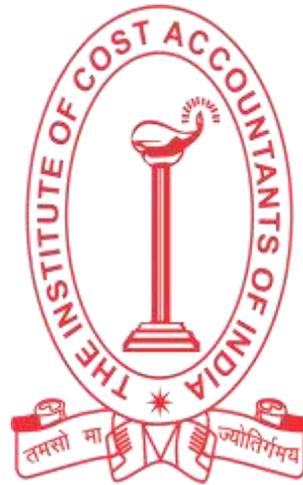




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**March - 2023 Issue**  
**CMA Student E - Bulletin**  
**INTERMEDIATE**

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**The Institute of Cost Accountants of India**

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## Knowledge Update

# KNOWLEDGE Update



In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.

## Financial Accounting (FAC)

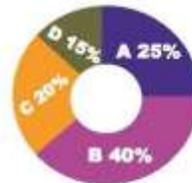


GROUP: 1, PART: 5

# FINANCIAL ACCOUNTING - (FAC)

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# Your Preparation Quick



### Syllabus Structure

- A Accounting Basics 25%
- B Preparation of Financial Statements 40%
- C Self Balancing Ledger, Royalties, Hire Purchase & Installment System, Branch & Departmental Accounts 20%
- D Accounting in Computerised Environment and Accounting Standards 15%

**Learning Objectives:**

- Students will demonstrate their knowledge of the fundamental and technical concepts of accounting.
- Students will reveal critical-thinking and problem-solving skills.
- Students will exhibit the ability to recognize when change is appropriate, to adapt to change as it occurs, and to take the lead in creating change.
- Students will display a sense of responsibility and a capacity for the subject after learning.

**Financial Accounting**

Happy Holi to all of you. Hope you all enjoyed the festival of colour. However, to remain colourful you need to add colour of your knowledge. Explore new thing everyday to add values and colour of your knowledge. Keeping this in mind try your knowledge.

**1. PROCESS OF REONCILIATION**

**Step 1.** Start with any bank balance or as provided in the problem. (bank balance as per cash book or pass book)

**Step 2.** Read the adjustment carefully and think where it affects first.

e.g. bank charges debited affects pass book first. Cheques issued affects cash book first.

**Step 3.** Keep in mind whatever adjustment (add/less) will be made with such balance

**Step 4.** Make a table as follows and put a mark on the balance with which you started:

Cash book (✓)	Pass book

**Step 5.** Put + or – sign in the appropriate table depending on the transaction.

e.g. bank charges debited Rs. 200:

Cash book (✓)	Pass book
	- 200

**Step 6.** To make both side equal put the required sign on the column with ✓ mark.

e.g. in the above example you have to put – 200 in the cash book column to make both side equal.

So, your final decision is to deduct Rs.200 from the balance as per cash book.

### ILLUSTRATION

Bank balance as per cash book(overdraft) rupees 120000 as on 31st March 2022

Cheque deposited in bank for rupees 85000 but not cleared within 31st March

Cheques issued for rupees 70000 not cleared within 31st March

Interest on overdraft charged by bank for rupees 500

Amount transferred from fixed deposit account two current account for rupees 200000 but no intimation had been sent by the bank.

Corporation tax of rupees 2,000 paid by the bank as per standing instruction.

Direct deposit by a customer of rupees 4000 not entered in the cash book.

Prepare bank reconciliation statement

Solution:

Bank Reconciliation Statement as on 31<sup>st</sup> March, 2022

Particulars	Rs	Rs
Bank balance as per cash book (overdraft)		120000
Add : cheque deposited but not credited	85000	205000
Add : Interest on overdraft	500	205500
Less : cheques issued presented after 31 <sup>st</sup> march	70000	135500
Less : direct deposit by customer into bank	4000	131500
Add: corporation tax paid by bank	2000	133500
Less : transfer from FD	200000	(66500)
Bank balance as per pass book		66500

### ILLUSTRATION

From the under mentioned items of a trader prepare a bank reconciliation statement as on July 31 2022

1. Out of total amount of Rs.22170 in cash and cheques deposited into bank in the month of July a cheque for Rs.4500 appears to have been entered in the pass book on 3<sup>rd</sup> August
2. The trader withdrew on 30<sup>th</sup> July a sum Rs.2100 from his bank for his personal use but has not been entered in the cash book

3. On 29<sup>th</sup> July three cheques were paid out one to Taher for Rs.1500, one to Ravi for Rs.2400 and one to Sraboni for Rs.1800 but they appeared to have encashed their cheques on 31<sup>st</sup> July, 2<sup>nd</sup> august and 10<sup>th</sup> august respectively.
4. During the month of July a customer has directly deposited in the name of the trader Rs.750 into his bank account but there is record of the same in the cash book.
5. The banker on 31<sup>st</sup> July debited the pass book with Rs.45 as bank charges but no entry for this was made in the cash book.
6. Bank balance as on 31<sup>st</sup> July 2022 was as per cash book Rs.46050.

#### Bank Reconciliation Statement as on 31<sup>st</sup> July 2022

Particulars	Rs	Rs
Bank balance as per cash book		46050
Less : cheque deposited but not credited	(4500)	
Less : cash withdrawn not entered in the cash book	(2100)	
Add : cheques issued presented after 31 <sup>st</sup> july	4200	
Add : direct deposit by customer into bank	750	
Less : bank charges debited	(45)	(1695)
Bank balance as per pass book		44355

#### Objective Type Questions

I. State whether the following statements are 'true' or 'false':

1. Bank reconciliation statement is a statement only
2. BRS is a part and parcel of the main accounts.
3. It can be prepared at any point of time during the accounting year.
4. It is prepared by the bank on behalf of the business firm.
5. No BRS is required if there is overdraft balance in the cash book.
6. Digital transactions will not attract BRS

#### Answers

1. True	2. False	3. True	4. False	5. False	6. False.
---------	----------	---------	----------	----------	-----------

II. Fill in the blanks:

1. The bank statement is sent by .....to.....
2. A BRS is prepared to .....
3. The pass book is a .....
4. Credit balance in the Cash Book means .....
5. Debit Balance in the Pass Book means .....
6. The Bank balance as shown in the trial balance is taken from.....

### Answers

1. Bank, its accountholder 2. Reconcile the Balance as per cash book with the balance as per pass book 3. Statement of accounts provided by bank against the account maintained by business with the bank 4. Bank Overdraft 5. Bank Overdraft 6. Cash book.

### III. Indicate the correct answer:

Select the best choice to complete each statement or answer each question below.

- (i) A Bank Reconciliation is prepared by
- (a) a Bank;
  - (b) the Firm;
  - (c) Creditors

(ii) A Bank Reconciliation Statement is a

- (a) part of Cash Book;
- (b) part of Bank Account;
- (c) None of these

(iii) A Bank Reconciliation Statement is prepared with the help of

- (a) Bank statement and bank column of the Cash Book;
- (b) Bank statement and cash column of the Cash Book;
- (c) None of these.

(iv) A Bank Statement is a copy of

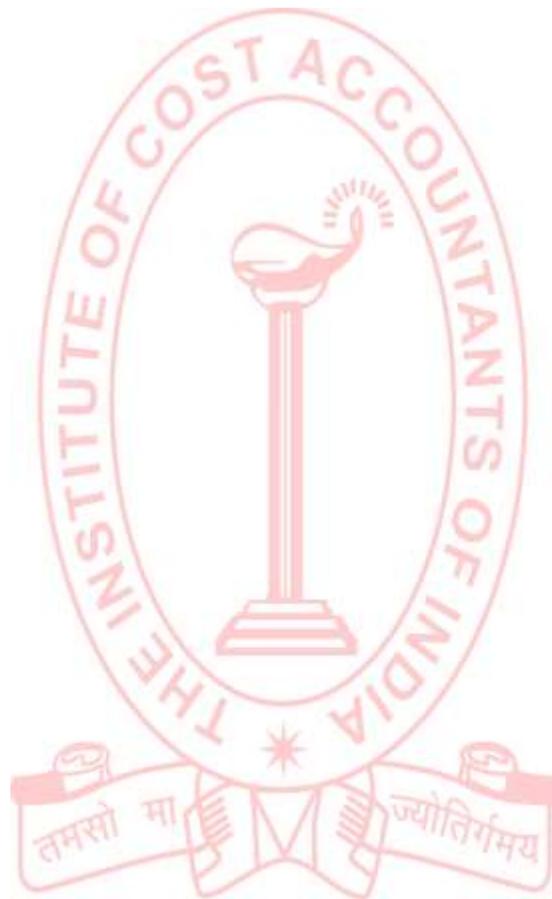
- (a) a customer's account in the Bank's book;
- (b) Cash Book relating to bank column;
- (c) Cash Book relating to cash column;
- (d) None of these.

**(v) A Bank Reconciliation Statement is prepared to know the causes for the difference between**

- (a) the balances as per cash column of Cash Book and the Pass Book;
- (b) the balance as per bank column of Cash Book and the Pass Book;
- (c) Neither of the two.

**Answer**

1. b,	2 c	3 a.	4 a.	5 b.
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## Laws & Ethics (LNE)



GROUP: 1, PART: 6

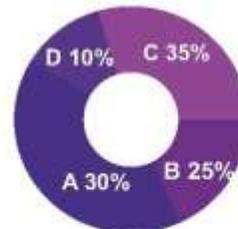
# LAWS & ETHICS (LNE)

CA Partha Ray

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# Your Preparation Quick



### Syllabus Structure

**A** Commercial Laws 30%

**B** Industrial Laws 25%

**C** Corporate Laws 35%

**D** Ethics 10%

### Learning Objectives:

Prior to start discussing on the paper, we need to understand few basic points about the paper, unlike other papers, this particular may turn to be very interesting and scoring as well, provided you pay attention to the points discussed below:

- Read the Act carefully and try to know the meaning of the contents in it.
- All the Acts are having practical implications in the real life world and it will help you to solve the problems in your real life situations once you join in the industry and / or practicing field,
- Answers should be specific and to the point,
- Please don't try to elaborate your answers adding irrelevant terms and items; it may penalize you with the Tips given here, please follow the Suggested Answers and Mock Test Papers of the Institute to have a fair idea about writing the paper in the examination.

### Laws & Ethics

It is hoped that you - the students prepare a time-table with time allotted for each subject and read, write, revise and recapitulate all that you keep on reading. *The first TIP is that you must read the Bear Act and the Sections and start asking questions to yourself and find your own answers.*

**In this issue we shall continue to deal with Corporate Laws – Companies Act,2013 and Rules**

#### **Inspection of Register – Members' Right to Inspect**

**Sec.171(1) provides that: -**

- a) The Register shall be open for inspection during business hours and the members shall have a right to send requests to the company to take extracts therefrom and collect copies thereof and the company has to provide those free of cost within 30 days from the date of receipt of the request.
- b) The Register shall also be open for inspection at every Annual General Meeting (AGM) of the company and shall be accessible to any person authorized to attend the meeting.

**Sec.171(2)** provides that if inspection is refused u/s 171(1)(a) or if a copy requested is not sent within 30 days from the date of receipt of such request, the Registrar shall, on an application made to him, order immediate inspection and supply of the required copies.

**Sec.172**

With effect from 21-12/2020, if a company fails to comply with any of the provisions for which no specific penalty or punishment is laid, the company and every officer of the company who is in default, shall be liable to penalty of Rs.50,000 (fifty thousand) and in case the default continues, a further penalty of Rs.500 for each day during which such failure continues, subject to a maximum of Rs.3,00,000 (Three lakhs) in case of a company and Rs.1,00,000 (One lakh) in case of an Officer who is in default.

**Appointment of Managing Director, Whole time director Sec.196(1)****The following are the Mandatory Requirements: -**

- a. No company shall appoint or *employ at the same time a Managing Director and a Manager.*
- b. No company shall *appoint or re-appoint any person as its Managing Director or Whole-time Director for a term exceeding five years at a time.*
- c. No re-appointment shall be made earlier than one year before the expiry of his term.
- d. No **company shall appoint** or continue the employment of any person as **Managing Director or Whole-time Director** who:
  - *is below the age of 21 years or has attained the age of 70 years*
  - *is an undischarged insolvent or has at any time been adjudged as an insolvent*
  - *has at any time suspended payment to his creditors or makes, or has at any time made, a composition with them*
  - *has at any time been convicted by a court of an offence and sentenced for a period of more than six months.*
- e. *A Managing Director or Whole-time Director shall not hold office in more than one company except in its subsidiary company at the same time. If he is holding office in more than one company at the same time on the date of commencement of this Act, shall, within a period of six months from such commencement, choose one company, in which he wishes to continue to hold the office.*
- f. *Company shall pass a Special Resolution for the appointment of Managing Director or Whole-time Director under the following situations only*
  - *If the person so appointed has attained the age of 70 years.*
  - *If the remuneration payable exceeds the prescribed limit.*
- g. Approval of Central Government shall be required where

- Appointment of Managing Director or Whole Time Director is at variance to the conditions specified in Part I of Schedule V.
- *No Special Resolution is passed for the appointment of a person as Managing Director or Whole Time Director who has attained the age of 70 years.*

### **FOLLOWING PROCEDURE IS TO BE FOLLOWED**

#### Obtain Consent and Declaration

Company shall obtain a written consent –

- ✓ in Form DIR-2 and
  - ✓ a declaration of disqualification in Form DIR-8
- from the person proposed to be appointed as a Managing Director or Whole-time Director in the Company.

#### Meeting of Nomination and Remuneration Committee

Where a Company is required to constitute a Nomination and Remuneration Committee under section 178, it has shall have to receive a recommendation from the committee for the appointment and remuneration of the Managing Director (MD) or Whole Time Director (WTD).

Convene a Meeting of Board of Directors [As per Section 173 & Secretarial Standard-1 (SS-1)]

#### ***Company has to follow the following steps:***

- issue Notice of Board Meeting to all the Directors of Company
- at their addresses registered with the Company,
- at least 7 days before the date of Board Meeting.
- A shorter notice can be issued in case of urgent business.
- Attach Agenda, Notes to Agenda and Draft Resolution with the Notice.
- Notice shall include the terms and conditions for such appointment and remuneration payable to the MD or WTD.
- Hold a meeting of Board of Directors and pass Board Resolution to appoint a MD or WTD and fix terms and conditions of such appointment subject to approval of members of the Company
- to issue an appointment letter to the MD or WTD
- to fix day, date, time and venue for holding General Meeting of the Company
- to approve the draft notice of General Meeting along with explanatory statement annexed to the notice as per requirement of the Section 102 of the Companies Act, 2013
- to authorize the Director or Company Secretary to sign and issue notice of the General Meeting and to do such acts, deeds and things as may be necessary to give effect to the Board's decision.

- xii. Listed Company shall submit the disclosure of such appointment to the Stock Exchange within 24 hours from the date of the Board Meeting and post the same on the website of the Company within 2 working days.
- xiii. Prepare and Circulate Draft Minutes within 15 days from the conclusion of the Board Meeting, by Hand/Speed Post/Registered Post/Courier/E-mail to all the Directors for their comments.
- xiv. File Form MGT-14 with ROC
- xv. Company shall file a copy of Board Resolution with the ROC in form MGT-14 within 30 days of passing of such resolution.
- xvi. Convene General Meeting (Refer Section 96, 100 and Secretarial Standard- 2 (SS-2)]
- xvii. Issue Notice of General Meeting at least clear 21 days before the actual date of a General Meeting in writing, by hand or by ordinary post or by speed post or by registered post or by courier or by facsimile or by e-mail or by any other electronic means or a Shorter Notice can be issued with the consent of at least majority in number and ninety five percent of such part of the paid up share capital of the company giving a right to vote at such a meeting in accordance with Section 101.
- xviii. Send Notice to all the Directors, Members, Auditors of Company, Secretarial Auditor, Debenture Trustees and to others who are entitled to receive the notice of the General Meeting. The Notice must specify the day, date, time and full address of the venue of the Meeting and contain a statement on the business to be transacted at the Meeting.
- xix. The General Meeting is to be held on fixed day and an Ordinary Resolution/Special Resolution has to be passed ,as the case may be, for appointment of MD or WTD and payment of his/her remuneration.
- xx. Listed Companies have to disclose the proceedings of General Meeting to the Stock Exchange within 24 hours from the conclusion of General Meeting and same shall be posted on the website of the company within 2 working days as per SEBI Regulations,2015.
- xxi. Listed Companies shall submit to the stock exchange the details of the voting results within 48 hours from the conclusion of the meeting and post the same on the website of the Company per SEBI Regulations,2015
- xxii. Prepare the minutes of General Meeting, get them duly signed

***The next step would be to: -***

- a. *File Form DIR-12 with ROC*
- b. *The Company shall file the particulars of appointment of Managing Director or Whole Time Director to ROC in Form DIR-12 **within 30 days of such appointment along with the following documents :***  
*Certified True Copy of the Resolution*

**Form 2-** Consent to Act as Director

**Form 8-** Declaration of Disqualification

Letter of Appointment

Details of Interest in any other entity

Any other relevant document.

File Form MR-1 with ROC

Company shall file the return of appointment of MD or WTD in **Form MR-1 with ROC within 60 days of such appointment along with the following documents**

Certified true copy of the Board's Resolution

Certified true copy of the Shareholders' resolution along with explanatory statement

Copy of letter of consent to act as Managing Director or Whole

Time Director in **Form DIR-2**.

h. **Sec.196(3)** No company shall appoint or continue the employment of any person as **Managing Director or Whole-time Director** who:

- *is below the age of 21 years or has attained the age of 70 years*
- *is an undischarged insolvent or has at any time been adjudged as an insolvent*
- *has at any time suspended payment to his creditors or makes, or has at any time made, a composition with them*
- *has at any time been convicted by a court of an offence and sentenced for a period of more than six months.*

### **Remuneration of director**

**Sec.197(1)** Maximum ceiling for payment of Managerial Remuneration

Section 197 of the Companies Act, 2013 prescribed the maximum ceiling for payment of managerial remuneration by a public company to its managing director, whole-time director and manager which *shall not exceed 11% of the net profit of the company in that financial year computed in accordance with section 198* except that the remuneration of the directors shall not be deducted from the gross profits.

2. Payment of Managerial Remuneration More than ceiling i.e 11%

The company in general meeting may, with the approval of the Central Government, authorize the payment of remuneration exceeding 11% of the net profits of the company, subject to the provisions of Schedule V.

### **Remuneration to Managing Director, Whole time director**

The remuneration payable to any one Managing Director or Whole Time Director or Manager *shall not exceed 5% of the net profits of the company and if there is more than one such director remuneration shall not exceed 10% of the net profits to all such directors and manager taken together.*

#### **Remuneration payable to directors who are neither Managing Director or Whole Time Director**

*Subject to approval in the general meeting, the remuneration payable to directors who are neither managing directors nor whole-time directors shall not exceed, 1% of the net profits of the company, if there is a managing or whole-time director or manager; - 3% of the net profits in any other case.*

#### **Remuneration when there is no profit or inadequate profit**

In such a situation, provisions of Schedule V are to be followed, as discussed below:

The company shall *not pay to its directors, including Managing Director or Whole Time Director or Manager, any remuneration exclusive of any fees payable to directors except in accordance with the provisions of Schedule V.*

In cases, where Schedule V is applicable on grounds of no profits or inadequate profits, any provision relating to the remuneration of any director which purports to increase or has the effect of increasing the amount thereof, shall not have any effect unless such increase is in accordance with the conditions specified in that Schedule.

If the Company is not able to comply with the provisions and conditions of Schedule V, in that case, the company shall pay the remuneration, *with prior approval of the Central Government.*



## Direct Taxation (DXT)

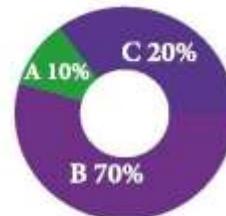


GROUP: 1, PART: 7

# DIRECT TAXATION (DXT)

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# Your Preparation Quick



### Syllabus Structure

- A Income Tax Act Basics 10%
- B Heads of Income and Computation of Total Income and Tax Liability 70%
- C Tax Management, Administrative Procedures and ICDS 20%

**Learning Objectives:**

- Identify the key concepts and function of direct tax
- Know how to calculate income tax provision's.
- Describe how uncertain tax positions are accounted for under the rules.
- Gradually you will come to know how to prepare and fills tax returns.

**Residential Status****Determination of Residential status [Sec. 6]**

Assessee	Condition to be a Resident	Condition to be an Ordinarily resident
<b>Individual</b>	<p>An individual is said to be a resident in India, if he satisfies <i>any one</i> of the following conditions -</p> <ol style="list-style-type: none"> <li>He is in India in the previous year for a period of <i>182 days or more</i> [<b>Sec. 6(1)(a)</b>]; or</li> <li>He is in India for a period of 60 days or more during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year [<b>Sec. 6(1)(c)</b>]</li> </ol> <p><b>Exceptions</b></p> <p><b>A.</b> In the following cases, <i>condition (ii) of sec. 6(1)</i> [i.e. sec. 6(1)(c)] is irrelevant:</p> <ol style="list-style-type: none"> <li>An Indian citizen, who leaves India during the previous year for employment purpose.</li> <li>An Indian citizen, who leaves India during the previous year as a member of crew of an Indian ship.</li> </ol> <p><b>B.</b> In case of an Indian citizen or a person of Indian origin comes on a visit to India during the previous year, and his total income, other than the income from foreign sources, <b>exceeds ₹ 15 lakhs</b> during the previous year then modified <i>condition (ii) of sec. 6(1)</i> is applicable i.e., he is in India for a period of <b>120 days</b> or more (but less than 182 days) during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year.</p> <p>If such income does not exceed ₹ 15 lakhs, then condition (ii) of sec. 6(1) is irrelevant.</p>	<p>If a resident individual satisfies the following two additional conditions, he will be treated as resident &amp; ordinarily resident in India -</p> <ol style="list-style-type: none"> <li>He has been resident in India [as per sec. 6(1)] in <i>at least 2 out of 10</i> previous years immediately preceding the relevant previous year; <b>and</b></li> <li>He has resided in India for a period of 730 days or more during 7 previous years immediately preceding the relevant previous year.</li> </ol> <p><b>Note:</b> If the assessee is considered as resident by virtue of 120 days + 365 days criteria or he is considered as deemed resident u/s 6(1A), then he is considered as not ordinarily resident in India.</p>

	<p><b>C.</b> If assessee has satisfied all the condition given u/s 6(1A), he is considered as deemed resident. The conditions are:</p> <p>a. He is a citizen of India</p> <p>b. His total income, other than the income from foreign sources, exceeds ₹ 15 lakhs during the previous year;</p> <p>c. He is not satisfying any of the basic conditions given u/s 6(1) [i.e., 182 days or 60 days + 365 days]; and</p> <p>d. He is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature.</p>	
<b>HUF</b>	Management is wholly or partly situated in India	<i>Karta</i> satisfies both the conditions of sec. 6(6)
<b>Company</b>		
a) <b>Indian company</b>	Always resident	Not applicable
b) <b>Other company</b>	Place of effective management is in India	
<b>Any other person</b>	Management is wholly or partly situated in India	

### Example

Determine the residential status in the following different cases:

Case	A	B	C	D	E	F	G	H
Citizenship	<b>Foreign</b>	India	<b>India</b>	India	Foreign	Foreign	India	Foreign
Is he person of Indian origin	Yes	Yes	<b>Yes</b>	Yes	<b>Yes</b>	Yes	Yes	No
Total income (excluding income from foreign source) exceeds ₹ 15,00,000	Yes	<b>No</b>	<b>Yes</b>	Yes	<b>Yes</b>	Yes	<b>No</b>	No
Liable to pay tax in other country	No	No	<b>No</b>	<b>Yes</b>	No	No	No	No
Stay in India during the previous year	30	30	30	30	<b>138</b>	<b>185</b>	<b>85</b>	<b>85</b>
Stay in India during 4 years immediately preceding previous year	380	380	380	380	380	180	380	<b>380</b>
Are dual conditions given u/s 6(6) satisfied	Yes	Yes	Yes	Yes	Yes	<b>Yes</b>	Yes	Yes
<b>Residential Status</b>	<b>NR</b>	<b>NR</b>	<b>NOR</b>	<b>NR</b>	<b>NOR</b>	<b>ROR</b>	<b>NR</b>	<b>ROR</b>
<b>Note</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>

1. He is not an Indian citizen, hence sec. 6(1A) is not applicable. Further his stay in India during the previous year does not exceed 120 days.
2. His total income does not exceed ₹ 15,00,000.
3. All conditions of sec. 6(1A) are satisfied.
4. He is liable to pay tax in other country.
5. His stay in India exceeds 120 days (but does not exceed 182 days)

6. He has satisfied one condition of sec. 6(1) [i.e. 182 days criteria] and dual conditions of sec. 6(6)
7. He is not satisfying any of the condition provided in sec. 6(1)
8. He has satisfied one condition of sec. 6(1) [i.e. 182 days criteria] and dual conditions of sec. 6(6)

### **Incidence of Tax [Sec. 5]**

The following chart highlights the provisions of tax incidence in brief:

Nature of Income	Tax incidence in the case of		
	Resident & ordinarily resident	Resident but not ordinarily resident	Non resident
Income accrued or deemed to be accrued and received or deemed to be received in India	Taxable	Taxable	Taxable
Income accrued outside India but received or deemed to be received in India.	Taxable	Taxable	Taxable
Income accrued or deemed to be accrued in India but received outside India	Taxable	Taxable	Taxable
Income accrued and received outside India from a business controlled in or profession set-up in India.	Taxable	Taxable	Not taxable
Income accrued and received outside India from a business controlled or profession set-up outside India.	Taxable	Not taxable	Not taxable
Income accrued and received outside India in the previous year (it makes no difference if the same is later remitted to India).	Taxable	Not taxable	Not taxable
Income accrued and received outside India in any year preceding the previous year and later on remitted to India in current financial year.	Not taxable	Not taxable	Not taxable
<b>Note:</b> In case of resident assessee like company, firm etc. (other than Individual and HUF) in which there is no classification as 'Resident but not ordinarily resident', income accrued and received outside India from a business controlled or profession setup outside India shall be taxable.			

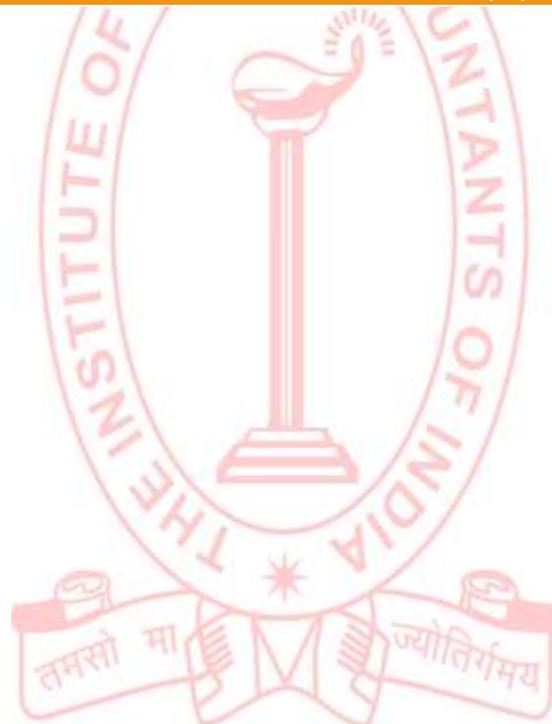
### **Example**

Ram provides following details of income, calculate the income which is liable to be taxed in India for the A.Y.2023-24 assuming that –

Particulars			AMOUNT
a) He is an ordinarily resident	b) He is not an ordinarily resident	c) He is a non-resident.	
Salary received in India from a former employer of UK			1,40,000
Income from tea business in Nepal being controlled from India			10,000
Interest on company deposit in Canada (1/3 <sup>rd</sup> received in India)			30,000
Profit from a business in Mumbai controlled from UK			1,00,000
Profit for the year 2002-03 from a business in Tokyo remitted to India			2,00,000
Income from a property in India but received in USA			45,000
Income from a property in London but received in Delhi			1,50,000
Income from a property in London but received in Canada			2,50,000
Income from a business in Jambia but controlled from Turkey			10,000

**Solution****CALCULATION OF INCOME LIABLE TO BE TAXED IN INDIA OF RAM FOR THE A.Y.2023-24**

Particulars	Resident & ordinarily resident	Resident but not ordinarily resident	Non-resident
Salary received in India from a former employer of UK	1,40,000	1,40,000	1,40,000
Income from tea business in Nepal being controlled from India	10,000	10,000	Nil
<u>Interest on company deposit in Canada</u> -			
- 1/3 <sup>rd</sup> received in India	10,000	10,000	10,000
- 2/3 <sup>rd</sup> received outside India	20,000	Nil	Nil
Profit from a business in Mumbai controlled from UK	1,00,000	1,00,000	1,00,000
Past Profit from a business in Tokyo remitted to India	Nil	Nil	Nil
Income from a property in India but received in USA	45,000	45,000	45,000
Income from a property in London but received in Delhi	1,50,000	1,50,000	1,50,000
Income from a property in London but received in Canada	2,50,000	Nil	Nil
Income from a business in Jambia but controlled from Turkey	10,000	Nil	Nil
<b>Income liable to tax in India</b>	<b>7,35,000</b>	<b>4,55,000</b>	<b>4,45,000</b>



## Cost Accounting (CAC)

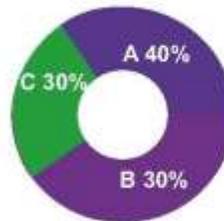


GROUP: 1, PART: 8

# COST ACCOUNTING (CAC)

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# Your Preparation Quick



### Syllabus Structure

- A Introduction To Cost Accounting 40%
- B Methods of Costing 30%
- C Cost Accounting Techniques 30%

**Learning Objectives:**

- Before taking the examination, it is necessary to read thoroughly the study material first.
- After that select the suitable text book or reference books available in the market for your further study and follow them.
- Next, follow the question papers of previous years and you will be able to get a general idea about the trend or pattern of questions generally set for this type of examination.
- So, if you want to score high marks then along with practical problems you have to answer properly the theoretical part.
- Due to lack of theoretical concepts they cannot score good marks not only in the theoretical part but also in tricky problems.
- Prepare notes on the theoretical part to improve your performance in the examination.

**Cost Accounting**

Nowadays the value and importance of Cost Accounting need hardly the over emphasized. For that the optimum utilization of resources is very much essential to meet need of the day. In this context Cost Accountant can play vital role. Hence, theory as well as solving the practical problems is very much essential for securing good marks in the exam. You please go through the theoretical part for easy understanding the topic and then try to solve the problems that are in exercise. Start from Chapter one and try to complete the other chapters serially as this will enable you to understand better the succeeding chapters. Always try to remember that in professional examinations, emphasis is given on testing comprehension, self expression, understanding and ability to apply knowledge in divergent situation. Success of these examinations considerably depends on style of preparation which should have perseverance, regularity of efforts, detailed practice, vision and objectivity.

**The following tips based on my long experience are suggested below:**

1. Students are suggested to develop a plan for completing the syllabus within specified time.
2. You should go through your Study Note and know the syllabus properly.
3. Analyze the trends of setting questions.
4. This paper is based on mainly solving the practical problems.
5. For successful result clarity of concepts and self expression is essential.
6. Try to improve your speed by practice and revision for able to attempt all questions in limited time.
7. Try to write down all the important terms in your words for practicing it frequently.
8. Finally, try to develop a habit of reading the questions well, underlining and understanding the specific requirements.

According to study material of paper-8 the entire syllabus is divided into **six main chapters**. In first chapter the basic concept of cost accounting are discussed in details, beside its other two branches viz, Financial Accounting and Management Accounting. The second chapter described the Elements of cost in details. The three major elements of costs are – Material, Labour and Overheads. The major elements of costs are discussed elaborately and analyzed element-wise with suitable number of examples. It is known that Material is the major part of total cost of a product, hence it is very much urgent to control cost of material. You should read the scope and objectives of different Cost Accounting Standards in details. It will help to understand the scope and grasp the concept of cost accounting easily. Try to solve the problems on earnings of workers under different schemes. Cost allocation, Cost apportionment and cost absorption should be understood very clearly.

The next chapter is Cost book-keeping; including integrated accounting system is not at all difficult. In this system, different accounts are to be opened, but it is not necessary to give much effort to complete its solution. It's a lengthy process. Here, separate ledgers are maintained by the cost sections.

The chapter Contract Costing is important for this type of examination. Students often experience difficulty in recommending the amount of profit to be taken into account during a period for long-term contract. There are some standard norms for completion and recognition of profit/ Loss of incomplete contract. Make sure that you are familiar with various methods/formulas for different stage of completion and share of profit. Students are also advised to go through the topic "Profit on incomplete contracts based on SSAP-9". Various Problems on escalation clause are also very important for this paper.

In Operating Costing we have to find out operating cost per unit of output. This chapter also includes 'Transport Costing', 'Hospital Costing', 'Power House Costing', 'Hotel/ Hostel Costing' etc. The finding out the 'Composite Unit' is very important for finding the solution of these type problems.

The chapter Marginal Costing aims to find out cost-volume-profit relationships. And it is very important from the students' perspective. It aims to find out Cost-volume-profit relationships. Some times more than one problem may be expected from this chapter. The main objective should be to understand the wordings of the problem and to determine the desired impact on profitability. Break-even Analysis and finding the B.E.P. is the basis part for solving problem. You should also study the effect on profits due to various changes in Fixed Cost/ Variable Cost/ Selling Price / Sales Mix and the effect of the above on Brake-Even-Point as well as Margin of Safety.

The chapter 'Variance Analysis' is an analysis which relates to creating responsibilities and identifying the activities or areas of exceptions. The main purpose of variance analysis is to enable the management to improve

the operation for effective utilization of resources and to increase the efficiency by reducing costs. Some students are afraid of this important chapter only because of different formulae for different analysis. Only careful study and realization of the requirement in the problem can eliminate such difficulties. The main objective of this analysis is to improve the operation by effective utilization of resources for reducing its product cost.

The next chapter is concerned with 'Budget and Budgetary Control'. Budget can be defined as financial and / or quantitative statement, prepared prior to a defined period of time, of the policy should be pursued during that period for the purpose of attaining a given objective. Again the term budget can be expressed as a predetermined plane of action in details. Budgetary control requires preparation of 'Flexible Budget', Functional Budget, and 'Cash Budget' for taking necessary actions. Both theoretical and problem oriented questions may be set from this chapter. The students can easily understand the problems, if theory remains clear. The students are also suggested to go through the theoretical parts-like, concept of Zero-based Budgeting, behavior and classification of Budgets etc very carefully. All functional budgets are summarized into master budget consisting of a Budgeted Profit and Loss Account, a Balance Sheet and Cash Flow Statement.

In developing a plane for manpower requirements for a particular work is very much essential for an organization. Hence selection of employees as well as method of remuneration to workers is the most complex problem nowadays from the view point of both the workers as well as employers. There is not any single method which is acceptable to both. Hence prosperity of a concern depends on the joint and coordinated affords of both the employers and employees.

### **Problem**

Manpower planning is an important exercise in personal policy of any company. From the following details, calculate the estimated recruitment of company over the next two years. The company has 1000 staff in clerical grade I, the lowest clerical grade in the company, with the following age structure :

<b>Under 20</b>	<b>600</b>
<b>20 -- 30</b>	<b>300</b>
<b>Over 30</b>	<b>100</b>
	-----
	<b>1000</b>
	-----

Wastage rates and promotion prospects in the next two years are expected to be :

Age	Wastage	Promotion to next Higher grade
Under 20	30 %	10%
20 --- 30	10%	40%
Over 30	5%	20%

The demand forecast shows that 1200 clerical grade 1 staff will be required in two years time. Assume that no promotion will be made from lower grade to clerical grade 1 .

### Solution

Manpower in the beginning 1000

( A ) Wastages

( I ) 30% of 600 = 180

( ii ) 10% of 300 = 30

( iii ) 5% of 100 = 5

215

( B ) Promotions

( I ) 10% of 600 = 60

( ii ) 40% of 300 = 120

( iii ) 20% of 100 = 20

200

415

Staff requirement

585

1200

Estimated recruitment over 2 years

615

Here, I suggested some M C Q type questions for better understanding the concepts relating to Job, Contract and Batch Costing. Practice the questions for better understanding.

1.State which of the following statements are correct or incorrect:

- (i) In contract costing credit is taken only for a part of the profit on incomplete contracts.

- (ii) Escalation clause in a contract provides that the contract price is fixed.
- (iii) Final contract price is to be paid is certain in cost plus contract.
- (iv) In contract plus costing, the contract runs a risk of incurring loss.
- (v) Most of the items of cost are direct in contract costing than in job costing.
- (vi) Contract costing is a basic method of specific order costing.

**Ans. Correct :** (i), (v), (vi)

**Incorrect :** (ii), (iii), (iv).

## 2. Which of the following is correct?

**A.** An essential of long-term costing is that:

- (i) It has duration in excess of twelve calendar months.
- (ii) It is a progress at a financial year-end and has a significant effect on the activity of the Contractor for the period under review.
- (iii) Its completion will require a number of stages, each of which must be certified and valued for Profit calculation purpose.
- (iv) It has a duration in excess of six calendar months.

**B.** A debit balance on the contractee account should be incorporated in the balance sheet as :

- (i) A current liability as 'contract balance outstanding'.
- (ii) Set- off against contract stock valuation.
- (iii) Excess payments on account not set off against contract stock value.

(iv) In debtors as 'amount recoverable on contract'.

C. Retention monies are best defined as:

- (i) Cash withheld by the contractee in order to improve the cash flow of the contractor.
- (ii) Payment to the contractor. Where it is desired to secure his services for a future contract.
- (iii) Cash return to the contractee if actual profits on a contract are 10% higher than agreed figure.
- (iv) Cash withheld by the contractee under the terms of the contract when payment of the value

Certified are being made.

D. A zero value of attributable profit should be assumed where :

- (I) Any foreseeable loss is estimated for a later stage in the contract.
- (II) The interim estimated profit is less than 10% of value certified.
- (III) The profit outcome of the contract cannot be estimated with reasonable certainty
- (IV) The contract is less than 60% completed.

E. Which of the following is the most appropriate definition of turnover at intermediate stage in a contract?

- (I) The value of work done which leaves the agreed attributable profit when the cost of work certified is subtracted from it.
- (ii) Cost of work certified to date plus estimated profit to the end of the contract.
- (iii) The value of work certified less any foreseeable losses.
- (iv) Cost of work to date minus the cost of work not certified plus estimated profit to date.

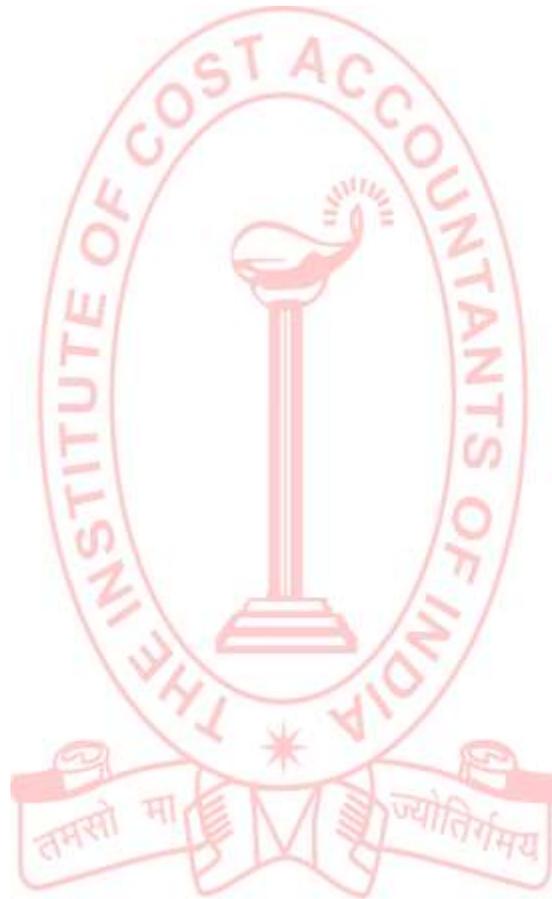
F. Foreseeable losses estimated for a contract should be treated in which of the following ways?

- (I) Ignore until they are known to be accurate with reasonable certainty .
- (ii) Write off immediately that they are estimated.

(iii) Write off in the same proportion as any estimated profits are recognized.

(iv) Write up only if the work to which they relate is 50% completed.

**Ans. A. (I), B. (iv), C. (iv), D.(iii), E. (I), F(ii).**



## Operations Management & Strategic Management (FBMS)



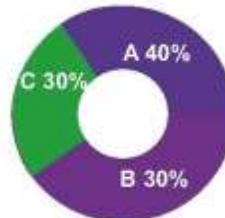
GROUP: 2, PART: 9, PART - I

### OPERATIONS

MANAGEMENT & STRATEGIC  
MANAGEMENT  
(OMSM) - OPERATION  
MANAGEMENT

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# Your Preparation Quick



#### Syllabus Structure

- A Introduction To Cost Accounting 40%
- B Methods of Costing 30%
- C Cost Accounting Techniques 30%

**Learning Objectives:**

- Operations Management develops skills in problem solving, project management, communication, and managing effectively in team-based work environments.
- Eventually, student's ability for leadership positions in the production and service industries gets increased.
- To solve business processes, it helps to apply knowledge of fundamental concepts of operations management and helps to apply knowledge of approaches to operational performance improvement.

## Operations Management

In this issue we will discuss some problems on simulation

In this issue let me extend our discussions on Production Planning and Control with Simulation.

The behavior of a real operational system can be studied by building a model of the system and then experimenting with the model to gather the desire information.

Often however realistic models of a system are too complex to allow analytical solutions. These models could be studied by means of simulation.

Simulation is the representation of a real life situation by different means. It is popular because---

- It may be the only method available as it is difficult to observe the actual environment;
- It may not be possible to develop a mathematical model;
- Actual observation of a system may be too expensive or too disruptive;
- There may not be sufficient time to allow the system to operate extensively;

Monte Carlo Simulation is the most widely adopted method of simulation. It involves the use of random numbers.

**The procedure is as follows:**

- Determine the frequency distributions;
- Convert the frequency distribution to cumulative probability distributions;
- Sample at random from the cumulative distributions to use in simulating operations;
- Simulate the actual operation;

Simulation can be used in few of the following problem areas:

- Production and manufacturing systems;
- Inventory Management;
- Queuing Problems
- Capital Investment and budgeting;
- Service operations;

**Illustration1:** The Tit-Fit Scientific Laboratories is engaged in producing different types of high class equipment for use in science laboratories. The company has two different assembly lines to produce its most popular product 'Pressurex'. The processing time for each of the assembly lines is regarded as a random variable and is described by the following distributions.

Process Time (minutes)	Assembly A1	Assembly A2
10	0.10	0.20
11	0.15	0.40
12	0.40	0.20
13	0.25	0.15
14	0.10	0.05

Using the following random numbers, generate data on the process times for 15 units of the item and compute the expected process time for the product. For the purpose, read the numbers vertically taking the first two digits for the processing time on assembly A1 and the last two digits for processing time on assembly A2.

4134	8343	3602	7505	7428
7476	1183	9445	0089	3424
4943	1915	5415	0880	9309

**Answer:**

Random Number coding for processing time for A1				
Time (mnts)	Probability	Cumulative Probability	Random Number Interval	
10	0.10	0.10	00-09	
11	0.15	0.25	10-24	
12	0.40	0.65	25-64	
13	0.25	0.90	65-89	
14	0.10	1.00	90-99	

Random Number coding for processing time for A2				
Time (mnts)	Probability	Cumulative Probability	Random Number Interval	
10	0.20	0.20	00-19	
11	0.40	0.60	20-59	
12	0.20	0.80	60-79	
13	0.15	0.95	80-94	
14	0.05	1.00	95-99	

Simulation Worksheet					
Unit	A1		A2		Total Time (mnts)
	RN	Time	RN	Time	
1	41	12	34	11	23
2	74	13	76	12	25
3	49	12	43	11	23
4	83	13	43	11	24
5	11	11	83	13	24
6	19	11	15	10	21
7	36	12	02	10	22
8	94	14	45	11	25
9	54	12	15	10	22
10	75	13	05	10	23
11	00	10	89	13	23
12	08	10	80	13	23
13	74	13	28	11	24
14	34	12	24	11	23
15	93	14	09	10	24
			Expected Time		23.27

**Illustration 2:** Dr Strong is a dentist who schedules all her patients for 30-minutes appointments. Some of the patients take more or less than 30 minutes depending on the type of dental work to be done. The following summary shows the various categories of work, their probabilities and the time actually needed to complete the work

Category	Time Required	Probability of Category
Filling	45 minutes	0.40
Crown	60 minutes	0.15
Cleaning	15 minutes	0.15
Extraction	45 minutes	0.10
Check up	15 minutes	0.20

Simulate the dentist's clinic for four hours and determine average waiting time for the patients as well as the idleness of the doctor. Assume that all the patients show up at the clinic at exactly their scheduled arrival time starting at 8 a.m. Use the following random numbers for handling the above problem: 40, 82, 11, 34, 25, 66, 17, and 79.

**Answer:**

Random Number coding for processing time for services				
Category	Time (mnts)	Probability	Cumulative Probability	Random Number Interval
Filling	45	0.40	0.40	00-39
Crown	60	0.15	0.55	40-54
Cleaning	15	0.15	0.70	55-69
Extraction	45	0.10	0.80	70-79
Check up	15	0.20	1.00	80-99

SIMULATION WORKSHEET							
Patient	Arrival time	RN	Service time Needed	Service		Waiting Time (mts)	Idle time (mts)
				Begin	Ends		
1	8.00AM	40	60	8.00AM	9.00AM	0	0
2	8.30AM	82	15	9.00AM	9.15AM	30	0
3	9.00AM	11	45	9.15AM	10.00AM	15	0
4	9.30AM	34	45	10.00AM	10.45AM	30	0
5	10.00AM	25	45	10.45AM	11.30AM	45	0
6	10.30AM	66	15	11.30AM	11.45AM	60	0
7	11.00AM	17	45	11.45AM	12.30AM	45	0
8	11.30AM	79	45	12.30AM	13.15PM	60	0
Total						285	0

From the table we get

Doctor's idle time = Nil

Average waiting time of patients =  $285/8 = 35.6 \text{ mnts}$

**Illustration3:** A company manufactures around 250 mopeds. The daily production varies from 246 to 254 depending upon the variability of raw materials and other working conditions

Production per day	Probability
246	0.04
247	0.09
248	0.12
249	0.14
250	0.11
251	0.10
252	0.20
253	0.12
254	0.08

The finished mopeds are transported in a specially arranged lorry accommodating only 250 mopeds. Using following random numbers 80, 81, 76, 75, 64, 43, 18, 26, 10, 12, 65, 68, 69, 61, 57 simulate the process to find out:

- i) What will be the average number of mopeds waiting in the factory?
- ii) What will be the average number of empty spaces on the lorry?

**Answer:**

The following two tables contain the solution

Production per Day	Probabilty	Cumulative Probability (%)	Range
246	0.04	4	00-03
247	0.09	13	04-12
248	0.12	25	13-24
249	0.14	39	25-38
250	0.11	50	39-49
251	0.1	60	50-59
252	0.2	80	60-79
253	0.12	92	80-91
254	0.08	100	92-99

Average number of scooters waiting for space in the lorry =

$$\frac{\text{Total no of scooters waiting for space}}{\text{Total no of days}} = \frac{21}{15} = 1.6$$

Average number of empty spaces in the lorry

$$\frac{\text{Total No of empty spaces in Lorry}}{\text{Total number of days}} = \frac{9}{15} = 0.6$$

S. No	Random Number	Production	No of Scooters waiting for space	No of Empty Spaces in a Lorry
1	80	253	3	0
2	81	253	3	0
3	76	252	2	0
4	75	252	2	0
5	64	252	2	0
6	43	250	0	0
7	18	248	0	2
8	26	249	0	1
9	10	247	0	3
10	12	247	0	3
11	65	252	2	0
12	68	252	2	0
13	69	252	2	0
14	61	252	2	0
15	57	251	1	0
		Total	21	9

**Illustration 4:** A company manufactures 30 units per day. The sale of these items depends upon demand which has the following distribution:

Sales (Units)	Probability
27	0.10
28	0.15
29	0.20
30	0.35
31	0.15
32	0.05

The production cost and sale price of each unit are R40 and R50, respectively. Any unsold product is to be disposed off at a loss of R15 per unit. There is a penalty of R5 per unit if the demand is not met. Using the following random numbers, estimate the total profit/loss for the company for the next ten days:

10, 99, 65, 99, 95, 01, 79, 11, 16, 20

If the company decides to produce 29 units per day, what is the advantage or disadvantage to the company?

**Answer:**

Assignment of Random Numbers			
Sales (units)	Probability	Cumulative Probability	Random Number Interval
27	0.10	0.10	00-09
28	0.15	0.25	10-24
29	0.20	0.45	25-44
30	0.35	0.80	45-79
31	0.15	0.95	80-94
32	0.05	1.00	95-99

From the given information we have

Profit per unit sold = R50 – R40 = R10

Loss per unit unsold = R15

Penalty for refusing demand = R5 per unit

Using these inputs, the profit/loss for the ten days is calculated as given in the table with production of 30 units per day or with production of 29 units per day

Day	RN	Estimated Sales (units)	Profit/Loss per day with production	
			30 units	29 units
1	10	28	$28*10-2*15 = 250$	$28*10-1*15 = 265$
2	99	32	$30*10-2*5 = 290$	$29*10-3*5 = 275$
3	65	30	$30*10 = 300$	$29*10-1*5 = 285$
4	99	32	$30*10-2*5 = 290$	$29*10-3*5 = 275$
5	95	32	$30*10-2*5 = 290$	$29*10-3*5 = 275$
6	01	27	$27*10-3*15 = 225$	$27*10-2*15 = 240$
7	79	30	$30*10 = 300$	$29*10-1*5 = 285$
8	11	28	$28*10-2*15 = 250$	$28*10-1*15 = 265$
9	16	28	$28*10-2*15 = 250$	$28*10-1*15 = 265$
10	20	28	$28*10-2*15 = 250$	$28*10-1*15 = 265$
		<b>Total profit</b>	<b>2695</b>	<b>2695</b>

**Illustration5:** The materials manager of a firm wishes to determine the expected demand for a particular item in stock during the reorder lead time. The information is needed to determine how far in advance to reorder before the stock level is reduced to zero. However both the lead time in days and the demand per day of the item are random variables, described by the probability distribution given in following table:

Lead Time (Days)	Probability	Demand/Day(Units)	Probability
1	0.5	1	0.1
2	0.3	2	0.3
3	0.2	3	0.4
		4	0.2

Manually simulate the problem for ten reorders to estimate the demand during lead time. Use the random numbers 84, 20, 57, 42, 75, 70, 86, 69, 83, 41, 90, 12, 23, 06, 79, 14, 36, 31, 27, 35, 01, 41, 60, 91, 82, 14, 02, 06, 64.

**Answer:**

The solution is given in the following tables. In the third table the procedure is:

Demand	Probability	Cumulative Probability(%)	Range
1	0.1	10	00-09
2	0.3	40	10-39
3	0.4	80	40-79
4	0.2	100	80-99

Lead Time Days	Probability	Cumulative probability (%)	Range
1	0.5	50	00-49
2	0.3	80	50-79
3	0.2	100	80-99

Day	Random no	Lead time	Demand During Lead Time			Demand During Lead Time
1	84	3	20(2)	57(3)	42(3)	8
2	75	2	70(3)	86(4)		7
3	69	2	83(4)	41(3)		7
4	90	3	12(2)	23(2)	6(1)	5
5	79	2	14(2)	36(2)		4
6	31	1	27(2)			2
7	35	1	1(1)			1
8	41	1	60(3)			3
9	91	3	82(4)	14(2)	2(1)	7
10	6	1	64(3)			3
						47

From the random numbers given we have selected the first number i.e.84. As per this random number and 2<sup>nd</sup> table it is found that lead time correspond to 3. So next three random numbers i.e. 20, 57 42 we have used for determining the demand. Corresponding demand from first table are 2, 3 and 3 respectively. So total demand for 1<sup>st</sup> simulation comes out at 8. In this way balance table of third table is drawn.

Total demand during lead time is 47 and therefore average is 4.7

#### Suggestions:

*The study guide needs to be studied thoroughly. Supplementary readings could be made from other resources. This issue is based on discussions made on capacity planning topics on operations management in guide book and in other resources. This is for updating of knowledge and could be used as an aid to the study guide. No detail discussions are held here as everything is available in guide book.*



## Operations Management & Strategic Management (FBMS)



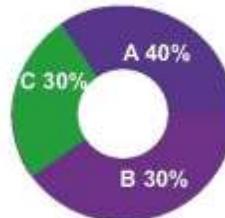
GROUP: 2, PART: 9, PART - II

# OPERATIONS

MANAGEMENT & STRATEGIC  
MANAGEMENT  
(OMSM) - STRATEGIC  
MANAGEMENT

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# Your Preparation Quick



### Syllabus Structure

- A Introduction To Cost Accounting 40%
- B Methods of Costing 30%
- C Cost Accounting Techniques 30%

**Learning Objectives:**

- The course will follow in general terms the strategy development process from audit to formulation of strategic plans, their implementation and evaluation.
- Students will be introduced to strategic management in a way so that their understanding can be better.
- The ultimate aim of the course is to develop students as future managers who will add value by 'strategically managing' the organisation's resources and capabilities.

**Strategic Management****1. What is corporate strategy?**

**Answer-** Corporate strategy describes a company's overall direction in terms of its general attitude towards growth and the management of its various businesses and product lines. Corporate strategy is composed of directional strategy, portfolio analysis and parenting strategy, corporate strategies typically fit within the three main categories of stability, growth and retrenchment.

**2. What is business strategy?**

**Answer—**Strategy is the determination of the basic long goals and objectives of an enterprise and the adoption of the course of action and the allocation of the resources necessary for carrying out these goals. It's a comprehensive master plan stating how the corporation will achieve its mission and objectives of maximizes the competitive advantage and minimizes the competitive disadvantage.

**3. What is core- competency?**

**Answer-**Core-competencies are the things that a corporation can do exceedingly well. It is the combination of an organization 's resources and capabilities if the core competency of an organization is superior to that of its competitors it is called distinctive competency.

**4. What do you mean by strategic myopia?**

**Answer-** While identifying the external strategic factors, the managers sometimes miss or ignore crucial new developments. Personal values and functional experiences of a corporation 's manager as well as the success of current strategies bias both their perception of what they important to monitor in the external environment and the interpretations of what they perceive. This willingness to reject unfamiliar as well as negative information is called strategic myopia.

**5. What are barriers to Entry?**

**Answer-** An entry barrier is an obstruction that make it difficult for a company to enter an industry. Established companies already operating in an industry often attempt to discourage the potential

competitors by creation. High Entry barriers, such as brand Loyalty, absolute cost advantages, economics of scale customer switching cost, product differentiation etc.

**6. What is Horizontal Expansion?**

**Answer-** It's a growth strategy of a firm trying to expand its business, by creating other firms in their same line of business. The aim of horizontal expansion is to:

- increase market share,
- to reduce cost of production through large scale economic,
- to take advantage of synergy and
- to promote products and services more efficiently to a larger audience.

**7. Distinguish between programs and procedures:**

**Answer-** A program is a statement of the activities or steps needed to accomplish single use plan of makes the strategy action-oriented restructuring the corporation changing the company's internal structure or beginning a new research effort.

Procedures are a system of sequential steps or techniques set describe in detail how a particular job or task is to be done. They typically detail the various activities that must be carried out for completion of the corporation's programs.

**8. What is Entrepreneurial mode?**

**Answer-**It is a type of strategic decision making. In this mode, the strategy is developed by one powerful individual. The focus is on opportunities and problems are secondary, strategy is guided by the founders own vision or direction and is exemplified by large, bold decisions. The dominant goal is growth of the corporation.

**9. Why is the strategic management process considered iterative? What part of the process is iterative?**

**Answer-**It is a process that never ends and goes over and over again till the perfect strategy is found. The planning process is iterative because planning is always happening and they continue planning till they can find a plan that will work effectively.

**10. What are the two differences between the industry/organization (I/O) approach and the resource-based view (RBV) of strategy?**

**Answer-** The industrial organization (I/O) model of above returns explains the external environment's dominant influence on a firm's strategic actions. The resource-based model of above-average returns

assumes that each organization is a collection of unique resources, and capabilities. RBV focuses inside the firm while I/O focuses outside.

**11. What is vertical integration? How does it play a role in suppliers' bargaining power?**

**Answer-** When a company buys a supplier/produces its own inputs) backward integration or owns its own source of output distribution (Forward integration). It increases the suppliers bargaining power because they have more control in the market and create a bigger influence.

**12. Define joint venture?**

**Answer-** Joint ventures are partnerships in which two or more firm's carryout a specific project or corporate in a selected area of business. Joint ventures can be temporary or long term. Ownership of the firm remains unchanged. Every joint venture has a scheduled life-cycle, which will end sooner or later every joint venture has to be dissolved when it has outlived its life-cycle. Changes in the environment forces joint ventures to be redesigned regularly.

**13. What is backward integration?**

**Answer-** When a company or firm acquire or create another firm which provides raw material component parts or other input for the original firm, it is called backward integration. 16. Define strategic outsourcing

**14. What is Strategic Outsourcing?**

**Answer-** Strategic outsourcing refers to the separation of some the company's value creation activities within the business and as letting them be performed by a specialist in that activity strategic outsourcing will lower the cost-structure of the company and increase its profitability. Moreover, strategic outsourcing of non-core activities helps the company to focus management attention on those activities that one most important for its long term competitive position.

**15. Define Ethics?**

**Answer-** Ethics specify what good, true, is fair, just, right and proper in business. Businesses his relate to the behaviour of a business man in a business situation. They are concerned primarily with the impacts of decisions on people within and without the organization. Business ethical behaviour is conduct that is fair and just over and above the various rules and regulations.

## Cost & Management Accounting and Financial Management (CMFM)



GROUP: 2, PART: 10,

### COST & MANAGEMENT

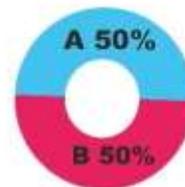
ACCOUNTING AND FINANCIAL  
MANAGEMENT - (CMFM)

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# Your Preparation Quick



**Syllabus Structure**

A Cost & Management Accounting 50%

B Financial Management 50%

**Learning Objectives:**

The paper Cost & Management Accounting and Financial Management (Group II; Paper 10) is a unique blend of theoretical elaborations and practical illustrations. The aim of this paper is to equip the students with a working level knowledge regarding the two disciplines and prepare a ground for a few advanced level papers like Strategic Financial Management (Final Group 3: Paper 14), Strategic Cost Management decision Making (Final Group 3: Paper 15) and Strategic Performance Management and Business Valuation (Final Group 4: Paper 20) in the CMA Final Course. The entire syllabus of the paper is segregated into two segments namely Cost & Management Accounting (Section A: Full Marks 50) and Financial Management (Section B: Fill Marks 50). Each of the individual sections has further been divided into five chapters each highlighting a specific aspect of the subject concerned. In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.

**GR – II CMA & FM****Question No. – 1 (Material)**

A factory manufactures a chemical product with three ingredient chemicals A, B and C as per standard data given below:

Chemical	Percentage of total input	Standard cost per kg.(Rs.)
A	50%	40
B	30%	60
C	20%	95

Note: There is a process loss of 5% during the course of manufacture

The Management gives the following details for a certain week :

Chemical consumed	Quantity purchased and issued (kg.)	Actual cost (Rs.)
A	5,200	2,34,000
B	3,600	2,19,600
C	1,700	1,58,100

Output of finished product: 10,200 kg.

**What shall be the:-**

- 1) Standard Rate per Kg of input : (a) Rs.56 (b) Rs.57 (c) Rs.58 (d) Rs.59
- 2) Standard Rate per Kg of Output : (a) Rs.57 (b) Rs.58 (c) Rs.59 (d) Rs.60
- 3) Standard Cost of Actual Production : (a) Rs.6,12,000 (b) Rs.6,13,000 (c) Rs.6,14,000 (d) Rs.6,15,000
- 4) Standard Cost of Actual Quantity used : (a) Rs.5,85,300 (b) Rs.5,85,400 (c) Rs.5,85,500 (d) Rs.5,85,600
- 5) Standard input for Actual Production : (a) 10730.84 Kg (b) 10736.84 Kg (c) 10740.84 Kg (d) 10744.84 Kg.
- 6) Standard production from Actual Input : (a) 9950 Kg (b) 9960 Kg (c) 9970 Kg. (d) 9975 Kg.
- 7) Standard Cost of Revised Standard Quantity (RSQ) : (a) Rs.5,98,500 (b) Rs.5,98,600 (c) Rs.5,98,700 (d) Rs.5,98,800
- 8) Total Price Variance : (a) Rs.26,100 A (b) Rs.26,100 F (c) Rs.26,200 A (d) Rs.26,200 F
- 9) Price Variance of Material 'A' : (a) Rs.25,900 F (b) Rs.25,900 A (c) Rs.26,900 F (d) Rs.26,000 A
- 10) Total Usage Variance : (a) Rs.26,500 A (b) Rs.26,500 F (c) Rs.27,000 A (d) Rs.27,000 F
- 11) Usage Variance of Material 'B' : (a) Rs.22,737 A (b) Rs.22,737 F (c) Rs.23,000 A (d) Rs.23,000 F
- 12) Total Mix Variance : (a) Rs.12500 F (b) Rs.12500 A (c) Rs. 13000 F (d) Rs.13000 A
- 13) Mix Variance in respect of Material 'C' : (a) Rs.38000 A (b) Rs.38000 F (c) Rs.39000 F (d) Rs.39000 A
- 14) Total Yield Variance : (a) Rs.13500 F (b) Rs.13500 A (c) Rs.14000 F (d) Rs.14000 A
- 15) Yield Variance in respect of Material 'A' : Rs.4727 F (b) Rs.4727 A (c) Rs.4737 A (d) Rs.4737 F
- 16) Total Cost Variance : (a) Rs.250 A (b) Rs.250 F (c) Rs.300 F (d) Rs.300 A

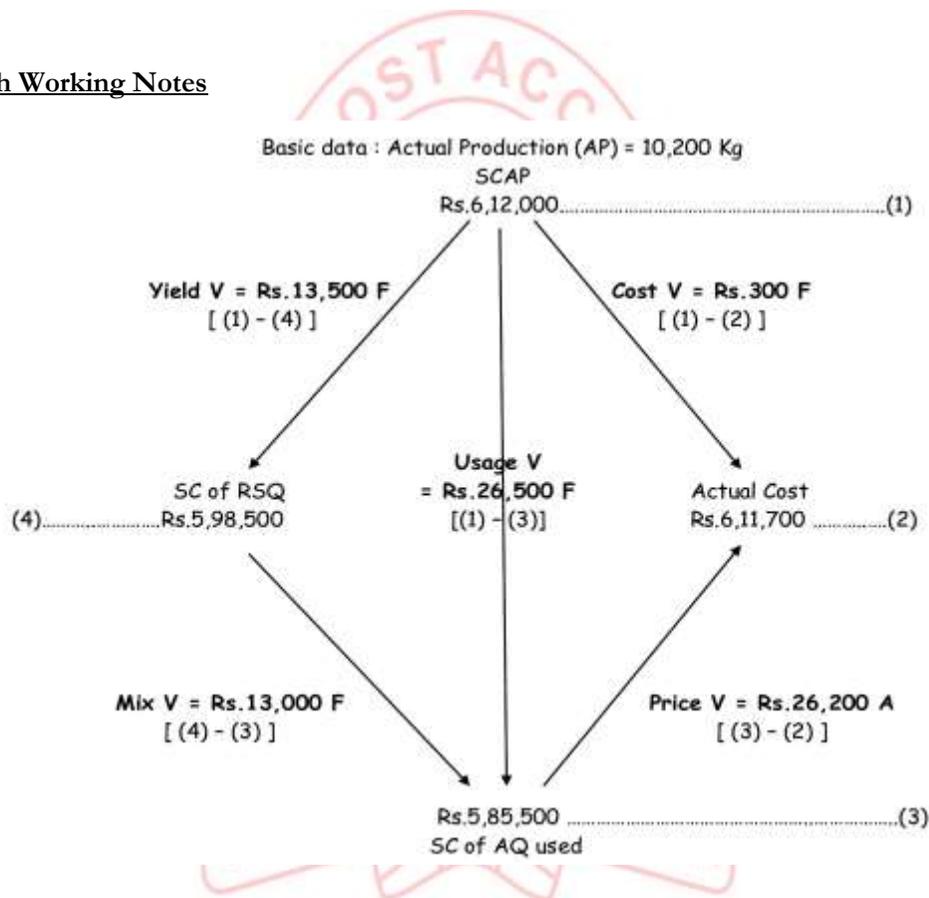
**Answer :**

- |                     |                     |                     |
|---------------------|---------------------|---------------------|
| 1) (b) Rs.57        | 2) (d) Rs.60        | 3) (a) Rs.6,12,000  |
| 4) (c) Rs.5,85,500  | 5) (b) 10736.84 Kg  | 6) (d) 9975 Kg.     |
| 7) (a) Rs.5,98,500  | 8) (c) Rs.26,200 A  | 9) (d) Rs.26,000 A  |
| 10) (b) Rs.26,500 F | 11) (a) Rs.22,737 A | 12) (c) Rs.13,000 F |
| 13) (b) Rs.38,000 F | 14) (a) Rs.13,500 F | 15) (d) Rs.4737 F   |
| 16) (c) Rs.300 F    |                     |                     |

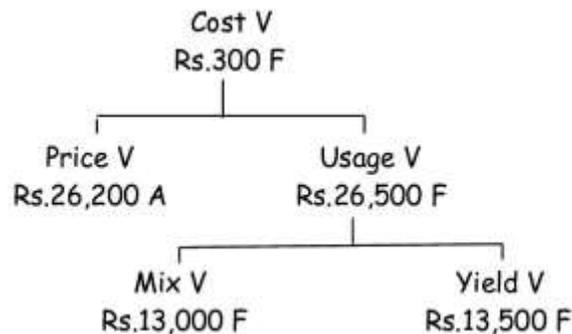
**Steps for Solution through diagrams for Question 1 & 2:**

- 1) Draw diagrams as shown in respect of each part of the Question.
- 2) Put the given data as well as data derived from the Working Notes in the appropriate places of the diagrams as specified.
- 3) Start connecting the same by the arrows having spearheads in the way embodied therein.
- 4) The requisite Variances / data will emerge automatically.
- 5) In case of any difficulty, please have a look to the **Solutions through diagrams** at the end of this e-bulletin.

**Solution with Working Notes**



**RECONCILIATION**



**Working Notes :****STANDARD COST**

Chemical	Qty (Kg)	Rate (Rs.)	Amt (Rs.)	S.R. per Kg
A	50	40	2,000	
B	30	60	1,800	
C	20	95	1,900	
Input	100		R.5,700	Rs.57
Loss	5			
Output	95			Rs.60

Std Cost of Actual Production (SCAP)

= SR per kg of output X Actual output

= Rs.60 x 10,200 kg = Rs.6,12,000

**Actual Cost**

Chemical	Qty (Kg)	Amt (Rs.)
A	5,200	2,34,000
B	3,600	2,19,600
C	1,700	1,58,100
Input	10,500	Rs.6,11,700
Loss	300	(balancing figure)
Output	10,200	

**Std Cost of Actual Quantity used (SC of AQ used)**

Chemical	Qty (Kg)	SR (Rs.)	Amt (Rs.)
A	5,200	40	2,08,000
B	3,600	60	2,16,000
C	1,700	95	1,61,500

	10,500		Rs.5,85,500
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\* Std Input for Actual Production = 10736.84 kg

	<b>Output (kg)</b>	<b>Input</b>
<b>Std</b>	<b>95</b>	<b>100</b>
	<b>10,200</b>	<b>10,736.84</b>

**Required for computing SCAP**

\* Std Production from Actual input

Mix = 9,975 kg

	<b>Input</b>	<b>Output (kg)</b>
<b>Std</b>	<b>100</b>	<b>95</b>
	<b>10500</b>	<b>9975</b>

**Required for checking yield Variance**

Since Standard input Mix (10,736.84 kg) is not equal to Actual Input Mix (10,500 kg), Std Cost of Revised Std Qty is to be worked out for analyzing Mix and Yield V.

**Std Cost of Actual Quantity used (SC of AQ used)**

Chemical	AQ in std Prod	RSQ (kg)	SR	Amt (Rs.)
A	10,500 x 50%	5,250	40	2,10,000
B	10,500 x 30%	3,150	60	1,89,000
C	10,500 x 20%	2,100	95	1,99,500
		10,500		Rs.5,98,500

Check Rs.57 x 10500 kg. = Rs.598500

Check : yield V = SR per kg of Production (Actual Prod – Std Prod from Actual Input Mix)

= Rs.60 x (10,200 kg – 9,975 kg)

= Rs.60 x 225 kg

= 13,500 F

Details of Variances (Amount in Rupees)

Price V = SC of AQ – Actual Cost

$$\text{A} \quad 2,08,000 - 2,34,000 = 26,000 \text{ A}$$

$$\text{B} \quad 2,16,000 - 2,19,600 = 3,600 \text{ A}$$

$$\text{C} \quad 1,61,500 - 1,58,100 = \underline{3,400 \text{ F}}$$

Rs.26,200 A

Mix V = SC of RSQ – SC of AQ

$$\text{A} \quad 2,10,000 - 2,08,000 = 2,000 \text{ F}$$

$$\text{B} \quad 1,89,000 - 2,16,000 = 27,000 \text{ A}$$

$$\text{C} \quad 1,99,500 - 1,61,500 = \underline{38,000 \text{ F}}$$

Rs.13,000 F

In case, details of Usage and Yield V are required, SCAP may be computed in the following way.

Chemical	Qty (Kg)	Rate	Amt (Rs.)	S.R. per kg
A	50% 5638.42	40	2,14,737	
B	30% 3221.052	60	1,93,263	
C	20% 2147.368	95	2,04,000	
Input	100% 10736.84		Rs.6,12,000	Rs.57
Loss	5% 536.84			
Output	95% 10200			Rs.60

\* Usage V = SCAP – SC of AQ

$$\text{A} \quad 2,14,737 - 2,08,000 = 6,737 \text{ F}$$

$$\text{B} \quad 1,93,263 - 2,16,000 = 22,737 \text{ A}$$

$$\text{C} \quad 2,04,000 - 1,61,500 = \underline{42,500 \text{ F}}$$

Rs.26,500 F

\* Yield V = SCAP – SC of RSQ

$$\text{A} \quad 2,14,737 - 2,10,000 = 4,737 \text{ F}$$

$$\text{B} \quad 1,93,263 - 1,89,000 = 4,263 \text{ F}$$

$$C \quad 2,04,000 - 1,99,500 = \underline{4,500 F}$$

$$\underline{Rs.13,500 F}$$

**Question No. – 2 (Overheads)**

The cost Books of a Company show the following details :

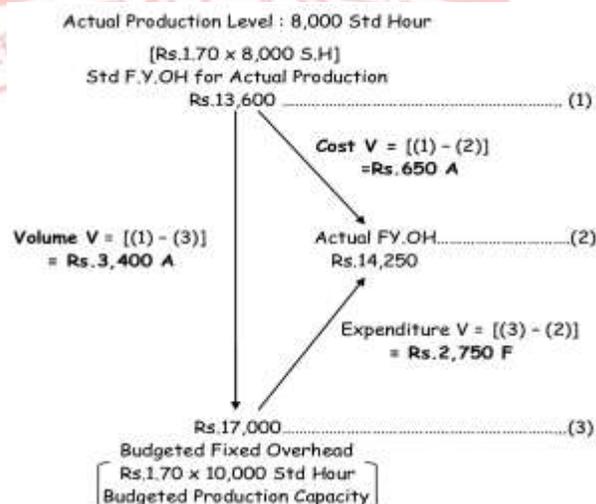
1. Actual Factory Overhead Rs.14,250
2. Budgeted Production Capacity 10,000 Standard Hours.
3. Budgeted Overhead Absorption Rate Rs.1.70 per Standard Hour for Factory Overhead.
4. Actual Production Level 8,000 Standard Hours.

**What shall be the:-**

- 1) Standard Fy. Overhead for Actual Production : (a) Rs.13,600 (b) Rs.13,700 (c) Rs.13,800 (d) Rs.13,900
- 2) Budgeted Fixed Overhead : (a) Rs.15,500 (b) Rs.16,000 (c) Rs.16,500 (d) Rs.17,000
- 3) Expenditure Variance : (a) Rs. 2,750 A (b) Rs. 2,750 F (c) Rs. 2,800 A (d) Rs. 2,800 F
- 4) Volume Variance : (a) Rs.3,300 F (b) Rs.3,300 A (c) Rs.3,400 F (d) Rs.3,400 A
- 5) Cost Variance : (a) Rs.600 F (b) Rs.600 A (c) Rs.650 A (d) Rs.650 F

**Answer:**

1)	(a) Rs.13,600	2)	(d) Rs.17,000	3)	(b) Rs.2,750 F
4)	(d) Rs.3,400 A	5)	(c) Rs.650 A		

**Solution with Working Notes**

[ Assuming Factory Overhead is Fixed in nature ]

\* Factory OH Cost Variance = Rs.650 A

[ Std F.OH for AP – Actual F.OH ]

\* FY.OH Expenditure V = Rs.2,750 F

[ Budgeted F.OH – Actual F.OH ]

\* FY.OH Volume V = Rs.3,400 A

[ Std FOH for AP – Budgeted F.OH ]

**Note :** In this problem, Actual Production level has been expressed in terms of Standard Hours instead of Production units and this requires to be familiarized.

### Solution through diagrams

A diagrammatic solution is characterized by arrows having spearhead in one side. The basic principle is that the amount standing at the spearhead side should always be deducted from that of the bottom side of the same. The resulting balance, if positive, signifies a Favourable Variance whereas a negative balance invariably signifies an Adverse or Unfavourable Variance, automatically. The principle involved can be clearly understood with a simple illustration following :

- 1)  $\text{Rs.52} - \text{Rs.48} = (+) \text{Rs.4} =$  Rs.4 Favourable Variance, shown as Rs.4 (F)
- 2)  $\text{Rs.52} - \text{Rs.61} = (-) \text{Rs.9} =$  Rs.9 Adverse or Unfavourable Variance, shown as Rs.9 (A)

Some of the multiple advantages associated with the diagrammatic solution of Variance Analysis are noted hereunder :

- 1) Diagram works as a road map which leads one to reach destination in the easiest way.
- 2) Diagrams are simple, easy to understand and use.
- 3) Solution can be arrived at within the shortest possible time.
- 4) Nature of Variance (Favourable or Adverse) emerges automatically due to in-built system.
- 5) Inter-relationship of related Variances are clearly visible and understood.
- 6) Inconsistency in on-going computation is promptly detected for correction.
- 7) It is easier to memorize the diagrams than a bunch of confusion-raising formulae.

A sincere practice of Variance Analysis through diagrams over a couple of days is likely to pay a rich dividend.

## Indirect Taxation (ITX)

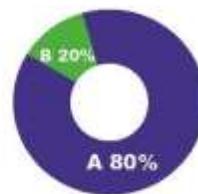


GROUP: 2, PART: 11,

# INDIRECT TAXATION (ITX)

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## Your Preparation Quick



### Syllabus Structure

**A** Canons of Taxations -  
Indirect Tax GST **80%**  
**B** Customs Laws **20%**

**Learning Objectives:**

- The concept of tax and the objective for its levy
- The concept of direct and indirect tax and the differences between the two
- The basic features of indirect taxes
- What are the principal indirect taxes
- As to how the indirect taxes are administered in the country

## Highlights of GST Proposals in Union Budget 2023

The present article briefly covers the highlights of Goods and Services Tax (GST) proposals as proposed in the Union Budget 2023.

### **Composition scheme vis-à-vis supply through e-commerce operator –**

Composition scheme covered under section 10 of the Central Goods and Services Tax states that the registered person engaged in the supply of goods or services through an e-commerce operator is not eligible to opt under the Composition Scheme.

However, as per the budget proposal, the said restriction is amended. Accordingly, the registered person engaged in the supply of goods through an e-commerce operator will now be qualified to opt under the Composition Scheme. Importantly, the restriction continues in respect of the supply of service.

The position of the composition scheme vis-à-vis supply through the e-commerce operator, after implementation of the budget proposal, are summarized hereunder –

Composition scheme benefit will be available to the person who is engaged in the supply of goods via an e-commerce operator;

Composition scheme benefit is not available to the person who is engaged in the supply of services via an e-commerce operator.

### **Input tax credit vis-à-vis Corporate Social Responsibility (CSR) –**

Sub-clause (fa) is inserted to section 17(5) of the Central Goods and Services Tax Act, 2017. According to the new sub-clause (fa), the input tax credit (ITC) will not be available on the goods or services or both received by the taxable person, which is used/ intended to be used for fulfilling obligations under CSR.

**Persons not liable for GST registration –**

Provisions of section 23 of the Central Goods and Services Tax Act, 2017 covers the provisions relating to persons not liable for obtaining GST registration. The said provisions are substituted retrospectively with effect from 1st July 2017.

The provisions are substituted so as to give overriding effect to section 23 of the Central Goods and Services Tax Act, 2017 over section 22(1) and section 24 of the Central Goods and Services Tax Act, 2017. Accordingly, the person not liable to obtain GST registration as per section 23, are not liable to obtain GST registration even if –

They are liable to pay tax (GST) under RCM (Reverse Charge Mechanism); and  
They fall under compulsory registration i.e. as per section 24.

**GST return filing in Form GSTR-1 –**

Sub-section (5) is inserted to section 37, accordingly, the registered person can furnish the belated return in Form GSTR-1 only till 3 years from the due date of said return. Filing of belated return will not be allowed after expiry of the period of 3 years.

**GST return filing in Form GSTR-3B –**

Sub-section (11) is inserted to section 39, accordingly, the registered person can furnish the belated return in Form GSTR-3B only till 3 years from the due date of said return. Filing of belated return will not be allowed after expiry of the period of 3 years.

**GST return filing in Form GSTR-9 –**

Sub-section (2) is inserted to section 44, accordingly, the registered person can furnish a belated annual return in Form GSTR-9 only till 3 years from the due date of said return. Belated annual return filing will not be allowed after expiry of the period of 3 years.

**GST return filing in Form GSTR-8 –**

Sub-section (15) is inserted to section 52, accordingly, the e-commerce operator can furnish the belated return in Form GSTR-8 only till 3 years from the due date of said return. Belated return filing will not be allowed after expiry of the period of 3 years.

**Penalty provisions for e-commerce operator –**

Sub-section (1B) is inserted to section 122 of the Central Goods and Services Tax Act, 2017 which proposes the imposition of penalty on e-commerce operator for specified offences.

**E-commerce operator will be penalized if –**

They allow the supply of goods or services through it by an unregistered person.

They allow the supply of goods or services through it by the person who is not eligible to make such an inter-State supply.

They fail to furnish correct details via return filing in Form GSTR-8. In case of any of the above offence, the provision prescribes the penalty of higher of the following amounts –

An amount equal to the tax amount involved has such supply been made by the registered person other than the person paying tax u/s. 10; or

INR 10,000.

**Decriminalization of offences –**

Provisions of section 132(1) of the Central Goods and Services Tax Act, 2017 are amended so as to decriminalize the following three offences –

Obstructing/ preventing the officer from discharging duties under Central Goods and Services Tax Act, 2017.

Tempering with or destroying any material evidence/ documents. Failing in supplying the requisite information or supplying false information.

Increase in monetary threshold limit for launching prosecution for the offences –

It is proposed to increase the monetary threshold limit from INR 100 Lakhs to INR 200 Lakhs for launching prosecution for the offences. However, the enhanced threshold limit will not be applicable in case of offences relating to the issuance of invoices without the actual supply of goods or services or both.

**Compounding of offences –**

Option of compounding of offences will not be available to the persons who are involved in the offences relating to the issuance of invoices without actual supply of goods or services or both.

The minimum amount for compounding of offences is reduced from a higher of INR 10,000 or 50% of the tax involved to 25% of the tax involved.

The maximum amount for compounding of offences is reduced from higher of not being less than INR 30,000 or 150% of the tax involved to 100% of the tax involved. Schedule III to the Central Goods and Services Tax Act, 2017 –

Activities/ transactions covered under Schedule III are neither treated as a supply of goods nor treated as a supply of service. Accordingly, para 7 and para 8, as made effective from 1st February 2019 cover –Supply of goods from a place situated in a non-taxable territory to another place situated in the non-taxable territory without the goods entering into India.

Supply of warehoused goods to any person before clearance for the home consumption.

Supply of goods by a consignee to any other person after the goods have been dispatched from the port of origin which is located outside India but such supply should be before clearance for home consumption.

According to the budget amendment, both para 7 and para 8 will be effective retrospectively from 1st July 2017.

Meaning thereby that GST will not be leviable on the same. However, it is clarified that GST will be already collected on such supplies will not be refunded back.

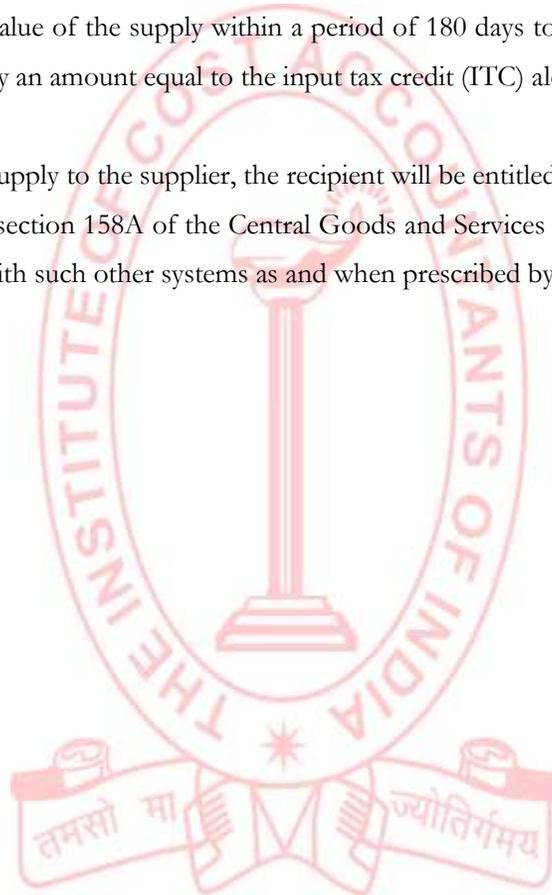
#### **Miscellaneous amendments –**

As per the amendment to the second and third proviso to section 16(2) of the Central Goods and Services Tax Act, 2017 –

If the buyer fails to pay the value of the supply within a period of 180 days to the supplier. In such case, the buyer is liable/ required to pay an amount equal to the input tax credit (ITC) along with applicable interest u/s 50.

On payment of the value of supply to the supplier, the recipient will be entitled to avail input tax credit.

Provisions of newly inserted section 158A of the Central Goods and Services Tax Act, 2017 permits the GST portal to share information with such other systems as and when prescribed by the Government.



## Company Accounts & Audit (CAA)



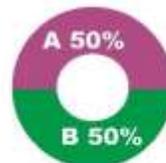
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# COMPANY

ACCOUNTS & AUDIT  
(CAA)

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# Your Preparation Quick



### Syllabus Structure

A Accounts of Joint Stock Companies 50%  
B Auditing 50%

**Learning Objectives:**

- Apply appropriate judgment derived from knowledge of accounting theory, to financial analysis and decision making.
- Effectively define the needs of the various users of accounting data and demonstrate the ability to communicate such data effectively, as well as the ability to provide knowledgeable recommendations.
- Prepare financial statements in accordance with Generally Accepted Accounting Principles.
- Demonstrate an understanding of current auditing standards and acceptable practices, as well as the impact of audit risk on the engagement.

### Company Accounts & Audit

Today, let us discuss about some aspects of internal reporting. Many security investments and credit decisions are made on the basis of information disclosed in corporate financial statements. These economic decisions are made throughout the year rather than at year end reporting dates. The present accounting practice is oriented towards annual reporting. But the investors need making continuous evaluation. More frequent disclosure of adequate information on a time basis will be useful to the investors.

**What are the problems in interim reporting?**

**Ans.** The utility of interim information for investors is substantial but the contents of interim reports are often inadequate. Some accounting problems are involved in interim reporting

- 1) Matching Problem – Business operations are not similar and uniform throughout the year because of various lead and lag relationship between cost and sales, difficulties are created in matching costs and revenue
- 2) Inventory Problem – These problems may be of three types –determination of inventory quantities, valuation of inventories and adjustment of valuation.
- 3) The Extent of Disclosure Problem – Generally speaking, disclosure requirement applicable to annual reporting are not applicable to interim reporting. In the absence of mandated interim disclosure, the interim disclosure practices are likely to vary.

**How do you improve interim reports?**

**Ans.**

- 1) Reports on interim period activities should be designed to materially assist important individual users or user groups
- 2) Interim reports for general distribution should be directed towards meeting the needs of both current and prospective shareholders
- 3) Interim report should be designed so as to reduce the price fluctuation in the security market that results from misinformation
- 4) Timeliness should be emphasized in the reporting of information about interim period activities

**Now, we may proceed to discuss some aspects of social reporting. What is social reporting?**

**Ans.** Social reporting is a rational assessment of and reporting on some meaningful, definable domain of business enterprise's activities that have social impact.

**What is the need of social reporting?**

**Ans.** It has now become important for the companies to identify society's changing needs to ascertain society's social priorities and to ascertain which business investment will yield economic return while satisfying these social priorities.

**Do you observe social reporting in India?**

**Ans.** During recent times in India many companies have come up with social reports. The Tata Iron and Steel Company performed the social audit in 1980. The social audit performed by TISCO was done by a committee, consisting of persons outside the entity.

**What is segment reporting?**

**Ans.** The general demand for more and better financial information by investors, creditors and investment advisors has recently been focused upon diversified businesses. Because of growing diversification within business and industry, corporate management face changing requirement for information both for internal needs and for use by external parties.

**What is the need for segment disclosure?**

**Ans.**

- 1) Segment reports are needed to provide knowledge of what business the company is in and the related size of several components
- 2) Sales and contribution to enterprise profit are required in forecasting consolidated profit
- 3) The segmental data are useful in evaluating the success of the company as a whole

- 4) Like shareholders, long term creditors and debtors are strongly interested in profitability of a debtor company. They show interest in segment operating results to assess the short term loans
- 5) Segmental data are also needed by government authorities to measure growth and concentration of various companies' shares of the market for selected products and areas

#### **What may be the problems in segmental reporting?**

- 1) The question of segment reporting has created confusion over identification and definition of the segment of a company for which external financial reports are proposed. Product lines may be relevant in some cases but not in others, geographical division may be particularly relevant with respect to foreign operations and in other cases classification by type of customer may be relevant
- 2) It appears difficult to measure accurately segment revenues and costs which are fully valid measures of individual segment performance. The underlying reason is that some portion of the cost and sometimes the portion of the revenues can be separated only by arbitrary actions
- 3) Another accounting problem is the treatment of inter divisional transfer pricing. The final product of one division may be the raw material of another within the same firm, so that the transfers are made in excess of cost, income will appear at the time of the transfer rather than when the final product is sold to a customer outside the firm. The problem of pricing intercompany transactions is similar to the common expense problem. In each case expense allocation must necessarily be based on subjective judgment

#### **What is the general purpose of social reporting?**

**Ans.** In spite of accounting difficulties involved in segment reporting, it can be said that information relating to industry segments, division, components, foreign operations, export sales and major customers is useful to analyse and understand the financial statements of the enterprise.

Students are advised to go through some theoretical aspects of interim reporting, segment reporting etc. in addition to annual report and disclosure requirement as security investment decisions are influenced by such reporting.

Enjoy understanding and get delighted.

## Practical Advice



# PRACTICAL Advice

## ABOUT YOUR STUDIES - INTERMEDIATE COURSE

Practical support, information and advice to help you get the most out of your studies.

START

01

Read Study Notes, MTPs, E-Bulletin, Work Books, Attend Webinar sessions

Solve Exercises given in Study Note

02

03

Assess Yourself

Appear For Examination

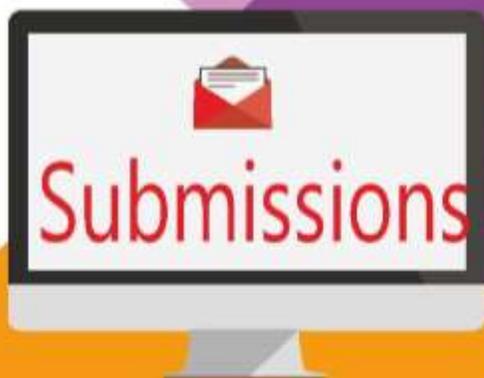
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FINISHED

## Submissions



# SUBMISSIONS



### Update of E-Mail Address/Mobile:

Students are advised to update their E-Mail id and Mobile Numbers timely so that important communications are not missed as the same are sent through bulk mail/SMS nowadays. Student may update their E-Mail id/ Mobile Number instantly after logging into their account at [www.icmai.in](http://www.icmai.in) at request option.

Dear Students,

We are very much delighted to receive responses from all of you; for whom our effort is!

We have noted your queries and your requests will definitely be carried out. Further, requesting you to go through the current edition of the bulletin. All the areas will be covered gradually. Expecting your responses further to serve you better as we believe that there is no end of excellence! One of the mails received is acknowledged below.

Please put your opinions so that we can make your e-bulletin everything that you want it to be.

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Send your Feedback to:  
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## Message from Directorate of Studies



# Message from Directorate of Studies

Dear Students,

We from the Directorate of Studies understand your expectations from us and accordingly we are trying to deliver some meaningful tips through various publications in soft versions like-E-bulletins, Mock Test Papers (MTPs), and we also have conducted Webinar Sessions for the benefit of the students. Supplementary and Amendments are also uploaded from time to time to keep the students updated about the recent changes made in the papers; wherever applicable.

You must be aware that India is celebrating Azadi Ka Amrit Mahotsav, which is an initiative of the Government of India to celebrate and commemorate 75 years of independence and the glorious history of its people, culture and achievements. Along with pan India, your Institute has also observed and took part in various meaningful activities throughout the year. We also expect that our students should also take part in the development of the nation and make the country proud.

**“Freedom has only one motto, may our country be happy and prosperous” .....**

let you all observe the message cited above.

- Certain general guidelines are listed below and which will help you in preparing for the examinations:
- Conceptual understanding and overall understanding of the subjects should be clear,
- Students are advised to go through the study material provided by the Institute meticulously,
- Students should know and learn the basic understandings of the subjects with focus on core concepts,
- Students are expected to give to the point answer which is a pre-requisite for any professional examination,
- To strengthen the answers, students are advised to answer precisely and in the structured manner,
- Proper time management is also important while answering.

**Please refer the link mentioned below:**

<https://icmai.in/studentswebsite/index.php>

**GOOD LUCK**

**Be prepared and be successful**

**Disclaimer:**

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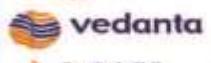


















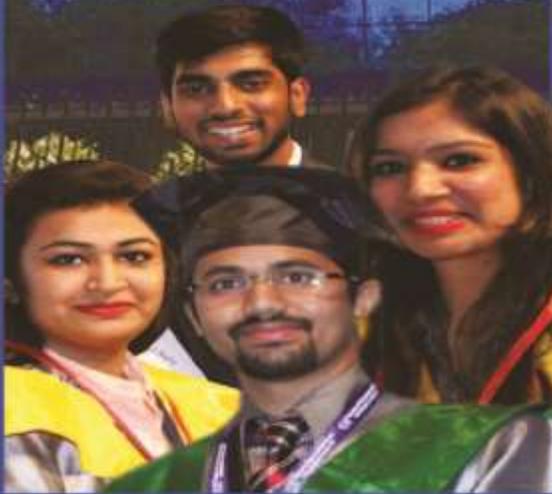




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