considering the significance of practical training, ICAI will organize capacity-building programmes for CA Firms to impart further effective articleship training to you by providing guidance in methodology and a robust framework/mechanism. A dedicated **E-Portal for industrial training** has been launched recently to encourage you (students) to take up industrial training. Further, **E-Diary** will be introduced to enable you to document your work assignments online in a systematic manner and that will also enable Principal CAs to gauge progress and assess performance of their articulated assistants.

I am quite hopeful that our continual endeavors and initiatives towards strengthening delivery of education, training and services, will be hugely beneficial and instrumental in empowering you to become an accomplished professional.

Opportunities and Challenges

Being students of this coveted profession, you would know that opportunities are aplenty in the profession. Due to complex and diverse industry requirements arising in the context of policy changes such as GST, Ind AS, Insolvency Code, Valuation etc., new avenues are opening up for Chartered Accountants. **International Taxation, Transfer Pricing, Alternate Dispute Resolution (ADR), Insolvency Resolution Professionals, Anti Money laundering, Litigation in Management, Forensic accounting** among others are potential thrust areas and gaining gradual prominence. With a robust entrepreneurial ecosystem bustling due to sharp rise in the number of start-up enterprises, opportunities are rife in the consultancy arena as well. Given the plethora of avenues, you will only be able to leverage these opportunities if you enhance your knowledge in these areas.

Importance of Ethics in What All We Do

The current evolution of profession has largely been due to our role as robust and pro-active Regulator. Disciplining oneself in process of meeting diverse demands and aspirations of a market driven economy calls for pursuit of highest form of professional ethics and I earnestly appeal to my upcoming budding professionals to adapt this as the core for sustainable excellence.

Best wishes to you and your family members for a cheerful Holi, Mahavir Jayanti, Good Friday, Gudi Padava, and Nowruz! Let us celebrate our festivals in their true spirit and celebrate each other's existence and well-being and take forward the spirit of inclusive growth.

With best wishes

CA. NAVEEN N. D. GUPTA
PRESIDENT, ICAI, NEW DELHI

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VICE PRESIDENT'S COMMUNICATION ||



Dear Students,

It gives me immense pleasure to write to you as the Vice-President of our august Institute through the medium of Students' Journal. I express my sincere thanks and gratitude to all my colleagues and the CA fraternity for the big responsibility that has been assigned to me. It is my humble faith that the almighty will bestow upon me enough strength to work with dedication and integrity and take the Institute to further heights. With great humility, I wish to discharge this responsibility and work for the benefit of the students, members, profession of chartered accountancy and the society.

Chartered Accountancy is one of the finest courses, wherein you are helped to sharpen your acumen and develop competencies in the areas of accounting, finance, taxation, management and so on. Practical training and personality development related measures help you mould yourself into a total professional. All through my professional career, students have been close to my heart. I firmly believe that the students are the future as well as the hope of the profession. The profession also enjoys significant strengths and opportunities, based on its core values of objectivity, integrity and commitment to protect the public interest, as well as the quality of its education and training.

In the fast changing global scenario, the finance professionals will have to play a significant role. Around the globe, the demand for professional accountants and their wide range of knowledge and skills that add value to business continue to grow. In the public sector also, accountants need to demonstrate their leading role in sectoral reforms, delivering effective financial management and sound stewardship of public funds. In all sectors, professional accountants recognize the importance of building relationships with their clients and internal customers, based on trust and independence as much as technical expertise. So, it is appropriate for you to equip yourself during the student days with an excellent knowledge base, not only with a view to pass the examinations but to emerge successful in the competitive environment.

In my opinion, the best way you can succeed in the CA examination is to spread your preparations over several months from the day one of the commencement of your course. This will definitely help you to avoid stress and strain in the learning process. Carefully plan your studies to complete your preparation at least one month prior to the examination. You should plan your schedule so that your time is distributed equally for the preparation of all the subjects. If you succeed in this, it is possible for you to overcome any difficulty and qualify your examinations with a higher percentage.

Compared to other professional courses, the CA course has its own uniqueness as it is devised and developed to offer you an exposure of both theoretical and practical aspects. The articleship training programme of the CA course is the backbone in framing a strong base for the application of theory into practice. I would therefore like to advise you to develop a high level of concentration while pursuing your articleship. I firmly believe that an honest and sincere approach towards your articleship will definitely yield rich dividends in all your professional endeavours.

As you know that the profession of chartered accountancy warrants a strong base on soft skills and IT knowledge. These are the areas where you are expected to concentrate a bit. Soft skills and IT knowledge play an important role in silhouetting career of successful CAs. Never consider the IT training being provided by the Institute lightly. I advise you to participate very seriously in the Institute's programmes on Professional Development Skills and IT Training.

It is very easy to pronounce the word 'success'. But it requires a lot of pain and persistent efforts to achieve it. Success comes to those who believe in themselves and work towards it. Strong determination and will-power will definitely help you to achieve your goals. But one thing you must remember that you should have a clear idea about your destination. If you are not clear about what you wish to achieve, you can never end up there. In your journey towards success, you may encounter small setbacks. But never give up. Resume your journey with strong determination. You will be victorious and you will rejoice with the feeling of accomplishment.

I take this opportunity to wish you all a bright and prosperous career ahead and a wonderful and cheerful Holi festival.

Yours Sincerely,



CA. PRAFULLA P. CHHAJED
VICE PRESIDENT, ICAI, NEW DELHI

For profile, visit : https://www.icai.org/new_post.html?post_id=192&c_id=199



Dear Students,

I am delighted to communicate to you as the Chairman, Board of Studies. At the outset, I put on record my gratitude to President CA.Naveen N.D.Gupta and all the Council members for reposing faith in me and entrusting me with the overall responsibility of Board of Studies. I am confident that under the dynamic leadership of President CA.Naveen N.D.Gupta and Vice President CA.Prafulla Chhajed, I shall be able to carry out these responsibilities. With the active cooperation of my enthusiastic Vice Chairman, CA. Vijay Kumar Gupta and all the other members of the Board of Studies for the year 2018-19, we will be taking new initiatives for the overall benefit of our student fraternity.

As you are all aware, Chartered Accountancy is a dynamic, challenging and rewarding profession. There is a great demand of young accounting professionals in the financial sector. I know that each one of you is capable and competent enough to rise up to our expectations and hence completely gear up to work in the changing work environment and will be able to meet all deadlines.

For achieving all round excellence in the personal and professional arena, our Institute offers latest professional courses that provide umpteen avenues of professional advancement and at the same time improve your professional and personal skills. I am sure that you will take an earnest note of the socio-economic development and contribute your share in a mighty way so that our country will be able to illuminate the rest of the world with its crowning glory of knowledge and wisdom.

Dear students, it is my earnest desire to provide an ambience of trust, honesty and professional growth to you so that you can develop a sense of belongingness towards the Institute. Similarly, we, at the Institute must become fully equipped to facilitate best available

learning facilities and excellent infrastructure to our students.

The profession of Chartered Accountancy is drawing the attention of millions of youth and witnessing a rapid growth. This phenomenal growth has brought the Accounting Profession to the forefront. Our CA course is unique, as it is developed to offer you an exposure of theoretical and practical knowledge. The rigorous articleship training programme is the backbone in framing a strong base for applying theory into practice. I advise all of you to develop a high level of concentration while pursuing your articleship. An honest and sincere approach towards articleship will yield rich dividends in all your professional endeavors.

I think that you all have opted for the Chartered Accountancy course after a well thought out decision. A systematic preparation with hard work and sincerity will definitely help you in cracking all the examinations and ultimately fulfil your ambitions. The Institute provides you the best inputs at all levels of your course. Concentrate on the study material of the Board of Studies on various subjects. You may also supplement your knowledge with selected reading of books by authors of repute. I would also urge you all to utilize maximum, the facilities provided by the Board of Studies to impart technical training and professional skills development programmes.

The profession of Chartered Accountancy requires a strong hold on soft skills and IT knowledge. These are the areas, where you have to work upon. Soft skills and IT knowledge play a huge role in the silhouetting career of successful CAs. I advise you to show keen interest in participating in our Institute's Programmes on Professional Development Skills and IT Training. The word success appears to be very simple to pronounce and spell out, but contrary to this, it requires many painstaking and persistent efforts to make it worth meaning and enjoyable.

Wish you all a wonderful and cheerful Holi festival.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Dhinal A. Shah'.

CA. DHINAL A.SHAH
CHAIRMAN, BOARD OF STUDIES, ICAI

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VICE CHAIRMAN, BoS ||



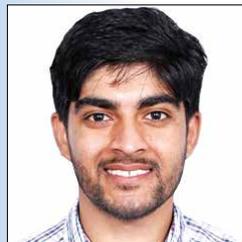
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Faridabad

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Toppers of Chartered Accountants Intermediate (IPC) Examination, November-2017



JAY D. SHETH
AHMEDABAD
First



S. ARAVIND JAYARAM
KOLKATA
Second



SIMRAN KESSAR
NAVI MUMBAI
Third

Our Hearty Congratulations

CROSSWORD SOLUTION – FEBRUARY 2018

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STRATEGIC MANAGEMENT – A CAPSULE FOR QUICK REVISION

In the August 2017 issue, the Capsule for quick recap of IIPCC/Intermediate Paper 7B: Strategic Management broadly covers the topics of strategic management discussed in detail in Chapter 1 to 3 of the Study Material. In continuation, the capsule on this subject published in this issue covers the remaining Chapters 4 to 8 of the Study Material. Kindly note that this capsule would be beneficial for both Intermediate and IIPCC of Paper 7B: Strategic Management.

It may be kept in mind that the capsule is not the replacement of the Study Material. Reading of Study Material is absolute essential. This capsule is intended to assist you in the process of revision of concepts discussed in the Study Material.

CHAPTER 4 : CORPORATE LEVEL STRATEGIES

Strategies are formulated at different levels of an organization – corporate, business and functional. Corporate level strategy occupies the highest level of strategic decision making and covers actions dealing with the objective of the firm, acquisition and allocation of resources and coordination of strategies of various SBUs for optimal performance.

We can classify the different types of strategies on the basis of levels of organisation, stages of business life cycle and competition.

Basis of Classification	Types
Level	Corporate Level Business Level Functional Level
Stages of Business Life Cycle	Entry/Introduction Stage - Market Penetration Strategy Growth Stage - Growth/Expansion Strategy Maturity Stage - Stability Strategy Decline Stage - Retrenchment/Turnaround Strategy
Competition	Competitive Strategies - Cost Leadership, Differentiation, Focus Collaboration Strategies - Joint Venture, Merger & Acquisition, Strategic Alliance

The corporate strategies a firm can adopt may be classified into four broad categories. The basic features of the corporate strategies are as follows:

Strategy	Basic Feature
Stability	The firm stays with its current businesses and product markets; maintains the existing level of effort; and is satisfied with incremental growth.
Expansion	Here, the firm seeks significant growth—maybe within the current businesses; maybe by entering new business that are related to existing businesses; or by entering new businesses that are unrelated to existing businesses.
Retrenchment	The firm retrenches some of the activities in some business (es), or drops the business as such through sell-out or liquidation.
Combination	The firm combines the above strategic alternatives in some permutation/combination so as to suit the specific requirements of the firm.

Stability Strategy

A stability strategy is pursued by a firm when:

- It continues to serve in the same or similar markets and deals in same or similar products and services.
- The strategic decisions focus on incremental improvement of functional performance

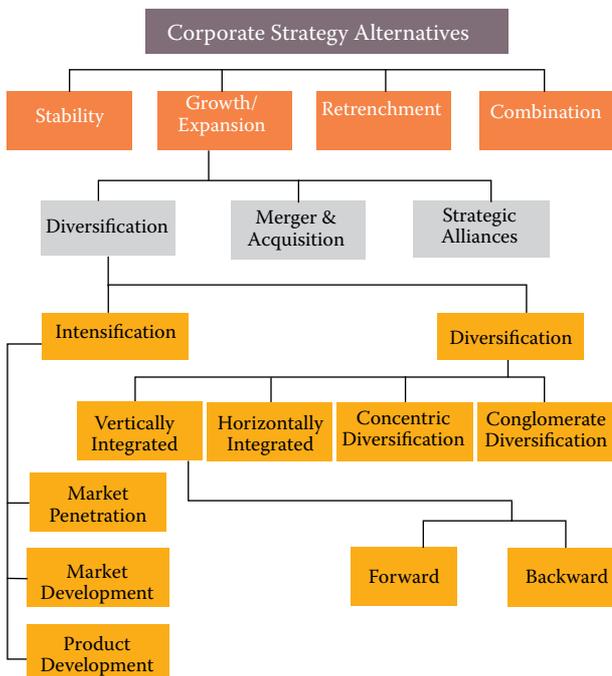
Stability strategy is not a 'do nothing' strategy. It involves keeping track of new developments to ensure that the strategy continues to make sense. This strategy is typical for those firms whose product have reached the maturity stage of product life cycle. Small organizations may also follow stability strategy to consolidate their market position and prepare for the launch of growth strategies.

Growth/Expansion Strategy

Growth/Expansion strategy is often characterised by significant reformulation of goals and directions, major initiatives and moves involving investments, exploration and onslaught into new products, new technology and new markets, innovative decisions and action programmes and so on. Expansion also includes diversifying, acquiring and merging businesses.

• Expansion through diversification

Diversification is defined as entry into new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge. For some firms, diversification is a means of utilising their existing facilities and capabilities in a more effective and efficient manner.



STRATEGIC MANAGEMENT

Expansion or growth strategy can either be through intensification or diversification: Igor Ansoff gave a framework as shown which describes the intensification options available to a firm.

Market Penetration Increase market share Increase product usage Increase the frequency used Increase the quantity used Find new application for current users	Basic Feature Add product features, product refinement Develop a new-generation product Develop new product for the same market
Market Development Expand geographically target new segments	Diversification involving new products and new markets Related / Unrelated

Product-Market Expansion Grid

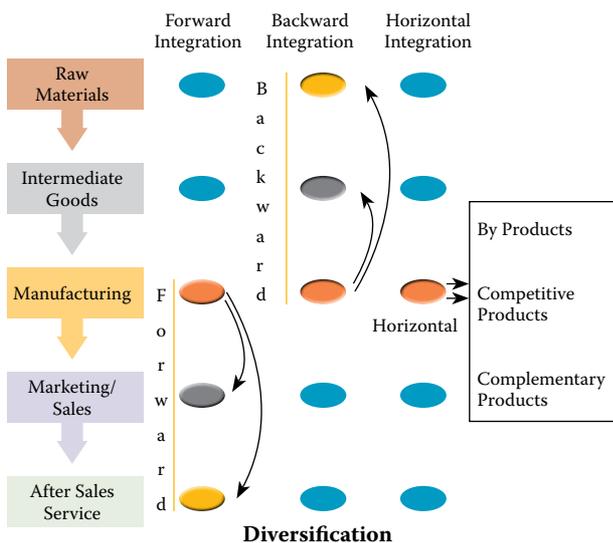
(a) Intensification

- **Market Penetration:** Highly common expansion strategy is market penetration/concentration on the current business. The firm directs its resources to the profitable growth of its existing product in the existing market.
- **Market Development:** It consists of marketing present products, to customers in related market areas by adding different channels of distribution or by changing the content of advertising or the promotional media.
- **Product Development:** Product development involves substantial modification of existing products or creation of new but related items that can be marketed to current customers through establish channels.

(b) Diversification

Diversification endeavours can be related or unrelated to existing businesses of the firm. Based on the nature and extent of their relationship to existing businesses, diversification endeavours have been classified into four broad categories:

- (i) Vertically integrated diversification
- (ii) Horizontally integrated diversification
- (iii) Concentric diversification
- (iv) Conglomerate diversification



- (i) **Vertically integrated diversification:** In vertically integrated diversification, firms opt to engage in businesses that are related to the existing business of the firm. The firm remains vertically within the same process sequence moves forward or backward in the chain and enters specific product/process steps with the intention of making them into new businesses for the firm.

Forward and Backward Integration:

Forward integration is moving forward in the value chain and entering business lines that use existing products.

On the other hand, backward integration is a step towards creation of effective supply by entering business of input providers.

- (ii) **Horizontal Integrated Diversification:** Through the acquisition of one or more similar business operating at the same stage of the production-marketing chain that is going into complementary products, by-products or taking over competitors' products.

RELATED DIVERSIFICATION	UNRELATED DIVERSIFICATION
Exchange or share assets or competencies by exploiting <ul style="list-style-type: none"> • Brand name • Marketing skills • Sales and distribution capacity • Manufacturing skills • R&D and new product capability • Economies of scale 	<ul style="list-style-type: none"> • Investment in new product portfolios. • Employment of new technologies. • Focus on multiple products. • Reduce risk by operating in multiple product markets. • Defend against takeover bids. • Provide executive interest.

Related vs. Unrelated Diversification

- (iii) **Concentric Diversification:** Concentric diversification too amounts to related diversification. In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing.
- (iv) **Conglomerate Diversification:** In conglomerate diversification, no such linkages exist; the new businesses/ products are disjointed from the existing businesses/products in every way; it is a totally unrelated diversification.

Expansion through Mergers and Acquisitions

Acquisition or merger with an existing concern is an instant means of achieving the expansion. Merger and acquisition in simple words are defined as a process of combining two or more organizations together.

- ❖ Merger is considered to be a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly

terms and both the organizations share profits in the newly created entity.

- ❖ When one organization takes over the other organization and controls all its business operations, it is known as acquisitions. In this process of acquisition, one financially strong organization overpowers the weaker one.

Types of Mergers

1. **Horizontal merger:** Horizontal mergers are combinations of firms engaged in the same industry.
2. **Vertical merger:** It is a merger of two organizations that are operating in the same industry but at different stages of production or distribution system.
3. **Co-generic merger:** In Co-generic merger two or more merging organizations are associated in some way or the other related to the production processes, business markets, or basic required technologies.
4. **Conglomerate merger:** Conglomerate mergers are the combination of organizations that are unrelated to each other. There are no linkages with respect to customer groups, customer functions and technologies being used.

• Expansion through Strategic Alliance

A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own. The strategic partners maintain their status as independent and separate entities, share the benefits and control over the partnership, and continue to make contributions to the alliance until it is terminated.

Retrenchment/Turnaround Strategy

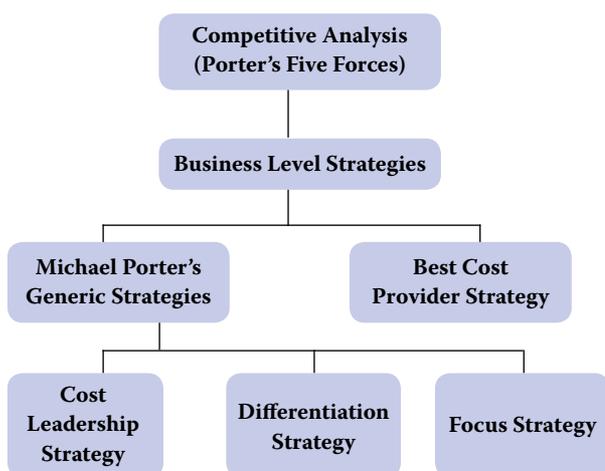
- (i) **Retrenchment Strategy:** It is followed when an organization substantially reduces the scope of its activity.
- (ii) **Turnaround Strategy:** Retrenchment may be done either internally or externally. For internal retrenchment to take place, emphasis is laid on improving internal efficiency, known as turnaround strategy.
- (iii) **Divestment Strategy:** Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU. Divestment is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful.
- (iv) **Liquidation Strategy:** A retrenchment strategy considered the most extreme and unattractive is liquidation strategy, which involves closing down a firm and selling its assets. It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities, and the stigma of failure.

Combination Strategy

The above strategies are not mutually exclusive. It is possible to adopt a mix of the above to suit particular situations. An enterprise may seek stability in some areas of activity, expansion in some and retrenchment in the others. Retrenchment of ailing products followed by stability and capped by expansion in some situations may be thought of. For some organizations, a strategy by diversification and/or acquisition may call for a retrenchment in some obsolete product lines, production facilities and plant locations.

CHAPTER 5 : BUSINESS LEVEL STRATEGIES

An organization's core competencies should be focused on satisfying customer needs or want in order to achieve organisational objectives. This is done through business-level strategies. Business level strategies are the courses of action adopted by an organisation for each of its businesses separately, to serve identified customer groups and provide value to the customers by satisfaction of their needs. In the process, the organisation uses its competencies to gain, sustain and enhance its strategic or competitive advantage.

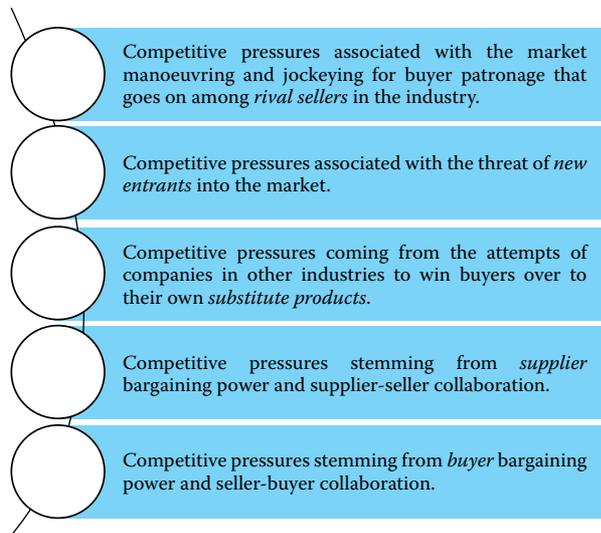


Porter's Five Forces Model –Competitive Analysis

Michael Porter believes that the basic unit of analysis for understanding is a group of competitors producing goods or services that compete directly with each other. It is the industry where competitive advantage is ultimately won or lost. It is through competitive strategy that the organisation attempts to adopt an approach to compete in the industry.

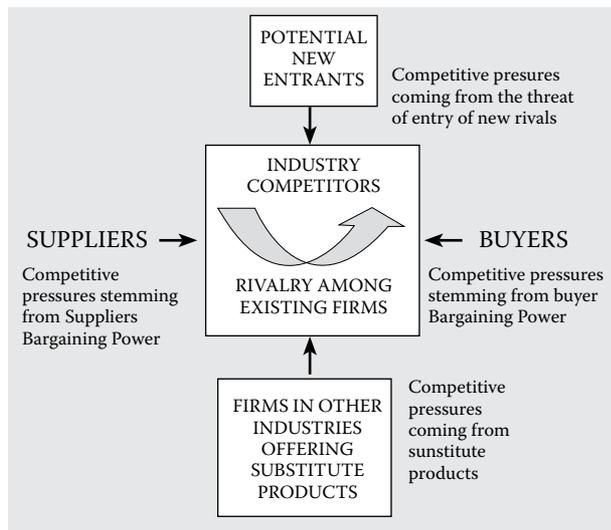
A powerful and widely used tool for systematically diagnosing the significant competitive pressures in a market and assessing the strength and importance of each is the Porter's five-forces model of competition. This model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market:

STRATEGIC MANAGEMENT ||



The strategists can use the five-forces model to determine what competition is like in a given industry by undertaking the following steps:

- Step 1: Identify the specific competitive pressures associated with each of the five forces.
- Step 2: Evaluate how strong the pressures comprising each of the five forces are (fierce, strong, moderate to normal, or weak).
- Step 3: Determine whether the collective strength of the five competitive forces is conducive to earning attractive profits.

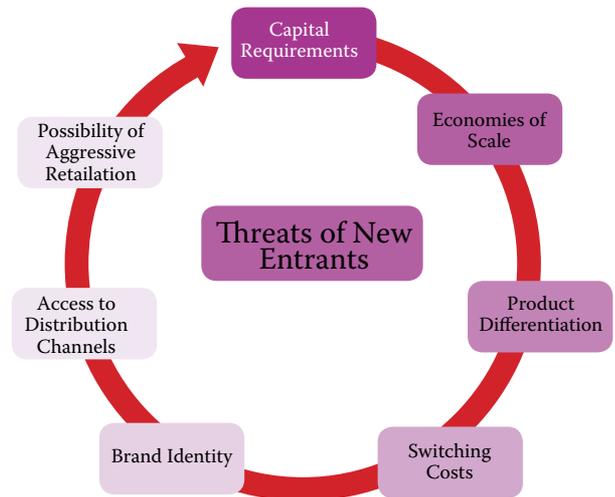


Porter's Five Force Model of Competition

Porter's five forces model is one of the most effective and enduring conceptual frameworks used to assess the nature of the competitive environment and to describe an industry's structure. The interrelationship among these five forces gives each industry its own particular competitive environment. By applying Porter's five forces model of industry attractiveness to their own industries, the manager can gauge their own firm's strengths, weaknesses, and future opportunities.

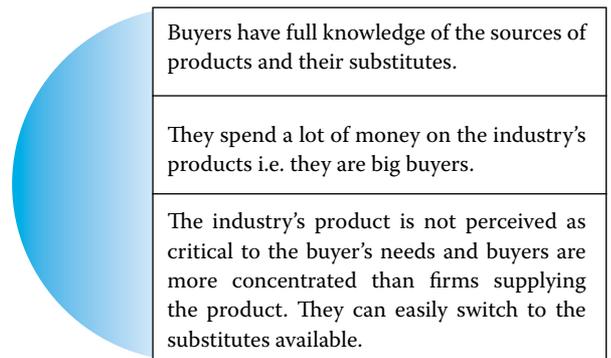
Threat of New Entrants

New entrants are always a powerful source of competition. They can reduce industry profitability because they add new production capacity and can substantially erode existing firm's market share positions. To discourage new entrants, existing firms can try to raise barriers to entry. Common barriers to entry include:



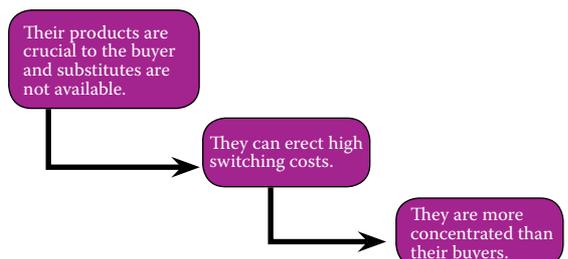
Bargaining Power of Buyers

Buyers of an industry's products or services can sometimes exert considerable pressure on existing firms to secure lower prices or better services. This leverage is particularly evident when:



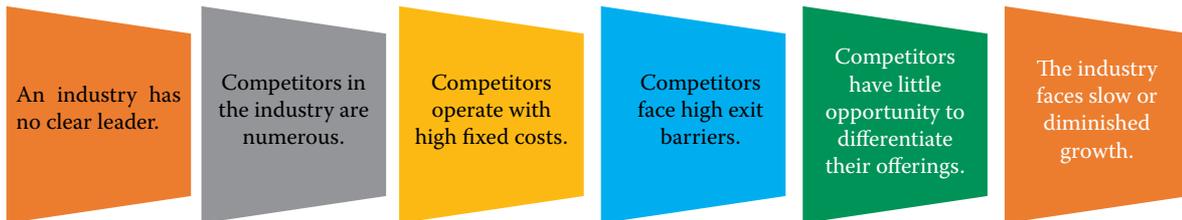
Bargaining Power of Suppliers

Suppliers can influence the profitability of an industry in a number of ways. Suppliers can command bargaining power over a firm when:



The Nature of Rivalry in the Industry

The intensity of rivalry in an industry is a significant determinant of industry attractiveness and profitability. The intensity of rivalry can influence the costs of suppliers, distribution, and of attracting customers and thus directly affect the profitability. The more intensive the rivalry, the less attractive is the industry. Rivalry among competitors tends to be cutthroat and industry profitability low when:



Threat of Substitutes

A final force that can influence industry profitability is the availability of substitutes for an industry's product. To predict profit pressure from this source, firms must search for products that perform the same, or nearly the same, function as their existing products.

Business-Level Strategies

An organization's core competencies should be focused on satisfying customer needs or wants in order to achieve above average returns. This is done through Business-level strategies

Customers are the foundation of an organization's business-level strategies. Who will be served, what needs have to be met, and how those needs will be satisfied are determined by the senior management.

Who are the customers?

Knowing one's customers is very important in obtaining and sustaining a competitive advantage. Being able to successfully predict and satisfy future customer needs is important. Perhaps one of Compaq's mistakes was not understanding who their real customer was and what that customer -- end user -- wanted.

How to satisfy customer needs?

Organizations must determine how to bundle resources and capabilities to form core competencies and then use these core competencies to satisfy customer needs or create value for them.

Business level strategies detail actions to be taken to provide value to customers and gain a competitive advantage by exploiting core competencies in specific individual product or service markets. Having selected a market, the organization must develop a plan to be successful in that market. Business strategy therefore looks at how the organization can compete successfully in the individual markets that it chooses to operate within.

Business level strategy is concerned with issues such as:

- Achieving advantage over competitors.
- Meeting the needs of key customers.
- Avoiding competitive disadvantage.

Michael Porter's Generic Strategies

According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies. These strategies have been termed generic because they can be pursued by any type or size of business firm and even by not-for-profit organisations.

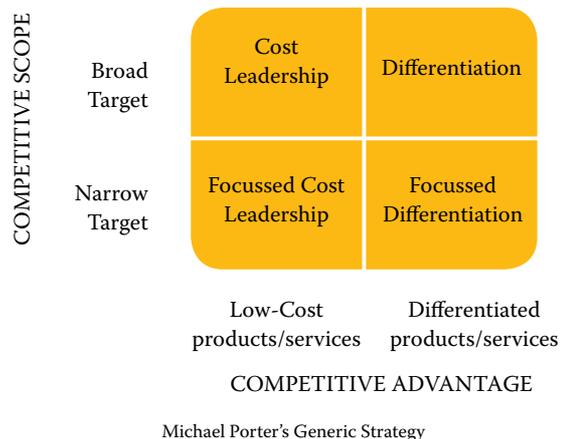
Michael Porter's Generic Strategies

Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive.

Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive.

Focus means producing products and services that fulfill the needs of small groups of consumers.

Porter's strategies imply different organizational arrangements, control procedures, and incentive systems. Larger firms with greater access to resources typically compete on a cost leadership and/or differentiation basis, whereas smaller firms often compete on a focus basis.



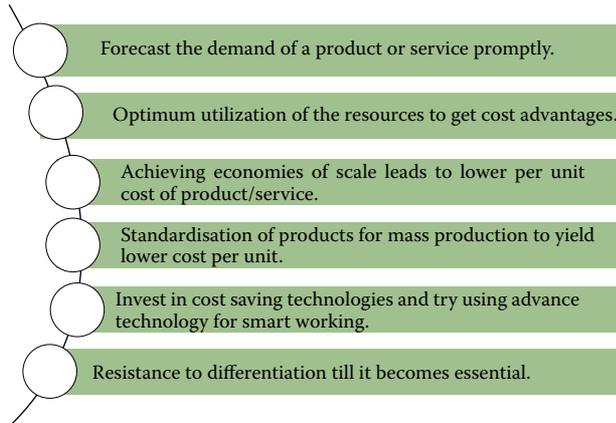
STRATEGIC MANAGEMENT ||

Cost Leadership Strategy

Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. It is a low cost competitive strategy that aims at broad mass market. It requires vigorous pursuit of cost reduction in the areas of procurement, production, storage and distribution of product or service and also economies in overhead costs. Because of its lower costs, the cost leader is able to change a lower price for its products than its competitors and still make satisfactory profits.

Achieving Cost Leadership Strategy

To achieve cost leadership, following are the actions that could be taken:



Advantages of Cost Leadership Strategy

A cost leadership strategy may help to remain profitable even with: rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

Rivalry – Competitors are likely to avoid a price war, since the low cost firm will continue to earn profits after competitors compete away their profits.

Buyers – Powerful buyers/customers would not be able to exploit the cost leader firm and will continue to buy its product.

Suppliers – Cost leaders are able to absorb greater price increases before it must raise price to customers.

Entrants – Low cost leaders create barriers to market entry through its continuous focus on efficiency and reducing costs.

Substitutes – Low cost leaders are more likely to lower costs to induce customers to stay with their product, invest to develop substitutes, purchase patents.

Disadvantages of Cost Leadership Strategy

Cost advantage may not be remaining for long as competitors may also follow cost reduction technique.

Cost leadership can succeed only if the firm can achieve higher sales volume.

Cost leaders tend to keep their costs low by minimizing advertising, market research, and research and development, but this approach can prove to be expensive in the long run.

Technology changes are a great threat to the cost leader.

Differentiation Strategy

Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive. This strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique. The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service. Because of differentiation, the business can charge a premium for its product.

Basis of Differentiation

There are several basis of differentiation: product, pricing and organization.

- ❖ **Product:** Innovative products that meet customer needs can be an area where a company has an advantage over competitors. The pursuit of new product offerings can be costly – research and development, as well as production and marketing costs can all add to the cost of production and distribution. The payoff, however, can be great as customer's flock to be among the first to have the new product.
- ❖ **Pricing:** It can fluctuate based on its supply and demand, and also be influenced by the customer's ideal value for the product. Companies that differentiate based on product price can either determine to offer the lowest price, or can attempt to establish superiority through higher prices.
- ❖ **Organisation:** Organisational differentiation is yet another form of differentiation. Maximizing the power of a brand, or using the specific advantages that an organization possesses can be instrumental to a company's success. Location advantage, name recognition and customer loyalty can all provide additional ways for a company differentiate itself from the competition.

Achieving Differentiation Strategy

To achieve differentiation, following are the measures that could be adopted by an organization to incorporate that:



Advantages of Differentiation Strategy

A differentiation strategy may help to remain profitable even with: rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

Rivalry - Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases, as long as the firm can satisfy the needs of its customers.

Buyers – They do not negotiate for price as they get special features and also they have fewer options in the market.

Suppliers – Because differentiators charge a premium price, they can afford to absorb higher costs of supplies and customers are willing to pay extra too.

Entrants – Innovative features are an expensive offer. So, new entrants generally avoid these features because it is tough for them to provide the same product with special features at a comparable price.

Substitutes – Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.

Disadvantages of Differentiation Strategy

In long term, uniqueness is difficult to sustain.

Charging too high a price for differentiated features may cause the customer to switch-off to another alternative.

Differentiation fails to work if its basis is something that is not valued by the customers.

Focus Strategies

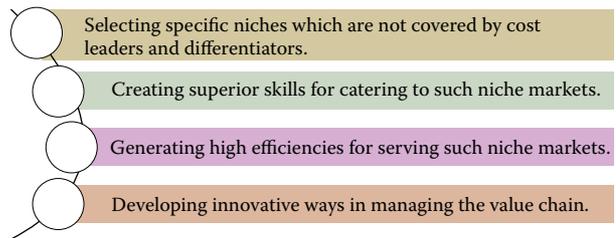
Focus means producing products and services that fulfill the needs of small groups of consumers. Focus strategies are most effective when consumers have distinctive preferences or requirements and when rival firms are not attempting to specialize in the same target segment. Risks of pursuing a focus strategy include the possibility that numerous competitors will recognize the successful focus strategy and copy it, or that consumer preferences will drift toward the product attributes desired by the market as a whole. An organization using a focus strategy may concentrate on a particular group of customers, geographic markets, or on particular product-line segments in order to serve a well-defined but narrow market better than competitors who serve a broader market.

❖ **Focused cost leadership:** Firms that compete based on price and target a narrow market are following a focused cost leadership strategy.

❖ **Focused differentiation:** Firms that compete based on uniqueness and target a narrow market are following a focused differentiations strategy.

Achieving Focused Strategy

To achieve focused cost leadership/differentiation, following are the measures that could be adopted by an organization:



Advantages of Focused Strategy

Premium prices can be charged by the organisations for their focused product/services.

Due to the tremendous expertise about the goods and services that organisations following focus strategy offer, rivals and new entrants may find it difficult to compete.

Disadvantages of Focused Strategy

The firms lacking in distinctive competencies may not be able to pursue focus strategy.

Due to the limited demand of product/services, costs are high which can cause problems.

In long run, the niche could disappear or be taken over by larger competitors by acquiring the same distinctive competencies.

Best-Cost Provider Strategy

The new model of best cost provider strategy is a further development of above three generic strategies. It is directed towards giving customers more value for the money by emphasizing both low cost and upscale differences. The objective is to keep costs and prices lower than those of other sellers of comparable products.

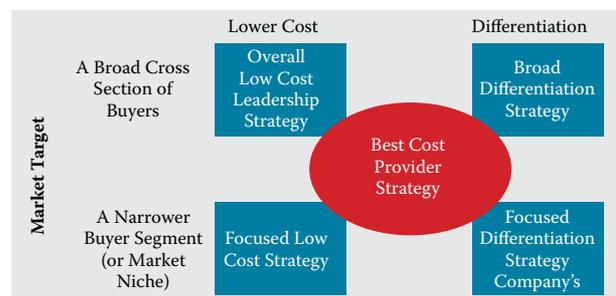


Figure: The Five Generic Competitive Strategies

Best-cost provider strategy involves providing customers more value for the money by emphasizing low cost and better quality difference. It can be done:

- through offering products at lower price than what is being offered by rivals for products with comparable quality and features or
- charging similar price as by the rivals for products with much higher quality and better features.

CHAPTER 6 : FUNCTIONAL LEVEL STRATEGIES



Once higher level corporate and business strategies have been developed, management need to formulate and implement strategy for each of the functional areas of business. Strategy of one functional area cannot be looked at in isolation. Different functional areas of the business are interwoven together and how a functional strategy is synergised with other functional strategies determines its effectiveness.

Functional strategies play two important roles. Firstly, they provide support to the overall business strategy. Secondly, they spell out as to how functional managers will work so as to ensure better performance in their respective functional areas.

Strategies in functional areas including marketing, financial, production, R & D and human resource management are based on the functional capabilities of an organisation. For each functional area, first the major sub areas are identified and then for each of these sub areas, content of functional strategies, important factors, and their importance in the process of strategy implementation are identified.

In terms of the levels of strategy formulation, functional strategies operate below the SBU or business-level strategies. Within functional strategies there might be several sub-functional areas. Functional strategies are made within the framework of corporate level strategies and guidelines therein that are set at higher levels of the organization. Operational plans at the SBU level tell the functional managers what has to be done while policies state how the plans are to be implemented.

The reasons why functional strategies are needed can be enumerated as follows:

- ❖ Functional strategies lay down clearly what is to be done at the functional level. They provide a sense of direction to the functional staff.
- ❖ They are aimed at facilitating the implementation of corporate strategies and the business strategies formulation at the business level.
- ❖ They act as basis for controlling activities in the different functional areas of business.
- ❖ They help in bringing harmony and coordination as they are formulated to achieve major strategies.
- ❖ Similar situations occurring in different functional areas are handled in a consistent manner by the functional managers.

Thus, strategies need to be segregated into viable functional plans and policies that are compatible with each other. In this way, strategies can be implemented by the functional managers. Environmental factors relevant to each functional area have an impact on the choice of functional strategies. Corporate strategies influence the formulation of functional strategies.

Marketing Strategy

Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others.

Marketing Mix

Marketing mix is a systematic way of classifying the key decision areas of marketing management. It is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The original framework of marketing mix comprises of 4Ps- product, price, place and promotion. These are subsequently expanded to highlight certain other key decision areas like people, processes, and physical evidence. The elements of original framework are:

- ❖ **Product:** It stands for the “goods-and-service” combination the company offers to the target market.
- ❖ **Price:** It stands for the amount of money customers have to pay to obtain the product.
- ❖ **Place:** It stands for company activities that make the product available to target consumers and include marketing channel, distribution policies and geographical availability.
- ❖ **Promotion:** It stands for activities that communicate the merits of the product and persuade target consumers to buy it. Modern marketing is highly promotional oriented. There are at least four major direct promotional methods or tools – personal selling, advertising, publicity and sales promotion.

Expanded Marketing Mix: Typically, all organizations use a combination of 4 Ps in some form or the other.

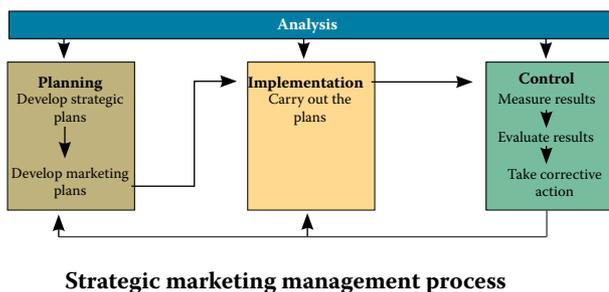
However, the above elements of marketing mix are not exhaustive. It is pertinent to discuss a few more elements that may form part of an organizational marketing mix strategy. They have got more currency in recent years. Growth of services has its own share for the inclusion of newer elements in marketing. A few new Ps are as follows:

- ❖ **People:** all human actors who play a part in delivery of the market offering and thus influence the buyer's perception, namely the firm's personnel and the customer.
- ❖ **Process:** the actual procedures, mechanisms and flow of activities by which the product / service is delivered.
- ❖ **Physical evidence:** the environment in which the market offering is delivered and where the firm and customer interact.

Marketing Strategy Formulation

Marketing Analysis: A company must carefully analyze its environment in order to avoid the threats and take advantage of the opportunities. Areas to be analyzed in the environment normally include:

1. Forces close to the company such as its ability to serve customers, other company departments, channel members, suppliers, competitors, and publics.
2. Broader forces such as demographic and economic forces, political and legal forces, technological and ecological forces, and social and cultural forces.



Strategy Formulation: Marketing planning involves deciding on marketing strategies that will help the company attain its overall strategic objectives. A detailed plan is needed for each business, product, or brand. A product or brand plan may contain different sections: executive summary, current marketing situation, threats and opportunity analysis, objectives and issues, marketing strategies, action programs, budgets, and controls.

Strategy Control: Strategic control involves monitoring and measuring of results and their evaluation. This would lead to taking corrective actions in the 4 P's of marketing.

Strategic Marketing Techniques

Over the years, a number of marketing strategies have been

evolved, which are given below:

Social Marketing: It refers to the design, implementation, and control of programs seeking to increase the acceptability of a social idea, cause, or practice among a target group.

Augmented Marketing: It is provision of additional customer services and benefits built around the core and actual products that relate to introduction of hi-tech services like movies on demand, on-line computer repair services, secretarial services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels.

Direct Marketing: Marketing through various advertising media that interact directly with consumers, generally calling for the consumer to make a direct response.

Relationship Marketing: The process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders.

Services Marketing: It is applying the concepts, tools, and techniques, of marketing to services. Services is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the banking, savings, retailing, educational or utilities.

Person Marketing: People are also marketed. Person marketing consists of activities undertaken to create, maintain or change attitudes and behaviour towards particular person.

Organization Marketing: It consists of activities undertaken to create, maintain, or change attitudes and behaviour of target audiences towards an organization. Both profit and non-profit organizations practice organization marketing.

Place Marketing: Place marketing involves activities undertaken to create, maintain, or change attitudes and behaviour towards particular places say, business sites marketing, tourism marketing.

Enlightened Marketing: It is a marketing philosophy holding that a company's marketing should support the best long-run performance of the marketing system; its five principles include customer-oriented marketing, innovative marketing, value marketing, sense-of-mission marketing, and societal marketing.

Differential Marketing: It is a market-coverage strategy in which a firm decides to target several market segments and designs separate offer for each.

Synchro-marketing: When the demand for a product is irregular due to season, some parts of the day, or on hour basis, causing idle capacity or overworked capacities, synchro-marketing can be used to find ways to alter the pattern of demand through flexible pricing, promotion, and other incentives.

Concentrated Marketing: It is a market-coverage strategy in which a firm goes after a large share of one or few sub-markets.

Demarketing: It includes marketing strategies to reduce demand temporarily or permanently. The aim is not to destroy demand, but only to reduce or shift it. This happens when there is overfull demand.

Financial Strategy

The financial strategies of an organization are related to several finance/ accounting concepts considered to be central to strategy implementation. These are: acquiring needed capital/sources of fund, developing projected financial statements/budgets, management/ usage of funds, and evaluating the worth of a business.

Various methods for determining a business's worth can be grouped into three main approaches which are as follows:

- (i) **Net worth or stockholders' equity:** Net worth is the total assets minus total outside liabilities of an organisation.
- (ii) **Future benefits to owners through net profits:** These benefits are considered to be much greater than the amount of profits. A conservative rule of thumb is to establish a business's worth as five times the firm's current annual profit. A five-year average profit level could also be used.
- (iii) **Market-determined business worth:** This, in turn, involves three methods. First, the firm's worth may be based on the selling price of a similar company. The second approach is called the price-earnings ratio method whereby the market price of the firm's equity shares is divided by the annual earnings per share and multiplied by the firm's average net income for the preceding years. The third approach can be called the outstanding shares method whereby one has to simply multiply the number of shares outstanding by the market price per share and add a premium.

Production/Operations Strategy

Production System

The production system is concerned with the capacity, location, layout, product or service design, work systems, degree of automation, extent of vertical integration, and such factors. Strategies related to production system are significant as they deal with vital issues affecting the capability of the organisation to achieve its objectives.

Strategy implementation would have to take into account the production system factors as they involve decisions which are long-term in nature and influence not only the operations capability of an organisation but also its ability to implement strategies and achieve objectives.

Operations Planning and Control

Operations planning and control provides an example of an organizational activity that is aimed at translating the objectives into reality. Some companies use quality as a strategic tool.

Logistics Management

Management of logistics is a process which integrates the flow of materials into, through and out of an organization to achieve a level of service that the right materials are available at the right place at the right time, of right quality and at the right cost. For a business organization effective logistics strategy will involve raising and finding solutions to the questions relating to raw material, manufacturing locations,

products, transportation and deployment of inventory. Improvement in logistics can result in saving in cost of doing business.

When a company creates a logistics strategy, it is defining the service levels at which its logistics systems are highly effective. A company may develop a number of logistics strategies for specific product lines, specific countries or specific customers to address different categorical requirements.

Supply Chain Management

The term supply chain refers to the linkages between suppliers, manufacturers and customers. Supply chains involve all activities like sourcing and procurement of material, conversion, and logistics. Planning and control of supply chains are important components of its management. Naturally, management of supply chains include closely working with channel partners – suppliers, intermediaries, other service providers and customers.

Supply chain management is defined as the process of planning, implementing, and controlling the supply chain operations. It is a cross-functional approach to managing the movement of raw materials into an organization and the movement of finished goods out of the organization toward the end-consumer who are to be satisfied as efficiently as possible. It encompasses all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption. Organizations are finding that they must rely on the chain to successfully compete in the global market.

Modern organizations are striving to focus on core competencies and reduce their ownership of sources of raw materials and distribution channels. These functions can be outsourced to other business organizations that specialize in those activities and can perform in better and cost effective manner. In a way organizations in the supply chain do tasks according to their core-competencies. Working in the supply chain improve trust and collaboration amongst partners and thus improve flow and management of inventory.

Is logistic management same as supply chain management?

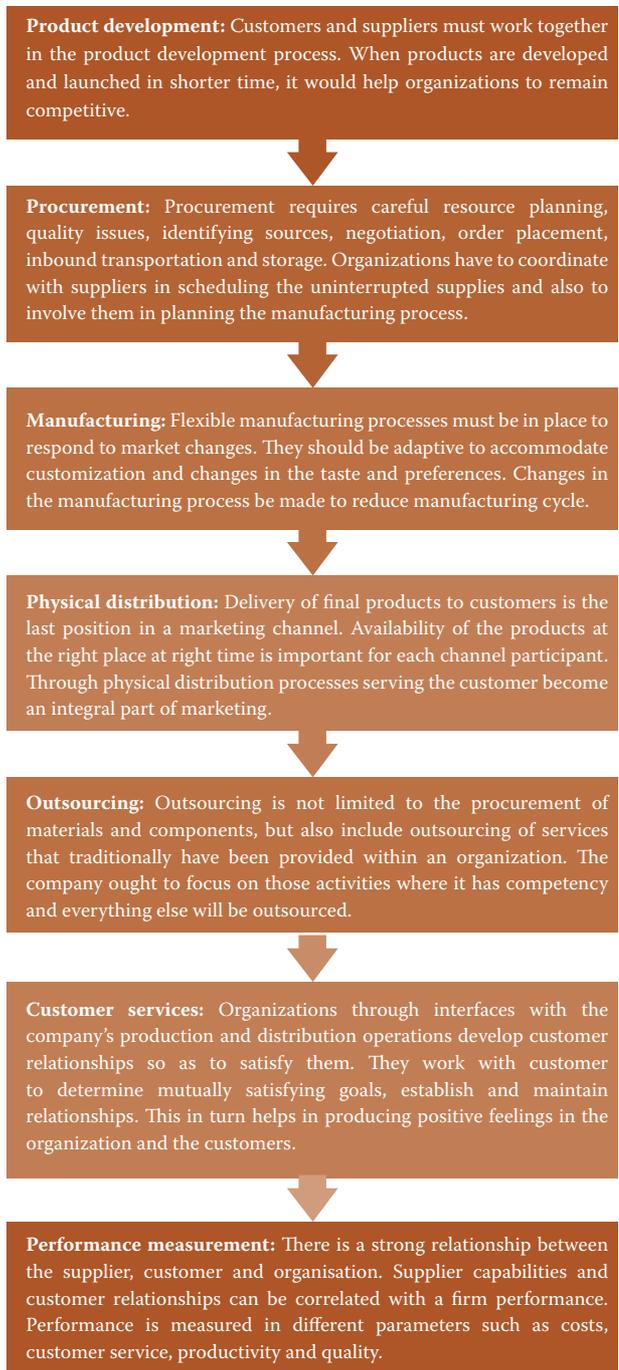
Supply chain management is an extension of logistic management. However, there is difference between the two. Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, handling of material, fulfilment of orders, inventory management, supply/demand planning. Although these activities also form part of Supply chain management, the latter has different components. Logistic management can be termed as one of its part that is related to planning, implementing, and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption.

Supply chain management includes more aspects apart from the logistics function. It is a tool of business transformation and involves delivering the right product

at the right time to the right place and at the right price. It reduces costs of organizations and enhances customer service.

Implementing Supply Chain Management System

The following are the major steps which are required for the successful implementation of Supply Chain Management in the business organizations:



Research and Development Strategy

Research and Development (R&D) personnel can play an integral part in strategy implementation. These individuals are generally charged with developing new products and improving old products in a way that will allow effective strategy implementation. R&D employees and managers perform tasks that include transferring complex technology, adjusting processes to local raw materials, adapting processes to local markets, and altering products to particular tastes and specifications.

Strategies such as product development, market penetration, and concentric diversification require that new products be successfully developed and that old products be significantly improved. But the level of management support for R&D is often constrained by resource availability.

Human Resource Strategy

Strategic Role of Human Resource Manager

The prominent areas where the human resource manager can play strategic role are as follows:

- 

Providing purposeful direction: The human resource manager leads people and the organization towards the desired direction involving people. He can ensure harmony between organisational objectives and individual objectives.
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Creating competitive atmosphere: In the present business environment, maintaining competitive position or gains is an important objective of any business. Having a highly committed and competent workforce is very important for getting a competitively advantageous position.
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Facilitation of change: The human resource manager will be more concerned about furthering the organization not just maintaining it. He can devote more time to promote acceptance of change rather than maintaining the status quo.
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Diversion of workforce: In a modern organization, management of diverse workforce is a great challenge. Workforce diversity can be observed in terms of male and female, young and old, educated and uneducated, unskilled and professional employee and so on. Motivation, maintaining morale and commitment are some of the key tasks that a HR manager can perform.
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Empowerment of human resources: Empowerment involves giving more power to those who, at present, have little control on what they do and little ability to influence the decisions being made around them.
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Building core competency: The human resource manager has an important role to play in developing core competency of the firm. A core competence is a unique strength of an organization which may not be shared by others. Organization of business around core competence implies leveraging the limited resources of a firm.
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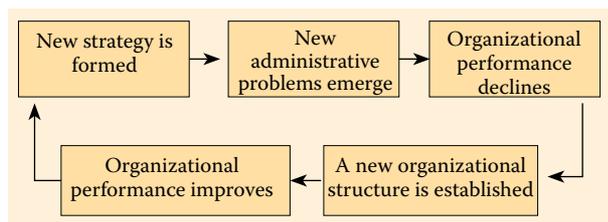
Development of works ethics and culture: A vibrant work culture will have to be developed in the organizations to create an atmosphere of trust among people and to encourage creative ideas by the people.

CHAPTER 7: ORGANISATION AND STRATEGIC LEADERSHIP

Organization Structure

In order to implement strategies organisations need an organizational structure. Changes in corporate strategy often require changes in the way an organization is structured for two major reasons. First, structure largely dictates how operational objectives and policies will be established to achieve the strategic objectives. The second major reason why changes in strategy often require changes in structure is that structure dictates how resources will be allocated to achieve strategic objectives.

Chandler's Strategy-Structure Relationship



Changing organizational design

Old Organizational Design	New Organizational Design
One large corporation	Mini-business units & cooperative relationships
Vertical communication	Horizontal communication
Centralised top-down decision making	Decentralised participative decision making
Vertical integration	Outsourcing & virtual organizations
Work/quality teams	Autonomous work teams
Functional work teams	Cross-functional work teams
Minimal training	Extensive training
Specialised job design focused on individual	Value-chain team-focused job design



Simple Structure

A simple structure is an organizational form in which the owner-manager makes all major decisions directly and monitors all activities, while the company's staff merely serves as an executor. Little specialization of tasks, few rules, little formalization, unsophisticated information systems and direct involvement of owner-manager in all phases of day-to-day operations characterise the simple structure.

Functional Structure

A functional structure groups tasks and activities by business function, such as production/operations, marketing, finance/accounting, research and development, and management information systems.

Divisional Structure

A divisional structure can be organized in one of the four ways: **by geographic area, by product or service, by customer, or by process.** With a divisional structure, functional activities are performed both centrally and in each division separately.

Multi Divisional Structure

Multidivisional (M-form) structure is composed of operating divisions where each division represents a separate business to which the top corporate officer delegates responsibility for day-to-day operations and business unit strategy to division managers.

Strategic Business Unit (SBU) Structure

The SBU structure is composed of operating units where each unit represents a separate business to which the top corporate officer delegates responsibility for day-to-day operations and business unit strategy to its managers. The structure is relevant to multi-product, multi-business enterprises. An SBU is a grouping of related businesses, which is amenable to composite planning treatment. The three most important characteristics of a SBU are:

- ❖ It is a single business or a collection of related businesses which offer scope for independent planning and which might feasibly stand alone from the rest of the organization.
- ❖ It has its own set of competitors.
- ❖ It has a manager who has responsibility for strategic planning and profit performance, and who has control of profit-influencing factors.

Matrix Structure

A matrix structure is the most complex of all designs because it depends upon both vertical and horizontal flows of authority and communication (hence the term matrix). A matrix structure has dual lines of authority, dual sources of reward and punishment, shared authority, dual reporting channels, and a need for an extensive and effective communication system. Matrix structure was developed to combine the stability of the functional structure with the flexibility of the product form.

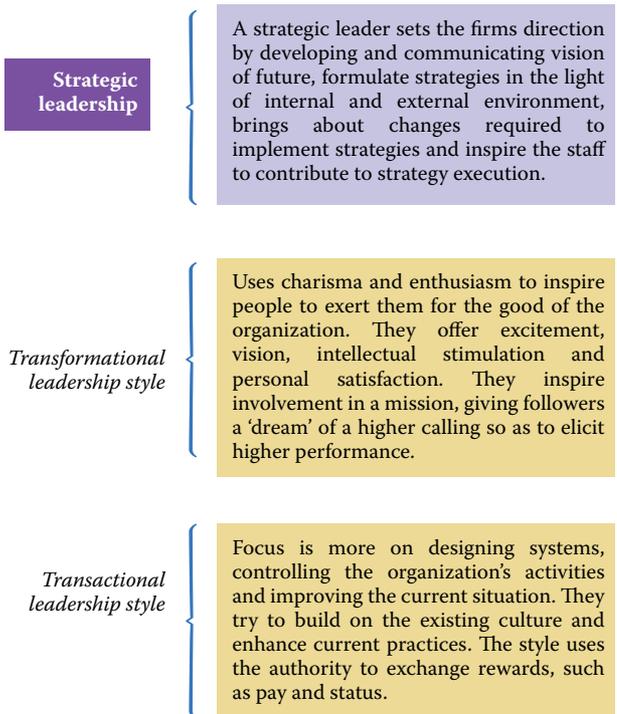
Network Structure

A company with network structure is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks. It could be termed a “non-structure”, by its virtual elimination of in-house business functions as many activities are outsourced.

Hourglass Structure

With the diminishing role played by middle management as the tasks performed by them are increasingly being replaced by the technological tools, a new form of organisation structure is seen. Hourglass organization structure consists of three layers with constricted middle layer. A shrunken middle layer coordinates diverse lower level activities. Contrary to traditional middle level managers who are often specialists, the managers in the hourglass structure are generalists and perform wide variety of tasks.

Strategic Leadership



Strategic leader has several responsibilities, including the following:

- Making strategic decisions.
- Formulating policies and action plans to implement strategic decision.
- Ensuring effective communication in the organisation.
- Managing human capital (perhaps the most critical of the strategic leader's skills).
- Managing the company's operations.
- Sustaining high performance over time.



Strategy Supportive Culture

Every organisation has a unique organizational culture. It has its own philosophy and principles, its own ways of approaching problems and making decisions, its own work climate. It has its own embedded patterns of how to do things. its own ingrained beliefs, behaviour and thought patterns, and practices that define its corporate culture.

An organization's culture is either an important contributor or an obstacle to successful strategy execution. The beliefs, vision, objectives, and business approaches and practices underpinning a company's strategy may or may not be compatible with its culture. Strong culture promotes good strategy execution when there's fit and impedes execution when there's negligible fit.

Entrepreneurship and Intrapreneurship

The terms Entrepreneur and Intrapreneur are frequently used in the business world.

Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk taking appropriate to the opportunity and through management skills to mobilize financial, human and material resources. The person who perceives the business idea and takes steps to implement the idea is known as an entrepreneur. He takes all types of risks, not only to put the product or service into reality but also to make it an extremely demanding one.

An intrapreneur is nothing but an entrepreneur who operates within the boundaries of an organisation. He is an employee of a large organisation, who is vested with authority of initiating creativity and innovation in the company's products, services and projects, redesigning the processes, workflows and systems. The intrapreneurs believe in change and do not fear failure. They discover new ideas, look for such opportunities that can benefit the whole organisation and take risks, promote innovation to improve the performance and profitability of the organisation.

CHAPTER 8 : STRATEGY IMPLEMENTATION AND CONTROL

Strategic management process does not end when the firm decides what strategies to pursue. There must be a translation of strategic thought into strategic action. This requires support of all managers and employees of the business. Implementing strategy affects an organization from top to bottom; it affects all the functional and divisional areas of a business. Strategy implementation requires introduction of change in the organisation to make organisational member adapt to the new environment.

Strategic control has been discussed as an integral part of strategic management. Strategic control focuses on whether the strategy is being implemented as planned and the results produced are those intended. In addition, we will also have an overview of the emerging concepts in strategic management namely strategy audit, business process reengineering and benchmarking.



Interrelationship between Strategy Formulation and Implementation

Strategic implementation is concerned with translating a strategic decision into action, which presupposes that the decision itself (i.e., the strategic choice) was made with some thought being given to feasibility and acceptability. The allocation of resources to new courses of action will need to be undertaken, and there may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate systems.

Relationship with strategy formulation

A company will be successful only when the strategy formulation is sound and implementation is excellent.

Organizational success is a function of good strategy and proper implementation. The matrix in the figure below represents various combinations of strategy formulation and implementation:

Strategy Formulation	Sound	A	B
	Flawed	C	D
		Weak	Excellent
		Strategy Implementation	

Strategy formulation and implementation matrix

- Square A is the situation where a company apparently has formulated a very competitive strategy, but is showing difficulties in implementing it successfully.
- Square B is the ideal situation where a company has succeeded in designing a sound and competitive strategy and has been successful in implementing it.
- Square C is reserved for companies that haven't succeeded in coming up with a sound strategy formulation and in addition are bad at implementing their flawed strategic model.
- Square D is the situation where the strategy formulation is flawed, but the company is showing excellent implementation skills.

Successful strategy formulation does not guarantee successful strategy implementation. It is always more difficult to do something (strategy implementation) than to say you are going to do it (strategy formulation)! Although inextricably linked, strategy implementation is fundamentally different from strategy formulation. Strategy formulation and implementation can be contrasted in the following ways:

Strategy Formulation Vs. Strategy Implementation

Strategy Formulation	Strategy Implementation
Strategy formulation focuses on effectiveness.	Strategy implementation focuses on efficiency.
Strategy formulation is primarily an intellectual process.	Strategy implementation is primarily an operational process.
Strategy formulation requires conceptual intuitive and analytical skills.	Strategy implementation requires motivation and leadership skills.
Strategy formulation requires coordination among the executives at the top level.	Strategy implementation requires coordination among the executives at the middle and lower levels.

Strategic Change

The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process that involves a corporate strategy focused on new markets, products, services and new ways of doing business.

Steps to initiate strategic change: For initiating strategic change, three steps can be identified as under:

Recognize the need for change: The first step is to diagnose which parts of the present corporate culture are strategy supportive and which are not. This basically means going for environmental scanning involving appraisal of both internal and external capabilities and then identify the problems/improvement areas and determine scope for change.

Create a shared vision to manage change: Objectives and vision of individuals and organization should coincide. Strategy implementers have to convince all those concerned that the change in business culture is not superficial or cosmetic. The actions taken have to be fully indicative of management's seriousness to new strategic initiatives and associated changes.

Institutionalise the change: This is basically an action stage which requires implementation of changed strategy. Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of thinking or doing things. Besides, change process must be regularly monitored and reviewed to analyse the after-effects of change. Any discrepancy or deviation should be appropriately addressed.

Kurt Lewin's Model of Change: To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future. These stages are unfreezing, changing and refreezing.

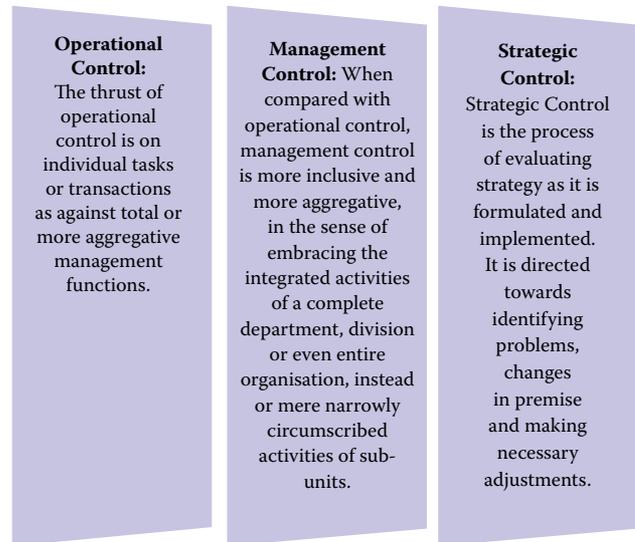
Unfreezing the situation: The process of unfreezing simply makes the individuals or organizations aware of the necessity for change and prepares them for such a change. Lewin proposes that the changes should not come as a surprise to the members of the organization. Unfreezing is the process of breaking down the old attitudes and behaviours, customs and traditions so that they start with a clean slate. This can be achieved by making announcements, holding meetings and promoting the ideas throughout the organization.

Changing to new situation: Once the unfreezing process has been completed and the members of the organization recognise the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined. H.C. Kellman has proposed three methods for reassigning new patterns of behaviour. These are compliance, identification and internalisation.

Refreezing: Refreezing occurs when the new behaviour becomes a normal way of life. The new behaviour must replace the former behaviour completely for successful and permanent change to take place. In order for the new behaviour to become permanent, it must be continuously reinforced so that this new acquired behaviour does not diminish or extinguish.

Strategic Control

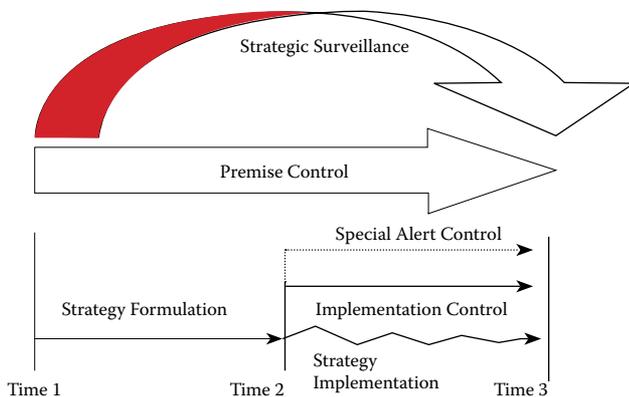
Controlling is one of the important functions of management, and is often regarded as the core of the management process. The controlling function involves monitoring the activity and measuring results against pre-established standards, analysing and correcting deviations as necessary and maintaining/adapting the system. Primarily there are three types of organizational control, viz., operational control, management control and strategic control.



Strategic control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended.

Types of Strategic Control: There are four types of strategic control as follows:

Premise control:	Strategic surveillance:	Special alert control:	Implementation control:
Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built. It primarily involves monitoring two types of factors: (i) Environmental factors (ii) Industry factors	Contrary to the premise control, the strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.	At times unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, terrorist attacks, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.	Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions. The two forms of implementation control are: (i) Monitoring strategic thrust (ii) Milestone reviews



Strategy Audit

“Strategy audit is a process for taking an objective look at the existing strategies of the organization. It involves assessing the direction of a business and comparing that to the course to the direction required to succeed in a changing environment.”

“A strategy audit is an examination and evaluation of areas affected by the operation of a strategic management process within an organization”

A strategy audit provides an excellent platform for discussion with the top management regarding necessary corporate actions or changes in the existing business plan. It also identifies a company’s need to adjust the existing business plan as well as its business.

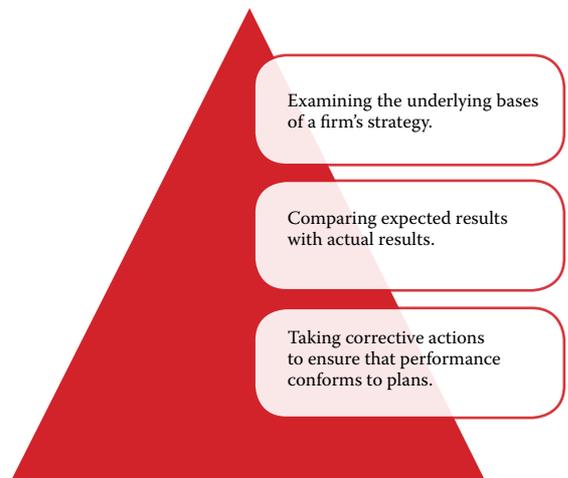
Need of Strategy Audit

A strategy audit is needed under the following conditions:

- ❖ When the performance indicators reflect that a strategy is not working properly or is not producing desired outcomes.
- ❖ When top-priority goals and objectives of the strategy are not being accomplished.
- ❖ When a major change takes place in the external environment of the organization.
- ❖ When the top management plans:
 - a) to fine-tune and introduce a new set of strategies and
 - b) to ensure that a strategy that has worked in the past continues to be in-tune with subtle internal and external changes that may have occurred since the formulation of strategies.

Adequate and timely feedback is the cornerstone of effective strategy audit. Strategy audit can be no better than the information on which it is based.

Strategy Audit includes three basic activities:



Richard Rumelt’s Criteria for Strategy Audit

Consistency:

A strategy should not present inconsistent goals and policies. Organizational conflict and interdepartmental bickering are often symptoms of managerial disorder, but these problems may also be a sign of strategic inconsistency.

Consonance:

Consonance refers to the need for strategists to examine sets of trends, as well as individual trends, in auditing strategies. A strategy must represent an adaptive response to the external environment and to the critical changes occurring within it.

Feasibility:

A strategy must neither overtax available resources nor create unsolvable sub-problems. The final broad test of strategy is its feasibility; that is, can the strategy be attempted within the physical, human, and financial resources of the enterprise? The financial resources of a business are the easiest to quantify and are normally the first limitation against which strategy is audited.

Advantage:

A strategy must provide for the creation and/or maintenance of a competitive advantage in a selected area of activity. Competitive advantages normally are the result of superiority in one of three areas: (1) resources, (2) skills, or (3) position.

Business Process Reengineering

Business Process Reengineering (BPR) is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and supporting business systems. It is revolutionary redesign of key business processes that involves examination of the basic process itself. It looks at the minute details of the process, such as why the work is done, who does it, where is it done and when it is done. BPR refers to the analysis and redesign of workflows and processes both within the organization and between the organization and the external entities like suppliers, distributors, and service providers. The orientation of redesigning efforts is basically radical. In other words, it is a total deconstruction and rethinking of business process in its entirety.

BPR involves the following steps:

Determining objectives: Objectives are the desired end results of the redesign process which the management and organization attempts to realise. This will provide the required focus, direction, and motivation for the redesign process.

Identify customers and determine their needs: The Process designers have to understand customers – their profile, their steps in acquiring, using and disposing a product. The purpose is to redesign business process that clearly provides value addition to the customer.

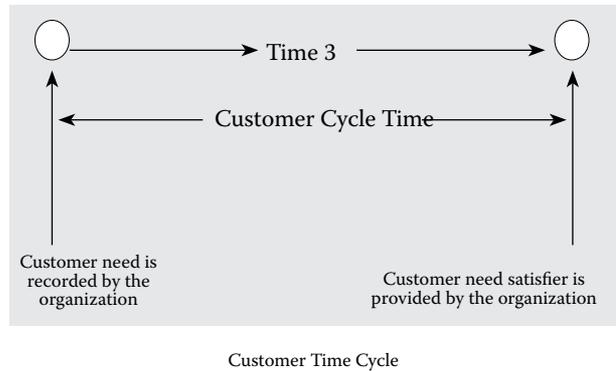
Study the existing process: The study of existing processes will provide an important base for the process designers. The purpose is to gain an understanding of the 'what', and 'why' of the targeted process. However, some companies go through the reengineering process with clean perspective without laying emphasis on the past processes.

Formulate a redesign process plan: Formulation of redesign plan is the real crux of the reengineering efforts. Customer focused redesign concepts are identified and formulated. Alternative processes are considered and the optimum is selected.

Implement the redesigned process : It is easier to formulate new process than to implement them. It is the joint responsibility of the designers and management to operationalise the new process.

Central Thrust of BPR

BPR is a continuous improvement process. Although BPR is a multi-dimensional approach in improving the business performance its thrust area may be identified as *"the reduction of the total cycle time of a business process."* BPR aims at reducing the cycle time of process by eliminating the unwanted and redundant steps and by simplifying the systems and procedures and also by eliminating the transit and waiting times as far as possible. Even after redesigning of a process, BPR maintains a continuous effort for more and more improvement.



Benchmarking

Benchmarking is an approach of setting goals and measuring productivity of firms based on best industry practices or against the products, services and practices of its competitors or other acknowledged leaders in the industry. It developed out of need to have information against which performance can be measured. Benchmarking helps businesses in improving performance by learning from the best practices and the processes by which they are achieved. Thus, benchmarking is a process of continuous improvement in search for competitive advantage. Firms can use benchmarking practices to achieve improvements in diverse range of management functions like product development, customer services, human resources management, etc.

The various steps in Benchmarking Process are as under:

Identifying the need for benchmarking: This step will define the objectives of the benchmarking exercise. It will also involve selecting the type of benchmarking. Organizations identify realistic opportunities for improvements.

Clearly understanding existing decisions processes: The step will involve compiling information and data on performance.

Identify best processes: Within the selected framework best processes are identified. These may be within the same organization or external to them.

Comparison of own process and performance with that of others: Benchmarking process also involves comparison of performance of the organization with performance of other organization. Any deviation between the two is analysed to make further improvements.

Prepare a report and implement the steps necessary to close the performance gap: A report on benchmarking initiatives containing recommendations is prepared. Such a report also contains the action plans for implementation.

Evaluation: Business organizations evaluate the results of the benchmarking process in terms of improvements vis-à-vis objectives and other criteria set for the purpose. They also periodically evaluates and reset the benchmarks in the light of changes in the conditions that impact the performance.

SIGNIFICANT DIRECT TAX PROPOSALS

RATES OF TAX

Tax rates and basic exemption limit

Tax rates for all persons, other than domestic companies, would continue to be the same for A.Y. 2019-20 as is applicable for A.Y. 2018-19. Further, there would be no change in the basic exemption limit applicable for individuals, HUFs, AOPs, BoIs and artificial juridical persons.

For A.Y. 2018-19, domestic companies whose total turnover or gross receipts does not exceed ₹ 50 crore in P.Y. 2015-16 is entitled to concessional rate of tax @25%. For A.Y.2019-20, the concessional rate of tax@25% is proposed to be extended to domestic companies whose gross receipts or total turnover does not exceed ₹ 250 crores in the P.Y.2016-17. In respect of other domestic companies, the income-tax rate would continue to be 30%.

Health and Education Cess on Income-tax @4%

Upto A.Y. 2018-19, "Education cess on income-tax" @2% and "Secondary and higher education cess on income-tax" @1% is levied on income-tax plus surcharge, if applicable. From A.Y. 2019-20, a new cess named "Health and education cess on income-tax" is proposed to be levied @4% on income-tax including surcharge, if applicable, in place of existing cess of "Education Cess" and "Secondary and Higher Education Cess on income-tax". **In effect, there would be a 1% increase in cess leviable on income-tax, plus surcharge, if any.**

SCOPE OF "BUSINESS CONNECTION"

The scope of "business connection" is proposed to be widened to include persons, who habitually play a principal role leading to conclusion of contracts by a non-resident in line with BEPS Action Plan 7.

Further, in order to address the challenges of digital economy in line with BEPS Action Plan 1, significant economic presence of a non-resident in India, as against physical presence under the current regime, would constitute business connection. These proposals are in line with India's commitment to align its domestic laws in line with BEPS Action Plans.

PERSONAL TAXATION

Standard deduction for salaried employees

For A.Y. 2018-19, an employee is entitled for exemption of upto ₹ 19,200 p.a. (₹ 38,400 p.a. in case of an employee, who is blind or deaf and dumb or orthopaedically handicapped) towards transport allowance. Further, reimbursement of medical expenses of upto ₹ 15,000 is an exempt perquisite. A salaried employee is, however, not entitled for any standard deduction.

From A.Y.2019-20, a standard deduction of ₹ 40,000 or the amount of salary, whichever is lower, is proposed to be allowed to salaried employees in lieu of the present exemption in respect of transport allowance and reimbursement of medical expenses. **The net benefit would, effectively, be only**

₹ 5,800 [i.e., ₹ 40,000 – ₹ 19,200 – ₹ 15,000] which would be further reduced if the proposed 1% increase in cess is also considered. However, benefit of enhanced transport allowance to differently abled persons would continue to be available.

Increased deduction in respect of interest income of a resident senior citizen

For A.Y. 2018-19, a deduction of upto ₹ 10,000 is allowed under section 80TTA to an assessee in respect of interest income from savings account with bank or post office or co-operative society engaged in the business of banking.

From A.Y. 2019-20, new section 80TTB is proposed to be inserted to enhance such deduction to ₹ 50,000 from the existing limit of ₹ 10,000 for resident senior citizens. Moreover, **interest on fixed deposits and recurring deposits** would also qualify for deduction under this new section.

Increased deduction in respect of health insurance premium and medical expenditure incurred on resident senior citizens

For A.Y. 2018-19, section 80D, *inter alia*, provides for a deduction of upto ₹ 30,000 to an assessee, being an individual or a Hindu undivided family, in respect of payments towards annual premium on health insurance policy of a resident senior citizen, being self, spouse or parents of such individual or any member of a HUF. This limit is proposed to be increased to ₹ 50,000 from A.Y. 2019-20.

Further, for A.Y. 2018-19, where no amount has been paid to effect or keep in force an insurance on the health of a resident very senior citizen, being self, spouse or parent, then, medical expenditure incurred on the health of such person qualifies for deduction of upto ₹ 30,000. From A.Y. 2019-20, this benefit is proposed to be extended to cases, where no amount has been paid to effect or keep in force an insurance on the health of a **resident senior citizen**, being self, spouse or parent. Further, the maximum permissible deduction is proposed to be increased from ₹ 30,000 to ₹ 50,000.

Thus, resident senior citizens not covered by insurance can claim reimbursement of medical expenditure upto ₹ 50,000 from A.Y.2019-20. For A.Y.2018-19, this benefit is available only for very senior citizens, and restricted to a maximum of ₹ 30,000.

Also, in case of single premium health insurance policies having health cover for more than a year, it is proposed that the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the specified monetary limit.

Enhanced deduction to senior citizens for medical treatment of specified diseases

For A.Y.2018-19, section 80DDB, *inter-alia*, provides that a deduction shall be available to an individual and Hindu undivided family in respect of an amount paid for medical

treatment of specified diseases for the individual or his dependent or any member of a HUF, as the case may be, up to ₹ 80,000 in case of very senior citizens and up to ₹ 60,000 in case of senior citizens.

From A.Y.2019-20, the maximum cap of ₹ 60,000 and ₹ 80,000, respectively, for resident senior citizens and very senior citizens, is proposed to be increased to ₹ 1,00,000.

Extension of benefit of exemption on complete withdrawal from NPS to non-employee assesseees

For A.Y. 2018-19, section 10(12A) provides for an exemption of upto 40% of the total amount payable to an employee contributing to the NPS on closure of his account or on his opting out the scheme. Further, in cases of partial withdrawal from NPS, section 10(12B) provides for exemption of upto 25% of contributions made by an employee. These exemptions were, however, not available to non-employee assessee contributing to NPS.

From A.Y. 2019-20, the benefit of exemption under section 10(12A) is proposed to be extended to all assesseees. However, benefit of exemption under section 10(12B) in case of partial withdrawal continues to be restricted to employees alone.

CAPITAL GAINS TAXATION

Tax treatment of long-term capital gains on transfer of listed equity shares, units of an equity oriented fund etc.

For A.Y. 2018-19, long term capital gains (LTCG) arising from transfer of a capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust, is exempt by virtue of section 10(38), if the sale and acquisition transactions are carried out on a recognized stock exchange and subject to securities transaction tax (STT).

In order to minimize economic distortion and curb erosion of tax base, it has been proposed that the benefit of exemption under section 10(38) would not be available in respect of such transactions effected on or after 1.4.2018. New section 112A is proposed to be inserted to bring to tax such long-term capital gains in excess of ₹ 1 lakh@10% with effect from A.Y. 2019-20. No indexation benefit would be available for computing cost of acquisition. Also, benefit of computation of capital gains in foreign currency in case of a non-resident will not be allowed.

The **cost of acquisition** in respect of the long term capital asset acquired by the assessee before 1st February, 2018, would be deemed to be the higher of –

- a) the actual cost of acquisition of such asset; and
- b) the lower of –
 - (I) the fair market value of such asset on 31.1.2018 ; and
 - (II) the full value of consideration received or accruing as a result of the transfer of the capital asset.

Such capital gains would neither be eligible for benefit of deductions under Chapter VI-A nor benefit of rebate under section 87A.

Short-term capital gains under section 111A

Short-term capital gains taxable under section 111A would continue to be taxable @15%.

Conversion of stock-in-trade into capital asset: Tax treatment

Section 45, *inter alia*, provides that capital gains arising from a conversion of capital asset into stock-in-trade shall be chargeable to tax. However, in cases where the stock-in-trade is converted into, or treated as, capital asset, the existing law does not provide for the manner of its taxability.

From A.Y. 2019-20, new clause (via) is proposed to be inserted in section 28 to provide that any profits or gains arising from conversion of inventory into capital asset or its treatment as capital asset would be chargeable to tax as business income. The fair market value of the inventory on the date of conversion or treatment determined in the prescribed manner, shall be deemed to be the income chargeable to tax under the head “Profits and gains of business or profession”. Further, for determining capital gain on transfer of such capital asset, the fair market value on the date of conversion would be the cost of acquisition. The period of holding would be reckoned from the date of conversion or treatment.

It may be noted that **business income would be taxable in the year of conversion** of stock-in-trade into capital asset and there is no provision for postponement of taxability of business income to the year in which the actual transfer of the capital asset takes place.

Transfer of immovable property, being land or building or both

Section 50C requires adoption of stamp duty value of land or building or both, being a capital asset, as full value of consideration in the hands of the seller, if the same is higher than actual sale consideration obtained on transfer of such capital asset. Likewise, section 43CA also requires adoption of stamp duty value of land or building or both, held as stock-in-trade, as full value of consideration in the hands of the seller, if the same is higher than actual sale consideration obtained on transfer of such stock-in-trade. Section 56 brings to tax the difference between the stamp duty value and actual sale consideration on transfer of land or building or both, in the hands of the buyer, if the difference exceeds ₹ 50,000.

Sections 50C, 43CA and 56 are proposed to be amended with effect from A.Y. 2019-20 to provide that no adjustments shall be made in a case where the variation between stamp duty value and the actual sale consideration is not more than 5% of the actual sale consideration.

Deduction under section 54EC

For A.Y. 2018-19, deduction under section 54EC is available in respect of capital gain, arising from the transfer of a long-term capital asset, invested in the long-term specified asset at any time within a period of six months after the date of such transfer. Long-term specified asset means any bond, redeemable after three years, issued by the National Highways Authority of India (NHAI) or by the Rural Electrification Corporation Limited (RECL); or any other bond notified by the Central Government.

From A.Y. 2019-20, section 54EC is proposed to be amended to restrict the exemption available thereunder to capital gain arising from the transfer of a **long-term capital asset, being land or building or both only and not other capital assets**. Further, the period for redemption of long-term specified asset, being a bond issued on or after 1.4.2018, is proposed to be increased from three years to five years.

Tax incentives to International Financial Services Centre (IFSC)

In order to promote the development of world class financial infrastructure in India, the transaction in GDRs, rupee denominated bond of an Indian company or derivatives by a non-resident on a recognised stock exchange located in any IFSC would not be regarded as transfer, if the consideration is paid or payable in foreign currency.

Further, from A.Y. 2019-20, a concessional rate of alternate minimum tax@9% would apply for non-corporate tax payers operating in IFSCs.

INCOME COMPUTATION DISCLOSURE STANDARDS (ICDSs)

The Central Government has, in exercise of powers under section 145(2), notified ten ICDSs effective from A.Y. 2017-18. These ICDSs are applicable to all assessee (other than an individual or a Hindu undivided family who is not required to get his accounts of the previous year audited in accordance with the provisions of section 44AB) for the purposes of computation of income chargeable to income-tax under the head "Profits and gains of business or profession" or "Income from other sources".

The Delhi High Court has, in the case of *Chamber of Tax Consultants & Anr vs. Union of India & Ors*, held that certain provisions of ICDSs are *ultra vires* the Act, since they seek to overcome binding judicial precedents and are, thus, contrary to the law settled by the Supreme Court and various High Courts. In order to bring certainty in the wake of such judicial pronouncements, the following amendments are proposed to be effected in the Income-tax Act, 1961 itself with retrospective effect from A.Y.2017-18:

Section proposed to be amended/ inserted	Proposed Provision in the Income-tax Act, 1961
36 & 40A	ICDS I provides that marked to market losses would not be allowed unless the same is in accordance with any other ICDS. Therefore, only marked to market losses specifically permitted under any other ICDS would be allowable as deduction under section 36. Other marked to market losses would not be allowed as deduction as per section 40A.

43AA	Any gain or loss arising on account of effects of changes in foreign exchange rates in respect of specified foreign currency transactions shall be treated as income or loss, to be computed in the manner provided in the ICDS as notified under section 145(2).
43CB	Profits arising from a construction contract or a contract for providing services shall be determined on the basis of percentage of completion method as per ICDS III except for certain service contracts. Contract revenue shall include retention money, and contract cost shall not be reduced by incidental interest, dividend and capital gains.
145A	Valuation of inventory shall be made at lower of actual cost or net realizable value computed as per ICDS II: Valuation of Inventories. However, inventories being securities not listed on a recognised stock exchange with regularity from time to time, has to be valued at actual cost initially recognised. Other securities held as inventory would be valued at lower of actual cost or net realisable value. The comparison of actual cost and net realisable value of securities has to be made category-wise.
145B	Interest received by an assessee on any compensation or enhanced compensation, as the case may be, shall be deemed to be the income of the previous year in which it is received. A claim for escalation of price in a contract or export incentives would be deemed to be the income of the previous year in which reasonable certainty of its realisation is achieved. Government subsidy or grant would be deemed to be the income of the previous year in which it is received, if not charged to income-tax in any earlier previous year.

CHARITABLE TRUSTS

Last year, the post demonetisation Union Budget witnessed changes in tax laws denying benefit of deductions from business income in respect of expenditure for which cash payment exceeds ₹ 10,000. However, such changes were not incorporated in the special taxation regime applicable to charitable trusts. Hence, charitable trusts were availing benefits under sections 11 and 12 even in respect of application of income by way of cash payments.

From A.Y. 2019-20, in order to encourage a less cash economy and to reduce the generation and circulation of black money, the above anti-avoidance provision is proposed to be made

applicable to charitable trusts governed by the special taxation regime under sections 10(23C)(iv)/(v)/(vi)/(via) and 11 and 12. Furthermore, henceforth, non-deduction of tax at source would also attract disallowance akin to section 40(a)(ia), in the hands of the charitable trust.

DEDUCTIONS FROM GROSS TOTAL INCOME

Deduction in respect of employment of new employees

For A.Y. 2018-19, an additional deduction of 30% is allowed under section 80JJAA in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year. Such deduction would be allowable for three assessment years, including the assessment year relevant to the previous year in which such employment is provided. In case of apparel industry alone, the minimum period of employment to qualify for deduction is relaxed to 150 days.

From A.Y. 2019-20, section 80JJAA is proposed to be amended to **extend this relaxation in minimum period of employment to footwear and leather industry**. Further, deduction would also be available in respect of emoluments paid to a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year. In such cases, the **deduction under this section would be available from the subsequent year**.

Deduction in respect of income of Farm Producer Companies

Section 80P provides for 100% deduction in respect of profit of co-operative society which provide assistance to its members engaged in primary agricultural activities.

New section 80PA is proposed to be inserted to extend this benefit to Farm Producer Companies (FPC), having a total turnover of less than ₹ 100 crore, whose gross total income includes any income from-

- (i) the marketing of agricultural produce grown by its members, or
 - (ii) the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, or
 - (iii) the processing of the agricultural produce of its members.
- The benefit would be available for a period of five years commencing from the previous year relevant to Assessment Year 2019-20.

DEEMED DIVIDEND

Deemed dividend u/s 2(22)(e) to be subject to dividend distribution tax

Dividend distributed by a domestic company attracts dividend distribution tax under section 115-O in the hands of such company. However, dividend distribution tax under section 115-O is not attracted in respect of deemed dividend under

section of 2(22)(e).

It is proposed to bring deemed dividend under section 2(22)(e) within the scope of dividend distribution tax under section 115-O leviable in the hands of company. Such deemed dividend to attract dividend distribution tax @30% without grossing up in the hands of the company in respect of transactions referred to in section 2(22)(e) undertaken on or after 1.4.2018. Thus, such deemed dividend would be exempt in the hands of recipient under section 10(34).

Expanding scope of “accumulated profits” for the purposes of deeming dividend u/s 2(22)

The term “accumulated profits” for deeming dividend under section 2(22) means all profits of the company upto the date of distribution or payment or liquidation, subject to certain conditions.

The scope of definition of “accumulated profits” for deeming dividend is proposed to be expanded with effect from A.Y. 2018-19 to include, in the case of an amalgamated company, the accumulated profits of the amalgamating company also, whether capitalised or not, on the date of amalgamation.

RETURN OF INCOME AND ASSESSMENT PROCEDURE

Mandatory filing of return to claim deduction under the heading “C - Deductions in respect of certain incomes” under Chapter VI-A

Section 80AC provides that no deduction would be admissible under section 80-IA or section 80-IAB or section 80-IB or section 80-IC or section 80-ID or section 80-IE, unless the return of income by the assessee is furnished on or before the due date specified under section 139(1).

With effect from A.Y. 2018-19, it is proposed to extend the scope of section 80AC to provide that the benefit of deductions under the heading “C.—Deductions in respect of certain incomes” in Chapter VIA **shall not be allowed unless the return of income is filed by the due date**. Thus, the new sections included within the scope of section 80AC are **sections 80-IAC, 80-IBA, 80JJA, 80JJAA, 80LA, 80P, 80PA, 80QQB and 80RRB**.

Non-individual Entities to apply for PAN in certain cases

Section 139A(1) provides that every person specified therein and who has not been allotted a PAN shall apply to the Assessing Officer for allotment of a PAN.

In order to use PAN as Unique Entity Number (UEN) for non-individual entities, section 139A(1) is proposed to be amended with effect from 1.4.2018 to provide that every person, not being an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a financial year shall be required to apply to the Assessing Officer for allotment of PAN. Further, the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of such person or any person competent to act on behalf of such

person would also be required to apply to the Assessing Officer for allotment of PAN.

Rationalisation of prima-facie adjustments during processing of return of income

Section 143(1) provides for processing of return of income made under section 139, or in response to a notice under section 142(1). At the time of processing of return, the total income or loss shall be computed after making the adjustment, *inter alia*, in respect of addition of income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in the return.

It is proposed to restrict the scope of adjustments which can be made while processing the return by providing that **aforesaid adjustment shall not be made** in respect of any return furnished for A.Y. 2018-19 or any subsequent assessment year.

E-Assessments: A tax-payer friendly measure

The budget proposal to notify an electronic mode for

assessment across the country will usher in greater efficiency and transparency in the assessment procedure.

Prosecution for failure to furnish return

Section 276CC provides that if a person wilfully fails to furnish in due time the return of income which he is required to furnish, he shall be punishable with imprisonment for a term, as specified therein, and with fine. However, a person shall not be proceeded against under the said section for failure to furnish return if the tax payable by him on the total income determined on regular assessment as reduced by the advance tax, if any, paid and any tax deducted at source, does not exceed ₹ 3,000.

It is proposed to exclude companies from the ambit of such exemption provision with effect from 1.4.2018 in order to prevent abuse of such exemption by shell companies or companies holding Benami properties. **Therefore, companies would be liable for prosecution under section 276CC for failure to furnish return, even if they have no tax liability.**

INDIRECT TAXES

Amendment to be effective from 2nd February, 2018

A social welfare surcharge at 10% of the aggregate customs duties has been levied on imported goods in place of existing 3% education cesses. However, this surcharge will not be leviable on integrated tax and GST compensation cess on imported goods.

Amendments to be effective from the date on which Finance Bill, 2018 receives the assent of the President

Central Board of Excise and Customs is to be renamed as "Central Board of Indirect Taxes and Customs".

AMENDMENTS PROPOSED IN THE CUSTOMS ACT, 1956

- ◆ Section 1 proposed to be amended so as to expand the scope of the Customs Act to any offence or contravention committed thereunder outside India by any person.
- ◆ Section 2 proposed to be amended so as to substitute the definition of assessment in sub-section (2); to extend the limit of 'Indian Customs Waters' into the sea from the existing 'Contiguous zone of India' to the 'Exclusive Economic Zone (EEZ)' of India, incorporate the definition of notification.
- ◆ Section 17 relating to assessment of duty to be amended so as to:
 - ❖ expand the scope of verification beyond self-assessment to all the entries made under section 46 or

section 50.

- ❖ insert a new sub-section (2A) to provide legal backing for the risk-based selection of self-assessed Bill of Entry or Shipping Bill through appropriate selection criteria;
- ❖ extend the scope of re-assessment by omitting specific reference to valuation, classification and exemption or concessions of duty availed consequent to any notification issued therefor under this Act from sub-section (5);
- ❖ omit sub-section (6) providing for audit of assessment of duty, in view of the new dedicated Chapter for Audit;
- ❖ Section 18 dealing with provisional assessment of duty is proposed to be amended so as cover export consignments under provisional assessment of duty by amending sub-section (1).
- ❖ Further, a new sub-section (1A) also to be inserted to empower the Board to issue regulation for providing time-limit for the importer/exporter to submit the documents and information, for finalization of provisional assessments and for the proper officer to finalize the provisional assessment.
- ❖ Reference to import manifest and export manifest, wherever they occur in the Customs Act, to include Arrival Manifest and Departure Manifest respectively.
- ❖ A new section 25A to be introduced in the Customs Act to empower the Central Government to exempt goods imported for repair, further processing or manufacture ['Inward Processing of Goods'] from

- payment of whole or any part of duty of customs, leviable thereon subject to certain conditions. Similarly, outward processing of goods also proposed to be exempted vide a new section 25B.
- ❖ Section 28 dealing with recovery of duty to be amended so as to:
 - provide prenotice consultation in cases not involving collusion, willful mis-statement, suppression etc. before issue of demand notice. The manner of pre-notice consultation shall be provided in the regulations.
 - provide for issuance of supplementary show cause notice in circumstances and in such manner as may be prescribed within the existing time period.
 - provide a definite time frame of 6 months and 1 year for adjudication of demand notices depending upon whether charges of collusion, willful mis-statement, suppression have been invoked. These time periods to be extendable by the officer senior to adjudicating authority for a further period of 6 months and 1 year respectively. It is also proposed to provide that if the demand notice is not adjudicated even within the extended period, it would be deemed as if no demand had been issued.
 - ❖ Section 30 pertaining to delivery of import manifest or import report to be amended so as to include export goods in addition to imported goods as part of the information provided in the manifest, provide for prescribing the manner of delivery of manifest through regulations.
 - ❖ Section 41 pertaining to delivery of export manifest or export report also to be amended so as to include imported goods in addition to export goods as part of the information provided in the manifest, provide penalty provisions for late filing of manifest upto maximum limit of Rs. 50,000 and provide for prescribing the manner of delivery of manifest through regulations.
 - ❖ Section 46 relating to entry of goods on importation to be amended to clarify the time limit for the prior presentation of bill of entry, by substituting the words, 'within thirty days of' with the words, 'at any time not exceeding thirty days prior to' in sub-section (3). Further, a new sub-section (4A) to be inserted so as to provide for observance of the accuracy, authenticity, validity of the declarations made by the importer under this section and compliance to the prohibitions or restrictions under this act or any other law for the time being in force.
 - ❖ Section 47 relating to clearance of goods for home consumption to be amended so as to have a provision for clearance of goods by Customs Automated System in addition to existing clearance by the proper officer.
 - ❖ Amendments in provisions of Advance Ruling
 - (i) Section 28E is proposed to be amended so as to make the following changes-
 - The definition of 'activity' to be omitted as it is no longer relevant;
 - The existing definition of advance ruling to be substituted with the following definition: -
 - ⇒ "advance ruling" means a written decision on any of the questions referred to in section 28H raised by the applicant in his application in respect of any goods prior to its importation or exportation;
 - definition of 'appellate authority' to be included- Appellate Authority means the Authority for Advance Rulings constituted under section 245-O of the Income-tax Act, 1961.
 - the definition of 'applicant' to be substituted in order to make it broad based by providing that "applicant" means any person, --
 - o holding a valid Importer-exporter Code Number granted under section 7 of the Foreign Trade (Development and Regulation) Act, 1992; or
 - o exporting any goods to India; or
 - o with a justifiable cause to the satisfaction of the Authority,
 who makes an application for advance ruling under section 28H;';
 - the definition of 'authority' proposed to be substituted to mean the Customs Authority for Advance Ruling as referred to in section 28EA;
 - In the definition of "chairperson" and "member", the term "authority" to be substituted with "Appellate Authority".
 - (ii) A new section 28EA relating to 'Customs Authority for Advance Rulings' proposed to be inserted, which empower the Board to appoint officers of the rank of Principal Commissioner of Customs or Commissioner of Customs as Customs Authority for Advance Rulings by way of notification. Till such appointment by the Board, existing Authority shall continue to pronounce Advance Rulings.
 - (iii) Section 28F proposed to be amended so as to substitute the word "Authority" with the words "Appellate Authority" and to provide that on appointment of Customs Authority for Advance Rulings, the applications and proceedings pending before the erstwhile Authority shall stand transferred to Customs Authority for Advance Rulings.
 - (iv) Section 28H relating to application for advance ruling is proposed to be amended so as to amend sub-section 2(d) thereof to include the word "tax" in addition to "duty" mentioned therein. Further, it is proposed to enable Central Government to notify any other matter on which advance ruling can be sought by an applicant.
 - A new sub-section (5) to be inserted to provide that an applicant may be represented by a duly authorized person who is resident in India. The definition of resident shall be same as provided in clause (42) of section 2 of Income Tax Act, 1961.
 - (v) Section 28-I (6) to be amended so as to reduce the time from 6 months to 3 months within which the authority

- shall pronounce its advance ruling.
- (vi) Section 28K to be amended so as to-
- a. omit the expression 'after excluding the period beginning with the date of such advance ruling and ending with the date of order under this sub-section' in sub-section (1);
 - b. insert a proviso to sub-section (1) stating that the period beginning with the date of such advance ruling and ending with the date of order under this sub-section shall be excluded from the time period of two years and five years respectively specified in section 28.
- (vii) A new section 28KA relating to Appeal provisions in respect of Advance Ruling to be inserted with effect from a date to be notified providing that-
- o Any officer authorised by the Board, by notification, or the applicant may file an appeal to the Appellate Authority against any ruling or order passed by the Authority, within 60 days from the date of the communication of such ruling or order, in the prescribed form and manner.
 - o Also, where the Appellate Authority is satisfied that the appellant was prevented by sufficient cause from presenting the appeal within the period so specified, it may allow a further period of 30 days for filing such appeal.
 - o The provisions of section 28-I and 28J shall, mutatis mutandis, apply to the appeal proceedings.
- ❖ Section 50 stipulates the provisions regarding filing of Bill of Entry/Shipping Bill for exportation. Sub-section (1) and proviso thereof are proposed to be amended to insert a reference to Customs Automated System, i.e. the Bill of Entry/Shipping Bill which is required to be presented electronically are proposed to be presented electronically on Customs Automated System.
 - ❖ A new sub-section (2A) is to be inserted in section 50 so as to provide for observance of the accuracy, authenticity, validity of the declarations made in the Bill of Export/Shipping Bill by the exporter and compliance to the prohibitions or restrictions under the Customs Act, 1962 or any other law for the time being in force.
 - ❖ Section 51 to be amended to provide that order for clearance of goods for exportation may also be made electronically through the customs automated system on the basis of risk evaluation through appropriate selection criteria.
 - ❖ A new Chapter VIIA on 'Payments through Electronic Cash Ledger' is proposed to be inserted. The provisions are contained in newly inserted section 51A. It proposes the payment of duties, taxes, fee, interest, and penalty through electronic cash ledger.
 - ❖ Section 54 contains provisions pertaining to transshipment of certain goods without payment of duty. It is proposed to be amended so as to empower the Board to make Regulations provide manner of presenting a bill of transshipment and declaration for transshipment.
 - ❖ Sections 60, 68 and 69 are to be proposed to be amended to provide that order for clearance of goods from customs station for the purpose of deposit in a warehouse, order for clearance of warehoused goods for home consumption and order for clearance of warehoused goods for export may be made electronically through the customs automated system in addition to existing mechanism of clearance by the proper officer.
 - ❖ The scope of sections 83 and 84 has been widened to include reference to goods imported or exported by courier through the authorized courier. The extant provisions in the sections relate to goods imported or exported by post only.
 - ❖ A new Chapter XIIA containing the provisions relating to 'Audit' is proposed to be inserted. The provisions are contained in newly inserted section 99A. It seeks to empower the proper officer to carry out the audit of assessment of imported goods or export goods or of an auditee under the Customs Act, 1956 either in his office or in the premises of the auditee in such manner as may be prescribed.
 - ❖ The proper officer is proposed to be empowered to undertake controlled delivery through the newly inserted section 109A. It seeks to authorize the proper officer or any other officer authorized by him to undertake controlled delivery of any consignment of goods to any destination in India or a foreign country. The consignment of goods for which controlled delivery is applicable and the manner of the same is to be prescribed in the Regulations by the Board.
 - ❖ Section 110(2) stipulates that a show cause notice is to be issued to the person from whom the goods are seized within six months of the seizure of the goods. Second proviso is proposed to be inserted to said sub-section to provide that where any order for provisional release of the seized goods has been passed under section 110A, the specified period of six months shall not apply.
 - ❖ Section 122 to be amended so as to substitute the extant clauses (b) and (c) to empower the Board to fix monetary limits for adjudication of cases by officers below the rank of Joint Commissioner by way of notification.
 - ❖ Second proviso to be inserted to section 124 to provide for issuance of supplementary show cause notice under such circumstances and in such manner as may be prescribed through regulations.
 - ❖ Section 125 to be amended to provide that where the demand proceedings against a noticee / co-noticees have been closed on grounds of having paid the dues mentioned in section 28, then the provisions of section 125 shall not be applicable if the goods are not prohibited or restricted.
- Further, sub-section (3) is proposed to be inserted to provide that option to pay redemption fine would

become void if redemption fine is not paid within a period of 120 days from the date of option given, except in cases where any appeal against such order is pending.

- ❖ Section 128A proposed to be amended to allow Commissioner (Appeals) to remand back the matters to original adjudicating authority in specified categories of cases.
- ❖ Board is proposed to be empowered to prescribe trade facilitation measures or separate procedure or documentation for a class of importers or exporters or for categories of goods or on the basis of the modes of transport of goods for:
 - maintenance of transparency in import and export documentation and procedure; or
 - expeditious clearance or release of goods entered for import or export; or
 - reduction in the transaction cost of clearance of importing or exporting goods; or
 - maintenance of balance between customs control and facilitation of legitimate trade vide new section 143AA proposed to be inserted.
- ❖ A new section 151B proposed to be inserted providing for reciprocal arrangement for exchange of information facilitating trade.
- ❖ Section 153 stipulates provisions pertaining to service of order, decision, etc. It is to be substituted so as to align it with the provisions of the section 169 of the CGST Act, 2017 to include speed post, courier, and registered email as valid modes of delivery and in case of non-service by such means, to also provide for affixing it at some conspicuous place at the last known place of business or residence in addition to affixing it on the notice board of the Customs House etc.
- ❖ Section 157 to be amended so as to empower the Board to make regulations relating to manner to deliver or present, a bill of entry, shipping bill, bill of export, import manifest, import report, export manifest, export report, bill of transshipment, declaration for transshipment, boat note and bill of coastal goods; time and manner of finalization of provisional assessment; manner of conducting pre-notice consultation; circumstances under which, and the manner of issuing supplementary notice; form and manner in which an application for advance ruling or appeal shall be made, and the procedure for the authority; manner of clearance or removal of imported or export goods; documents to be furnished in relation to imported goods; conditions, restrictions and the manner for deposits in electronic cash ledgers, the utilization and refund therefrom and the manner of maintaining such ledger; manner of conducting audit; goods for controlled delivery and the manner thereof; measures and the simplified or different procedures or documentation for a class of importers or exporters or categories of goods or on the basis of the modes of transport of goods.

Amendments proposed in the Customs Tariff Act, 1975

- ◆ New sub-sections (8A) and (10A) are proposed to be inserted to provide the method to compute the value of imported article for the purpose of calculating the integrated tax and GST compensation cess in case where the goods deposited in a warehouse under the provisions of the Customs Act, 1962 are sold to any person before clearance for home consumption or export under the said Act.

Note: The key features of the Union Budget 2018-19 discussed above reflect the position prior to passing of the Finance Bill, 2018 by the Parliament.

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I, CA. Vandana D. Nagpal, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Dated: February 26, 2018
Sd/-
Signature of Publisher



IMPORTANT ANNOUNCEMENT

No.13-CA (EXAM)/CPT/June/2018: In pursuance of Regulation 22 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India is pleased to announce that the Common Proficiency Test will be held on Sunday, 17th June, 2018 in two sessions as below, at the following

centres provided that sufficient number of candidates offer themselves to appear from each centre.

[This Common Proficiency Test will be conducted as per provisions of Regulation 25 D (3) of the Chartered Accountants Regulations, 1988.]

First Session (i.e. Morning Session)	10.30 AM to 12.30 PM (IST) Section - A Fundamentals of Accounting Section - B Mercantile Laws
Second Session (i.e. Afternoon Session)	2.00 PM to 4.00 PM (IST) Section - C General Economics Section - D Quantitative Aptitude

PLACES OF EXAMINATION CENTRES IN INDIA:

1	Agra	2	Ahmedabad	3	Ahmednagar
4	Ajmer	5	Akola	6	Alappuzha
7	Aligarh	8	Allahabad	9	Alwar
10	Ambala	11	Ambikapur (chhattisgarh)	12	Amravati
13	Amritsar	14	Anand	15	Anantapur
16	Asansol	17	Aurangabad	18	Badlapur
19	Balotra	20	Banswara	21	Bareilly
22	Bathinda	23	Beawar	24	Belgaum
25	Bellary	26	Bengaluru	27	Berhampore
28	Bhagalpur	29	Bharatpur	30	Bharuch
31	Bhavnagar	32	Bhilwara	33	Bhiwandi
34	Bhiwani	35	Bhopal	36	Bhubaneswar
37	Bhuj	38	Bikaner	39	Bilaspur
40	Bundi	41	Burhanpur	42	Chandigarh
43	Chandrapur	44	Chennai	45	Chhindwara
46	Chittorgarh	47	Churu	48	Coimbatore
49	Cuttack	50	Dehradun	51	Delhi / new delhi
52	Dhanbad	53	Dhule	54	Durg
55	Durgapur	56	Eluru	57	Ernakulam
58	Erode	59	Faridabad	60	Fatehabad
61	Firozabad	62	Gandhidham	63	Gandhinagar
64	Ghaziabad	65	Gondia	66	Gorakhpur
67	Guntur	68	Gurgaon	69	Guwahati
70	Gwalior	71	Haldwani	72	Haridwar
73	Hisar	74	Hubli	75	Hyderabad
76	Ichalkaranji	77	Indore	78	Jabalpur
79	Jaipur	80	Jalandhar	81	Jalgaon
82	Jalna	83	Jammu	84	Jamnagar
85	Jamshedpur	86	Jhansi	87	Jhunjhunu
88	Jodhpur	89	Junagadh	90	Kaithal
91	Kakinada	92	Kalaburgi (gulbarga)	93	Kannur
94	Kanpur	95	Karimnagar	96	Karnal
97	Kishanganrh	98	Kolhapur	99	Kolkata
100	Kollam	101	Kota	102	Kottayam
103	Kozhikode	104	Kumbakonam	105	Kurnool
106	Latur	107	Lucknow	108	Ludhiana
109	Madurai	110	Malappuram	111	Mandsaur
112	Mangalore	113	Mapusa (goa)	114	Margao (goa)
115	Mathura	116	Meerut	117	Moradabad

118	Mumbai	119	Muzaffarnagar	120	Muzaffarpur
121	Mysore	122	Nagpur	123	Nanded
124	Nashik	125	Navi mumbai	126	Navsari
127	Neemuch	128	Nellore	129	Nizamabad
130	Noida	131	Ongole	132	Palakkad
133	Palghar	134	Pali marwar	135	Panipat
136	Panvel	137	Parbhani	138	Patiala
139	Patna	140	Pimpri-chinchwad	141	Pondicherry
142	Port blair	143	Pune	144	Raigarh (chhattisgarh)
145	Raipur	146	Rajamahendravaram	147	Rajkot
148	Ranchi	149	Ratlam	150	Ratnagiri
151	Rewa	152	Rewari	153	Rohtak
154	Rourkela	155	Saharanpur	156	Salem
157	Sambalpur	158	Sangli	159	Sangrur
160	Satara	161	Satna	162	Shimla
163	Shimoga	164	Sikar	165	Siliguri
166	Sirohi	167	Sirsa	168	Sivakasi
169	Solapur	170	Sonepat	171	Sri ganganagar
172	Srinagar	173	Surat	174	Surendranagar
175	Thane	176	Thiruvananthapuram	177	Thrissur
178	Tinsukia	179	Tiruchirapalli	180	Tirunelveli
181	Tirupati	182	Tirupur	183	Tuticorin
184	Udaipur	185	Udupi	186	Ujjain
187	Vadodara	188	Vapi	189	Varanasi
190	Vasai	191	Vellore	192	Vijayawada
193	Visakhapatnam	194	Warangal	195	Yamuna nagar
196	Yavatmal				

PLACES OF EXAMINATION CENTRES OVERSEAS:

- (1) ABU DHABI (2) DOHA (3) DUBAI
(4) KATHMANDU (5) MUSCAT

The Council reserves the right to withdraw any centre at any stage without assigning any reason.

An application for admission to Common Proficiency Test (CPT) is required to apply on-line at <http://icaiaexam.icaai.org> from 4th April, 2018 to 26th April, 2018 (without late fees) and upto 3rd May, 2018 (with Late Fees of ₹ 600/- for Indian & Kathmandu Centres and \$10 for Foreign Centres). The exam fee is required to be submitted on-line by using either VISA or MASTER Credit / Debit Card / Rupay Card / Net Banking.

The fees payable for the Common Proficiency Test is ₹ 1000/- for centres in India, ₹ 1700/- for centres in

Kathmandu (Nepal) and \$ 300/- for centres in Abu Dhabi, Doha, Dubai & Muscat

The aforesaid Common Proficiency Test (CPT) is open only to students registered with the Institute of Chartered Accountants of India for the Common Proficiency Course and fulfill the requisite eligibility conditions.

QUESTION PAPER BOOKLET LANGUAGE:

Common Proficiency Test is an objective type multiple choice questions based examination. Candidates will be allowed to opt for Hindi medium Question Paper Booklet for answering the questions. Detailed information will be found given in the Information brochure hosted on the aforementioned website.

(B. MURALIDHARAN)
JOINT SECRETARY (EXAMINATIONS)

IMPORTANT ANNOUNCEMENT

Examination Timings- CA May - 2018 Examinations

January 30th, 2018

An announcement dated 9th January 2018 informing the schedule and timings of the CA Examinations-May 2018 was hosted on www.icaai.org

The said announcement had indicated that the CA exams in May 2018 will be held in the morning session from 10.30 AM to 1.30 PM (IST).

Subsequent to that representations were received requesting for retaining the earlier timings, i.e. 2.00 PM to 5.00 PM.

Taking into consideration the requests received, it has now been decided that the Chartered Accountant Examinations, i.e. Foundation, Intermediate (IPC), Intermediate, Final Examination (Both under the Old and New Scheme) and the Post Qualification Course Examination i.e. International Taxation – Assessment Test (INTT – AT) **would be held from 2.00 PM to 5.00 PM (IST) on all the examination days, i.e. from 2nd May 2018 to 17th May 2018.**

So also, Examination timings at Abu Dhabi, Dubai and Muscat Centres will be 12.30 PM to 3.30 PM. (UAE local time equivalent to 2 PM to 5 PM (IST)). Examination timings at Kathmandu centre will be 2.15 PM to 5.15 PM, (Nepal local time equivalent to 2 PM to 5 PM (IST))

All other details contained in the announcement dated 9th January 2018 remain the same.

Candidates are requested to note the above mentioned change in timings and act accordingly.

ICAI Exam

SCHOLARSHIPS FOR CA STUDENTS

Board of Studies, ICAI invites applications for the award of Scholarships to the selected candidates to be paid from April 1, 2018 onwards under following categories

Sr. No.	Scholarship Category	No. of Scholarships	Amount (p.m.)	Eligibility Criteria
1.	Merit-cum-Need	As per eligibility criteria	₹ 1500/-	Rank holders (other than covered under Merit category) of Intermediate (IPC) November, 2017 Exam whose parents/guardians total annual income does not exceed ₹ 2,50,000/-
2.	Need Based and Weaker Sections	300	₹ 1250/-	Students of Intermediate (IPC)/Intermediate Course whose parents/guardians total annual income does not exceed ₹ 2,00,000/-
		200	₹ 1250/-	Students of Final Course whose parents/guardians total annual income does not exceed ₹ 2,00,000/-
		As per eligibility criteria	₹ 1250/-	The children undergoing Intermediate (IPC)/Intermediate or Final Course of the deceased members of ICAI where financial assistance is provided to spouses of the deceased members from the Chartered Accountants Benevolent Fund (CABF) shall also be eligible for scholarship.
3.	Sri Dhanraj Kanhaiyalal Dudheria Scholarships	4	₹ 1250/-	Students of Intermediate (IPC)/Intermediate/Final from Karnataka State under Need Based & Weaker Sections criteria
4.	R.K. Khanna Memorial Scholarships	2	₹ 1250/-	Students of Intermediate (IPC)/Intermediate/Final under Need Based & Weaker Sections criteria
5.	J.S. Lodha Memorial Scholarships	2	₹ 1250/-	Students of Intermediate (IPC)/Intermediate/Final under Need Based & Weaker Sections criteria
6.	J.M. Sethia Charitable Trust Scholarships	1	₹ 1250/-	Students of Intermediate (IPC)/Intermediate/Final under Need Based & Weaker Sections criteria
7.	BCCO Foundation Scholarships	3	₹ 1250/-	Students of Intermediate (IPC)/Intermediate/Final under Need Based & Weaker Sections criteria
8.	Out of Joint Corpus formed by Donors	5	₹ 1250/-	Students of Intermediate (IPC)/Intermediate/Final under Need Based & Weaker Sections criteria

Board of Studies, ICAI also awards **Merit Scholarships** to the Meritorious Students as a token of appreciation. Students whose names are appearing at Sl. No. 1-10 of Merit lists of Intermediate (IPC) of November, 2017 Exam, in case the Rank at Sl. No.10 continues to Sl. No. 11 or 12 or so on, then all such rank holders shall be granted @ ₹2000/- p.m. Such students are not required to apply.

The detailed guidelines along with the requisite application forms (Form no. 3 & 4) are available on the Institute's Website (www.icai.org) (link: http://www.icai.org/post.html?post_id=6486).

Terms for award of Scholarships:

- Applicants shall be the registered students of Intermediate (IPC)/ Intermediate or Final Course.
- In the case of Intermediate (IPC)/Intermediate Students, Scholarship shall be paid for a maximum period of 18 months.
- In the case of Final students, Scholarship shall be paid for a maximum period of 30 months or balance period of their articleship, whichever is less.
- An additional amount of ₹ 100/- p.m. shall be paid to SC/ ST/ OBC students, under Need-based and Weaker Section Category on submission of certificate/ documentary proof duly attested by a gazetted officer or a member of the Institute.
- One scholarship under the Need-Based and Weaker Section Category is reserved for a Physically Challenged student.
- Income Certificate (Form No. 4) is to be submitted on the letter head of the Principal under whom the Student is undergoing Articleship (Practical Training) (Part I) / letter head of any member of ICAI in case the Student is not undergoing Articleship (Part-II). The applications without Form No. 4 will not be processed.

Duly completed and signed Application Forms in the prescribed formats as mentioned above should reach the Director, Board of Studies, The Institute of Chartered Accountants of India, ICAI Bhawan, A-29, Sector-62, NOIDA-201309 **latest by 2nd April, 2018.**

In case of any clarification, please contact the Board of Studies, Telephone Nos. 0120-3045914/931; email: ajay.kumar@icai.in

Director, Board of Studies

CROSSWORD - MARCH 2018

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ACROSS:

- 1 Monthly fixed investment plan
- 5 Sums of money that a trader or partner take out of his/her business account.
- 11 Schedule commercial bank for providing basic banking services to rural area.
- 13 _____ Gap is said to exit if the existing levels of aggregate production is less than what would be produced with full employment of resources.
- 15 _____ is an economic and commercial group of countries in South America
- 16 Fitness app of ADIDAS
- 22 ___ unto other as you would have them _____ unto you (same word)
- 23 American science fiction of 1982 having creature of other planet
- 24 Of highest quality
- 25 Aged
- 26 A numerical code used in many electronic financial transactions.
- 28 Totals
- 29 Coastal district which is the tenth least populated district of India.
- 30 This app is dedicated to the group of people having special interests, issues, hobbies and communities.
- 31 _____(s) Versus butter model is used to describe production possibility frontier of a country.
- 33 Mark, flaw
- 35 _____Round: The multilateral trade negotiations launched is November to address greater access by developing countries in developed countries.
- 38 Open - policy is a policy to encourage transparency at all levels of management.
- 39 A by-product of consuming or producing a good that affects someone other than the buyer or seller.

DOWNWARD

- 1 An international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves.

- 2 Anger
- 3 The highest score possible is 3333360 in the traditional version of which popular game ?
- 4 It is used to evaluate the attractiveness of a project or investment.
- 6 Very early
- 7 _____is a callback subroutine in an operating system or device driver whose execution is triggered by the reception of an interrupt.
- 8 A Govt. savings Scheme/Certificate.
- 9 _____is an Australian general insurance provider.
- 10 May day.
- 11 An Act of the Parliament of India which seeks to protect home-buyers as well as help boost investments
- 12 An incidental or secondary product made in the manufacture or synthesis of something else.
- 14 Insane
- 16 A short term borrowing for dealers in government securities.
- 17 Now called Axis bank
- 18 Music streaming app created by Rishi & Vinod :
- 19 Commotion, excitement
- 20 Second most populated country of the world.
- 21 A tax or levy.
- 22 Roman numeral of 551
- 25 _____ is an order amount for a security that is less than the normal unit of trading for that particular asset.
- 27 Somebody who often stays up late can be called _____ owl
- 32 Major trade partner of India.
- 33 A nationalised bank in India
- 34 Denoting a place for a particular function
- 36 Ram works his farm single- handedly every day, he must have the constitution of an _____
- 37 A preposition
- 38 Roman numeral of 550

If undelivered, please return to: The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi-110104