

**2019**

**December**  
**VOL: 4, NO.: 12,**

**TOLL FREE 18003450092 / 1800110910**

# **CMA Student** **E - Bulletin**

## **INTERMEDIATE**



**FOLLOW US ON**



**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**

**(Statutory Body under an Act of Parliament)**

[www.icmai.in](http://www.icmai.in)

Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700016

Ph: 091-33-2252 1031/34/35/1602/1492

Delhi Office: CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

Ph: 091-11-24666100

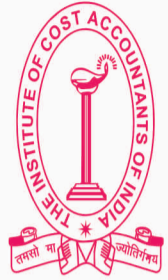
**Behind every successful business decision, there is always a CMA**



## Message from The Chairman

*CMA Biswarup Basu*

Vice President & Chairman,  
Training & Education Facilities (T& EF) Committee



**CMA BISWARUP BASU**  
Chairman, T & EF Committee  
Directorate of Studies



**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**  
(Statutory body under an Act of Parliament)  
CMA BHAWAN, 12, SUDDER STREET, KOLKATA-700 016, India  
Mobile : 79802 72019 / 98740 81422  
● Website : [www.icmai.in](http://www.icmai.in)

### MESSAGE FROM THE CHAIRMAN

Dear Students,

Merry Christmas!!!

"Be the change that you wish to see in the World"- M.K. Gandhi.

Education plays a vital role in everyone's life. Better education gives you the power to change your life. It changes your mindset completely and develops confidence that somehow helps you in building your personality. It facilitates your learning, increases your knowledge and enriches your skill.

In this competitive world, it is a must for all to have a good education. Proper education makes you strong mentally, socially and intellectually by increasing your knowledge level, technical skills and good position in the job. Towards this end your Institute is encouraging you always and please try to grab the opportunities offered by the Institute.

"Real education enhances the dignity of a human being and increases his or her self-respect. If only the real sense of education could be realized by each individual and carried forward in every field of human activity, the world will be so much a better place to live in." - APJ Abdul Kalam.

December, 2019 term of examinations have just finished and I am pretty sure that your hard work will be rewarded. Those could not seat for the examination and thinking to appear for the forthcoming June, 2020 term, must get prepared seriously and towards this end the Directorate of Studies (D.O.S.) is trying to enrich your knowledge through the continuous up-dation of study materials, work book, Mock Test Papers (MTP), monthly publication of students' e-bulletins etc.

The Directorate of Studies is also conducting live webinar sessions and those who are not been able to attend those sessions, please see the recorded versions for their knowledge up-dation. I am really thankful to all those academicians and professionals who are regularly updating your knowledge bank by extending their suggestions and input towards your all-round development. Please refer all those publications which will help in your preparation.

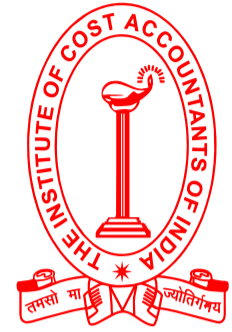
Best wishes to you all,  
**CMA Biswarup Basu**

Vice President & Chairman, Training & Education Facilities and Placement Committee

**Be a CMA, be a Proud Indian**

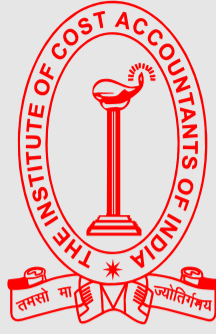


"Behind every successful business decision there is always a CMA"



# CONTENTS

Message from the Chairman -	i
Knowledge Update -	1
Group : I Paper 5: Financial Accounting (FAC) -	2
Group: I Paper 6: Laws & Ethics (LNE) -	6
Group: I Paper 7: Direct Taxation (DTX) -	12
Group: I Paper 8: - Cost Accounting (CAC)-	17
Group: II Paper: 9, Part - i: Operations Management & Strategic Management Operations Management (OMSM)-	22
Group: II Paper: 9, Part - ii: Operations Management & Strategic Management Strategic Management (OMSM) -	32
Group: II Paper: 10: Cost & Management Accounting and Financial Management (CMFM) -	37
Group: II Paper 11: Indirect Taxation (ITX) -	42
Group: II Paper 12: Company Accounts & Audit (CAA) -	45
Practical Advice -	48
Submissions -	49
Message from the Directorate of Studies -	50
Snapshots -	51



# KNOWLEDGE Update



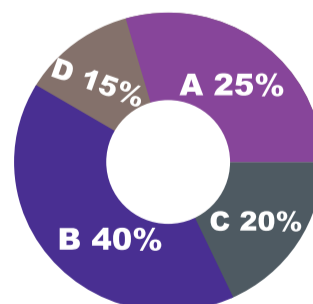
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.



**GROUP: 1, PAPER: 5**  
**FINANCIAL**  
**ACCOUNTING (FAC)**

**CMA (Dr.) Nibir Goswami**  
Associate Professor in Commerce  
Vidyasagar Mahavidyalaya, W.B.  
He can be reached at:  
[drnibirgoswami@gmail.com](mailto:drnibirgoswami@gmail.com)

# Your Preparation Quick Takes



### 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.

### Accounting treatment of bad debts

For any business purchase and sales are the most regular and main activity. This attracts business connection with lots of people either giving or taking benefits of credit.

Debtors are those persons who take the benefit of delayed payment and creditors allow credit period to pay later. That means in each case there is a time gap between the date of sale or purchase and the date of recovery of cash or payment of cash. During this period there are three possibilities regarding the activities of debtors:

1. The debt will be collected in time.
2. The debt may not be collected at all.
3. The debt may be cleared before due date.


Similarly during this period there are three possibilities regarding the activities of creditors:

1. The debt will be paid in time.
2. The debt may not be paid at all.
3. The debt may be cleared before due date.

In this issue we will discuss the cases related to debtors.


1. In the above explanation in case 1 when the debts are collected in time we call the debtors to be good.
2. In the above explanation in case 2 when the debts are not collected at all we call the debtors to be bad.
3. In the above explanation in case 3 when the debts are collected before due date we call the debtors to be good and they are allowed cash discount as a reward to pay earlier.

Whatever be the case, from the date of sale to the date of ultimate collection of debt there remains an anxiety on behalf of the seller for which a seller makes provision from profit and loss account to protect such loss beforehand. Let us see the following chart:

<b>Debtors</b>		
		
<b>1.Bad</b>	<b>2.Doubtful</b>	<b>3.Good</b>

The debtors becoming bad are deleted from the list of debtors and the amount is deducted for the amount of gross debtors. The balance remains is all doubtful and hence provision for doubtful debt is maintained on the amount of doubtful debt. When such provision is also deducted from the net debtors the balance remains is expected to be good and are supposed to clear their dues in due time. Therefore a provision for discount allowed is made on such amount.

Let us see the same chart with some figure added :

<b>Debtors (Rs.100000)</b>		
		
<b>1.Bad (Rs.2000)</b>	<b>2.Doubtful(Rs.98000)</b>	<b>3.Good(Rs.88200)</b>

The above chart is explained below which will help to solve sums.

	Rs.
Debtors	100000
Less bad debt	2000
Doubtful	98000
Less provision for doubtful debt @10 % (say)	9800
Good	88200
Less provision for discount @ 5% (say)	4410
Net balance	83790

Example:

The provision for doubtful debt a/c shows a balance of Rs.5000 on jan 01, 2014. The bad debt during the year 2014 amounted to Rs.3000. The sundry debtors on dec 31 2014 were Rs. 50000. On dec 31 2014 there was an additional bad debt of Rs. 3000. Create a new provision @ 10 % on debtors. Bad debt recovered Rs. 500

You are required to show necessary ledger accounts and balance sheet

Solution :

Provision for doubtful debt account

To bad debt	6000	By balance b/d	5000
(3000+3000)			

To balance c/d	4700	By P/L A/C	5700
(50000-3000)×10%			
	10700		10700

**Bad debt a/c**

To sundry debtors	6000	By Provision for doubtful debt a/c	6000
(3000+3000)			
	6000		6000

**Bad debt Recovery a/c**

To P/L a/c	500	By Bank	500
	500		500

**Profit and Loss a/c (Extract)**

To Provision for doubtful debt a/c :		By	
New provision	4700		
Add bad debt	6000		
	10700		
Less old provision	5000		
	5700		

**Balance sheet (extract)**

		Sundry debtors	50000
		Less further bad debt	3000
			47000
		Less new provision	4700
			42300

**Note 1.** Similar treatment will be done for discount allowed and provision for discount allowed.

**Note 2.** Further bad debt should only be deducted from the debtors because the bad debt during the year is already adjusted with debtors.

Keep practicing the sums from study material and past year question papers.

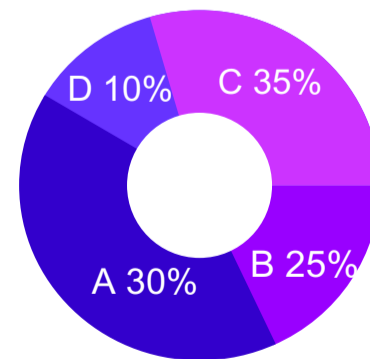




**GROUP: 1, PAPER: 6**  
**LAWS & ETHICS**  
**(LNE)**

CA Partha Ray  
He can be reached at:  
[prapray@rediffmail.com](mailto:prapray@rediffmail.com)

## Your Preparation Quick Takes



**Syllabus Structure**  
A Commercial Laws 30%  
B Industrial Laws 25%  
C Corporate Law 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 penalise 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.

## LAW & 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 which became law on 12<sup>th</sup> September,2013 after the President of India gave his affirmation (to replace the Companies Act,1956) on 29th August, 2013

Let us start with Conversion of **One Person Company into Public Company or a Private Company**

The conversion of an OPC- One Person Company into Private Limited Company as per **Section 18 of the Companies Act, 2013** and the provisions of Companies **(Incorporation) Rules of 2014** have to be discharged by a newly formed Private Limited Company. These rules will have no effect on the existing debts, liabilities, obligations or contracts of the OPC.

Now, let us understand that, there are two ways of converting an OPC into a private limited company either :

- Voluntarily or
- Mandatorily / Compulsory.

Under both types of conversions, the requirements necessary are :

- Alterations in the MOA and AOA of the OPC ,because as per the provisions provided in section 18 of the Companies Act, 2013, along with section 122 of the Act, the section requires obtaining of No Objection in writing from the concerned members and the creditors; and
  1. Passing of a resolution in support of conversion; and
  2. It should also satisfy the requirements of the minimum paid-up capital, along with the minimum number of members and directors.

For incorporating a private limited company the minimum paid capital recommended is Rs. 1,00,000 and two members and two directors at a minimum.

To apply for conversion of OPC to private limited company, one needs to fill the form **INC-6**, to the Ministry of Corporate Affairs, Govt. of India.

### Two Types of Conversion

As said above, for converting an OPC into Private Limited Company, the provisions laid down in the Section-18 of the Indian Companies Act of 2013, and the Companies (Incorporation) Rules of 2014, in particular the Rule 7(4) of the Companies (Incorporation) Rules, 2014, needs to be followed for both the conditions viz. Voluntarily and under Compulsion.

#### Voluntary Conversion

Voluntary conversion into a private limited company is not permitted unless two years has expired from the date of incorporation of the OPC. However there is an exception - if the paid-up share capital exceeds Rupees 50 lakhs or if its average annual turnover exceeds INR 2 Crores, then within two months, the OPC could convert into a private limited company as it shall cease to be entitled to continue as OPC.

OPC has to communicate voluntary conversion to Registrar of Companies in form **INC 5** within sixty days.

For converting to a private limited company, OPC is required to have 2 directors and 2 members.

#### Mandatory/Compulsory Conversion

##### a. Intimating the ROC

The concerned ROC should first be communicated through the prescribed method that the OPC is now required to convert itself into a private limited company.

##### b. Passing the Board Resolutions

The shareholders of the OPC should hold a General Meeting for passing the resolution for raising the paid-up capital (if needed), the number of shareholders, and appointment of directors for meeting the requirements of the Private Limited Company.

For converting an OPC to a Private Limited Company, there should be at least 2 shareholders and 2 directors.

Moreover, a Board Resolution must be passed before seeking approval of the shareholders for approving the alteration of the **Memorandum of Association (MOA)** and **Articles of Association (AOA)** of the OPC.

#### Conversion of Private Company to a One Person Company

**c. Application for conversion of OPC to Private Limited Company**

After the above steps are completed, step by step, the company has to file an application to the Registrar along with a copy of the resolution within 15 days of passing the resolution.

The Registrar thereafter confirms on the application that the details filled are correct and the fees to be paid against the registration.

After studying the application and other necessary accompanying documents thoroughly, the registrar, finally issues the Certificate of Conversion.

**Now-a-days E-Forms are also available with the Registrar of Companies.**

There will a penalty in this type of conversion if any officer of the OPC contravenes the provisions of these Rules, the OPC or any officer of the OPC will be punished with a fine amounting to Rs.10,000 and a further fine of Rs.1,000 for every day after the first such contravention continues.

It must be understood that the entry of One Person Company into the legal realm was brought into existence in order to encourage economic growth through the entry of entrepreneurs into the corporate world. Moreover, it will also enable individual development, enhance individual capabilities and will also generate employment opportunities.

**Registered Office of a Company**

**Registered Office** - Sec.12(1) of the Act, requires a company to have a Register Office of its own for the purpose of receiving and acknowledging all communications and notices addressed to the office. The registered office shall be opened within 15 days from the date of incorporation of the Company.

**Verification of the Registered Office**

Sec.12(2) of the Act, provides that the company shall furnish to the Registrar, verification of its registered office within 30 days from the date of its incorporation in Form No.INC-22 along with the requisite fees and attach the following documents according to Rule 25 :

1. Registered Document of title of the premises as the registered office in the name of the company ; or
2. A copy of the Lease Deed or Rent agreement duly notarized , in the name of the company along with a copy of the Rent Paid Receipt, not older than 1 month ;
3. An Authorization from the owner or the authorized occupant of the premises along with the proof of ownership or occupancy authorization to use the premises by the company as its registered office; and
4. The proof of evidence of any utility service like telephone, gas, electricity etc., providing the address of the premises in the name of the owner or document, as the case may be which is not older than 2 months.

### Publication of name by Company

Every company shall display its name and address of its Registered Office outside every office and/or place of business of the company in legible letters in a position from where it can be seen and read. The name of the company can be any language but it has to be also in the language where the office or place is situated.

Another point to remember is that the company shall get its name, address of its registered office, the Corporate Identity Number, the telephone number, Fax number, e-mail id, the website etc. displayed/printed in all its business letters, invoices, notices, documents and other official communications.

In case of a One Person Company, it has to be mentioned in brackets, below the name of such company, wherever the name is printed, affixed or engraved.

### Change of name of company

Where a company has changed its name or names, during the last 2 years, it must mention along with its present name the former name or names.

### Change of situation of the registered office

Notice of change of situation of the Registered Office after the date of incorporation, shall be given to the Registrar of Companies in the Form No.INC-22 along with requisite fee and required documents within 15 days of the change so that the Registrar records the same. Such a change of situation of the registered office can be within the jurisdiction of the same Registrar or under the jurisdiction of another Registrar or from one State / Union Territory to another State / Union Territory.

The procedure for **change of situation of the registered office** under the jurisdiction of another Registrar **within the same State** is laid in Rule 28 and an application in Form No.INC 23 along with fee is to be **filed with the Regional Director** seeking confirmation for shifting the registered office within the same State.

The procedure for **change of situation of the registered office** under the jurisdiction of another Registrar **outside the same State/ Union Territory** is laid in Rule 30 and an application in Form No.INC 23 along with fee is to be **filed with the Central Government** seeking confirmation for shifting the registered office, or altering the Memorandum of Association outside the same State.

The following documents (as applicable) shall be attached with the Form No.INC-23 application :

- ✓ A copy of the Memorandum and Articles of Association ;
- ✓ A copy of the notice convening the General Meeting and the relevant Explanatory Statement ;
- ✓ A copy of the Special Resolution sanctioning the alteration by the members of the Company;

- ✓ A copy of the minutes of the General meeting at which the resolution authorizing such alteration was passed, giving details of votes cast in favor or against the resolution ;
- ✓ The affidavit verifying the List of Creditors ;
- ✓ The List of Creditors and Debenture holders entitled to object the application ;
- ✓ An affidavit relating to payment of application fee ;
- ✓ A copy of the Board of Directors' resolution or Power of Attorney or the executed Vakalatnama.
- ✓ The names and address of every creditor and debenture holder of the company ;
- ✓ The nature and respective amounts due to such creditor and debenture holder in respect of debts, claims or liabilities.

The applicant shall file and attach with the application :

- ❖ **An affidavit** signed by the Company Secretary of the company, if any, and by at least 2 directors of the company one of whom shall be the Managing Director (where there is one) that the list of creditors is correct and the estimated value as given in the list of debts or claims payable are not ascertained or there are no debts or claims against the company to their knowledge.
- ❖ **An affidavit, with the Chief Secretary of the concerned State**, signed by the Directors of the company stating that there was no retrenchment of the employees consequent to the shifting of the registered office to another State.
- ❖ A duly authenticated copy of the List of Creditors shall be kept at the registered office of the company for inspection by interested persons who can take extracts from the same on payment of Rs.10.00 per page to the company.
- ❖ A copy of the Acknowledgement of service of a copy of the application with complete annexures to the Registrar and Chief Secretary of the State Government or Union Territory , where the registered office is situated.

Section 12(8) provides that if there is any default in complying with the requirements of Section 12, the Company and every Officer who is in default shall be liable to a penalty of ₹ 1,000.00 for every day during which the default continues but not exceeding ₹ 1,00,000.00.

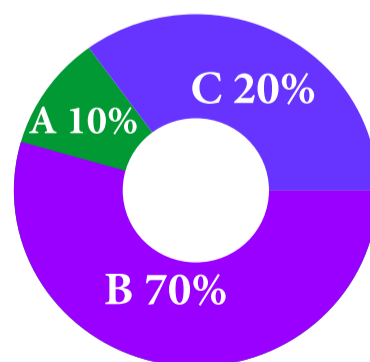


GROUP: 1, PAPER: 7

# DIRECT TAXATION (DTX)

CA Vikash Mundhra  
He can be reached at:  
[vikash@taxpointindia.com](mailto:vikash@taxpointindia.com)

## Your Preparation Quick Takes



Syllabus Structure

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

**Learning Objectives:**

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

**Alternate Minimum Tax (AMT) [Sec. 115JC]**

The Finance Act, 2011 had introduced the concept of AMT in relation to LLPs and accordingly the LLPs were subject to AMT @ 18.5% of adjusted total income. Total income shall be increased by deductions claimed under Part C of Chapter VI-A and deductions claimed u/s 10AA to arrive at adjusted total income. The Finance Act, 2012 extended the levy of AMT to certain persons other than companies.

Subsequently, the investment linked deductions have been provided in place of profit linked deductions. With a view to include the investment linked deduction claimed u/s 35AD in computing adjusted total income for the purpose of calculating alternate minimum tax, it was amended so as to include deduction claimed u/s 35AD for the purpose of computation of adjusted total income.

At present the Act provides that where the regular income-tax payable by a person, other than a company, for a previous year computed as per the provisions of the Income-tax Act, 1961 (other than Chapter XII-BA) is less than the AMT payable for such previous year, the adjusted total income shall be deemed to be the total income of the person. Such person shall be liable to pay income-tax on the adjusted total income @ 18.5%.

**Applicable to**

All assessee (other than company) who has claimed any deduction under:

- Sec. 80H to Sec. 80RRB (other than sec. 80P); or
- Sec.10AA
- Sec.35AD

**Exception**

The provisions shall not apply to an individual or a HUF or an AOP or a BOI, whether incorporated or not, or an artificial juridical person, if the adjusted total income of such person does not exceed ₹ 20 lakh.

**Taxpoint:** The exception is not applicable in case of Firm and Limited Liability Partnership. That means, AMT is applicable on LLP / Firm (claiming deduction under aforesaid section) even though adjusted total income does not exceed ₹ 20 lakh.

**Scheme of Alternate Minimum Tax (AMT)**



<b>Step 1</b>	Compute regular income tax liability (before surcharge and cess) of the assessee covered under these provisions	A	****
<b>Step 2</b>	Compute Adjusted Total income of the assessee i.e.		*****
	Total income of the assessee	****	B
	Add:		
	• Deduction claimed u/s 80H to sec. 80RRB (other than sec. 80P)	***	C
	• Deduction claimed u/s 35AD less Depreciation u/s 32	***	D
	• Deduction u/s 10AA	***	E
	<b>Adjusted Total Income</b>	****	F
	<b>Note:</b> (i) If 'C', 'D' and 'E' is zero, then these provisions are not applicable to any assessee. (ii) if 'F' does not exceed ₹ 20 lakh, then these provisions are not applicable in case of an Individual / HUF / AOP / BOI / Artificial juridical person. However, the provision is applicable on LLP / Firm.		
<b>Step 3</b>	Compute Alternate Minimum Tax (AMT) [Being 18.5% of Adjusted Total Income]	$G = F * 18.5\%$	****
<b>Step 4</b>	Income Tax liability	Higher of A & G	****
	Add: Surcharge, if applicable		**
	<b>Tax and surcharge payable</b>		****
	Add: Cess		**
	<b>Tax liability after Cess</b>		****

### Impact where AMT is applicable i.e., case where value of Step 3 is higher than value of Step 1

- Adjusted total income (as computed in step 2) shall be deemed as total income of the assessee.
- Tax liability of the assessee shall be 18.5% (+ surcharge + cess) of adjusted total income of the assessee.
- A report in Form 29C from a chartered accountant is required to be obtained on or before the due date of furnishing of return of income u/s 139(1).
- All other provisions of the Act, like advance tax, interest, etc. is applicable to such assessee.

### Provision Illustrated

Compute tax of the following assessee:

Particulars	Mr. W	Mr. X	Mr. Y	A LLP	B LLP
Gross Total Income being Business Income	15,00,000	25,00,000	27,00,000	32,00,000	8,00,000
Deduction u/s 80C	1,00,000	1,00,000	1,00,000	Nil	Nil
Deduction u/s G	25,000	1,00,000	Nil	1,00,000	1,00,000
Deduction u/s 80IE	7,75,000	Nil	8,00,000	Nil	2,00,000
<b>Total Income</b>	<b>6,00,000</b>	<b>23,00,000</b>	<b>18,00,000</b>	<b>31,00,000</b>	<b>5,00,000</b>
Regular Tax	32,500	5,02,500	3,52,500	9,30,000	1,50,000
Adjusted Total Income	13,75,000	23,00,000	26,00,000	31,00,000	7,00,000

Whether sec. 115JC is applicable or not	No <sup>1</sup>	No <sup>2</sup>	Yes	No <sup>2</sup>	Yes
1. As adjusted total income does not exceed Rs.20 lakh 2. As no deduction is claimed u/s 80H to 80RRB (other than sec. 80P) or u/s 10AA					
Alternate Minimum Tax (AMT) u/s 115JC [18.5% of adjusted total income]	NA	NA	4,81,000	NA	1,29,500
<b>Tax (Higher of Regular Tax and AMT)</b>	<b>32,500</b>	<b>5,02,500</b>	<b>4,81,000</b>	<b>9,30,000</b>	<b>1,50,000</b>
Add: Health & Education Cess	1,300	20,100	19,240	37,200	6,000
<b>Tax and Cess Liability (Rounded off)</b>	<b>33,800</b>	<b>5,22,600</b>	<b>5,00,240</b>	<b>9,67,200</b>	<b>1,56,000</b>

### Tax credit for alternate minimum tax [Sec. 115JD]

- ✿ The excess of alternate minimum tax paid over the regular income-tax payable of that year shall be allowed as tax credit.  
*Mathematically, tax credit available = Tax paid u/s 115JC - Regular Tax payable*
- ✿ However, no interest shall be payable on the tax credit allowed.
- ✿ The amount of tax credit determined shall be carried forward and set off but such carry forward shall not be allowed beyond the 15<sup>th</sup> assessment year immediately succeeding the assessment year in which tax credit becomes allowable.
- ✿ The tax credit shall be allowed set-off in a year when regular tax becomes payable by the assessee.
- ✿ Set off in respect of brought forward tax credit shall be allowed for any assessment year to the extent of the difference between the alternate minimum tax payable u/s 115JC for that assessment year and the balance of the tax credit, if any, shall be carried forward. In other words, after setting off of AMT credit, tax liability of the year cannot be less than AMT for that year.
- ✿ The amount of tax credit in respect of any income-tax paid in any country or specified territory outside India u/s 90 or 90A or 91, allowed against the alternate minimum tax payable, exceeds the amount of the tax credit admissible against the regular income-tax payable by the assessee, then, while computing the amount of credit u/s 115JD, such excess amount shall be ignored.
- ✿ If the amount of regular income-tax or the AMT is reduced or increased as a result of any order passed under this Act, the amount of tax credit allowed under this section shall also be varied accordingly.

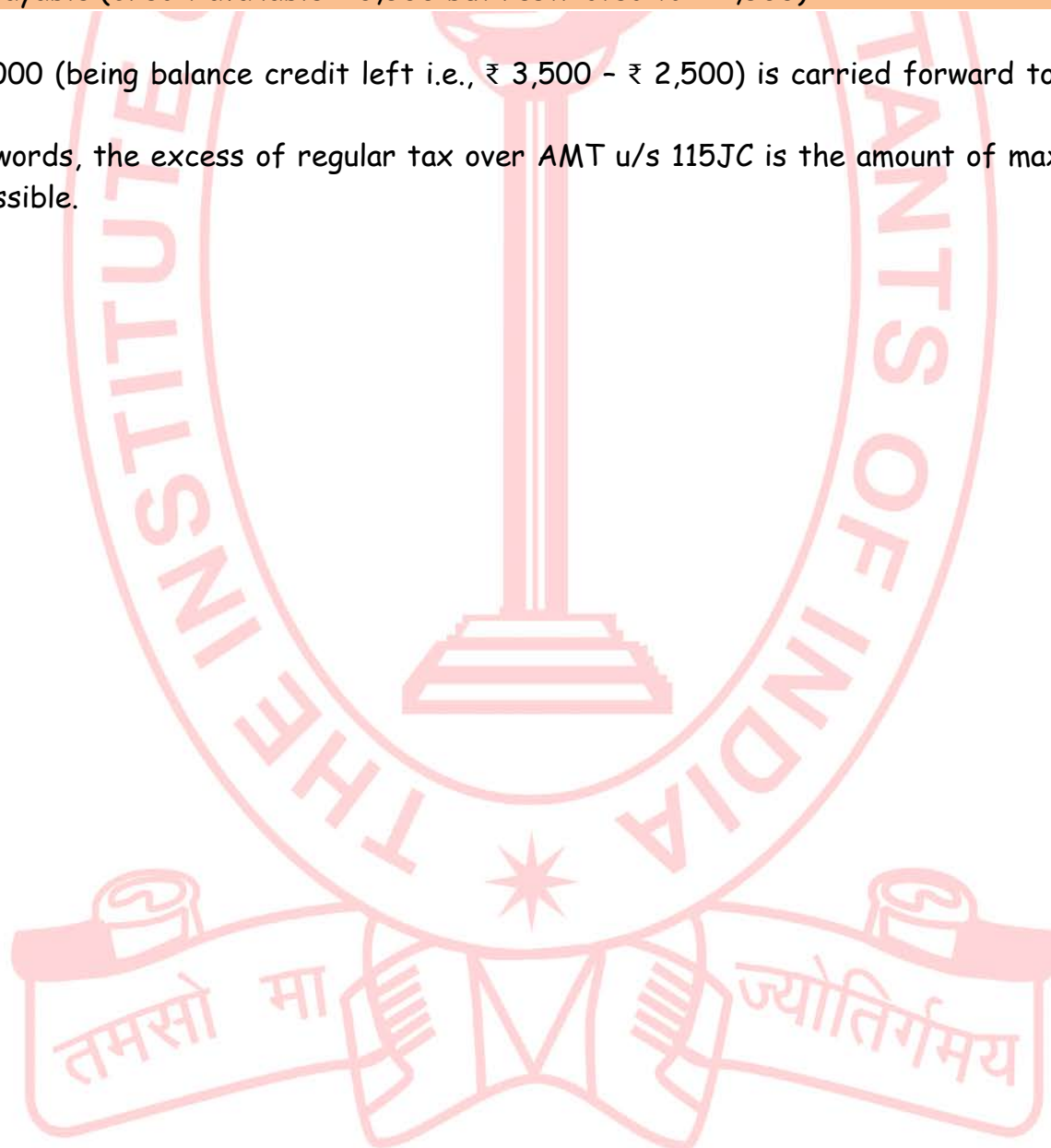
### Examples

(a)	Tax liability u/s 115JC (AMT)	500	
	Regular Tax liability	1,000	
	Difference	500	
	₹ 500 cannot be treated as credit because liability u/s 115JC (AMT) is not greater than regular tax liability.		
(b)	<u>Year 1</u>		
	Liability u/s 115JC (AMT)	2,000	
	Regular Tax Liability	1,000	

	1,000	It can be carried forward
<u>Year 2</u>		
Liability u/s 115JC (AMT)	2,500	
Regular Tax Liability	5,000	
Difference	2,500	
Now regular liability is more than liability u/s 115JC (AMT), the credit carried forward can be set off to the extent of the difference i.e., ₹ 2,500		
In year 2, tax payable shall be as under:		
Regular Tax Liability		5,000
Less : Set off of AMT credit		1,000
Tax payable (before surcharge and cess)		4,000
In the above example, if the credit carried forward was ₹ 3,500, then tax payable in year 2 would be calculated as under:		
Regular Tax Liability		5,000
Less : Set off of AMT credit		2,500
Tax payable (Credit available ₹ 3,500 but restricted to ₹ 2,500)		2,500

Here ₹ 1,000 (being balance credit left i.e., ₹ 3,500 - ₹ 2,500) is carried forward to the next year.

In other words, the excess of regular tax over AMT u/s 115JC is the amount of maximum set off permissible.



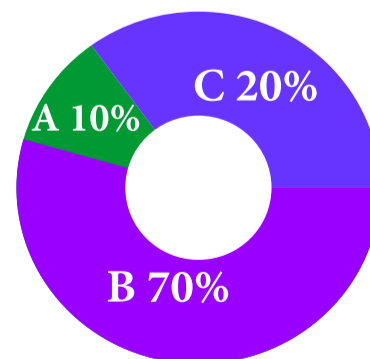


GROUP: 1, PAPER: 8

# COST ACCOUNTING (CAC)

CMA (Dr.) Subir Kr. Datta  
Principal,  
Kshudiram Bose Central College,  
He can be reached at:  
[duttasubirkumar1958@gmail.com](mailto:duttasubirkumar1958@gmail.com)

## Your Preparation Quick Takes



### Syllabus Structure

A Income Tax Act Basics 10%

B Heads of Income and Computation  
of Total Income and Tax Liability 70%

C Administrative Procedures and ICDS 20%

**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**

For efficient running of an organization an effective cost accounting system is an integral part of the management. In the present era the value and importance of cost accounting need hardly be overemphasized. Cost accounting, by exercising control over the entire business operations, enables management to eliminate wastages, leakages, increase efficiency and productivity, achieve economies and helps decision making by suitably fixing prices in case of competition, trade depression, and idle capacity with a view to maximizing the gains or minimizing the losses. This paper is a scoring paper out of the eight papers in the intermediate course of the Institute of Cost Accountants of India. It is observed from the past experience that 65% to 75% of the total questions are set from practical problems and the balance is theoretical part. Although only 25% questions are set from theoretical part, but a great emphasis should be given on theoretical part as most of the students are very much weak in theory. Hence, go through the theory very carefully for easy understanding the topic and then try to solve the exercise problems. Start from Chapter one and try to understand the other chapters serially as this will enable you to understand the succeeding chapters in a better way.

As it is a professional examination, emphasis should be given mainly on testing comprehension, self expression and managerial ability to apply knowledge in divergent situation. Chances of repetition of questions are normally avoided. The true success of this examination mainly depends on style of preparation which should have, perseverance, regularity of efforts, through practice, vision and objectivity.

Here I have suggested some tips based on my personal experiences:-

1. There should be a well defined plan for completing the whole syllabus as well as revision.
2. Please go through your Study Note and know the complete syllabus. Remember all chapters are interlinked.
3. Analyze the trends of setting questions by taking at least ten terms.
4. Time schedule with specified activities is very much essential for time-management.

5. Clarity or concepts is different from cramming which exerts avoidable strain on the students.
6. Write down all the important terms in your own words and read them regularly.
7. Improve your speed by regular practice and revision.
8. Finally, try to develop a habit of reading the questions well, underlining and understanding the specific requirements.
9. Always try to answer all objective type questions as practice, which carries 100% marks.
10. Try to develop a habit of reading the questions well, underlining and understanding the specific demands.

As per your study material, your entire syllabus is divided into six main chapters. In first chapter the basic concepts of cost accounting are discussed, besides its other two branches viz, Financial accounting and Management accounting. The second chapter described the Elements of cost thoroughly. The three major elements of costs are - material, labour and Overheads. In this chapter cost concepts are discussed and analyzed element-wise. Material consists of the major part of total cost of a product, hence it is necessary to control this cost. You must read the scope and objectives of different Cost Accounting Standards. It will help to grasp the concept of cost accounting easily. Try to solve the problems on earnings of workers under different schemes. The meaning of Cost allocation, Cost apportionment and cost absorption should be very clear.

The chapter, 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 next chapter relates to Contract Costing. Only Job/Batch/Contract Costing is very important for the Intermediate Examinations. Students often face difficulty in recommending the amount of profit to be taken into account for incomplete contract. You should make sure that you are familiar with various methods/formulae for different stages 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' is used to be set at this level of examination also.

The next chapter is related to Operating Costing. 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. Finding out the 'Composite Unit' is very important for finding the solution of these type problems.

The next chapter 'Marginal Costing' aims to find out cost-volume-profit relationships of a product. This is an important chapter from the students' perspective. Students should understand the concepts, Uses, needs and importance of 'Marginal Costing' carefully. The main thrust should be to follow the wording and determine the desired impact on profitability. Break-even Analysis and finding out the Breakeven point is the basic part for solving the problem. For a product of different sales-mix, contribution per unit of key-factor should be found out and then different options should be marked on the same basis, i.e. contribution per unit of key factor. Here you should also study the effect on profits due to various changes, in Fixed Cost/ Variable Cost/ selling price/ sales-mix and again the effect of the above on BEP, Margin-of-safety. More than one problem is generally set

from this chapter. Hence, various types of problems should be worked out for easy understanding.

The chapter 'Standard Costing' deals with creating responsibilities and identifying the activities or areas of exceptions. Here variances are analyzed in detail according to their originating causes. Any problem on standard cost for working out different variances can be worked out by using a standard format applicable to all variance analysis. The students are afraid of this important chapter only because of different formulae for different analysis. Only a serious 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 related to 'Budget and budgetary control'. The term budget can be expressed as a pre-determined plan of action in details. Budgetary control requires preparation of 'Flexible Budget', 'Functional Budgets' and 'Cash Budget' for taking necessary actions. Both theoretical and practical problems 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.

Selection of method of remuneration to workers is the most complex problem nowadays --- from the view point of both 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 co-ordinate efforts of both the employers and employees. Here we are going to solve a problem based on efficiency bonus for payment of wages.

### Problem.

An enterprise has introduced a bonus system of wage payment of a slab rate based on cost of reducing towards wages and overhead, the slab rates are as follows :

Up to	10%	of savings in cost	bonus is	5%	of the earning
.. ..	20%	.. ..	.. ..	10%	.. ..
.. ..	40%	.. ..	.. ..	20%	.. ..
.. ..	50%	.. ..	.. ..	30%	.. ..
.. ..	75%	.. ..	.. ..	40%	.. ..
Above	75%	.. ..	.. ..	50%	.. ..

The wage rate of the workers utpal, Sumit and Bikash are Rs. 1, Rs. 1.25 and Rs. 1.30, respectively. The overhead recovery rate is 300% on productive wages. The standard cost towards wages and overhead per unit is Rs. 1.50 per unit.

If the time taken by Utpal, Sumit and Bikash to finish 100 units is 25 hours, 30 hours and 20 hours, respectively, how much bonus will be due to the three workers?

Solution

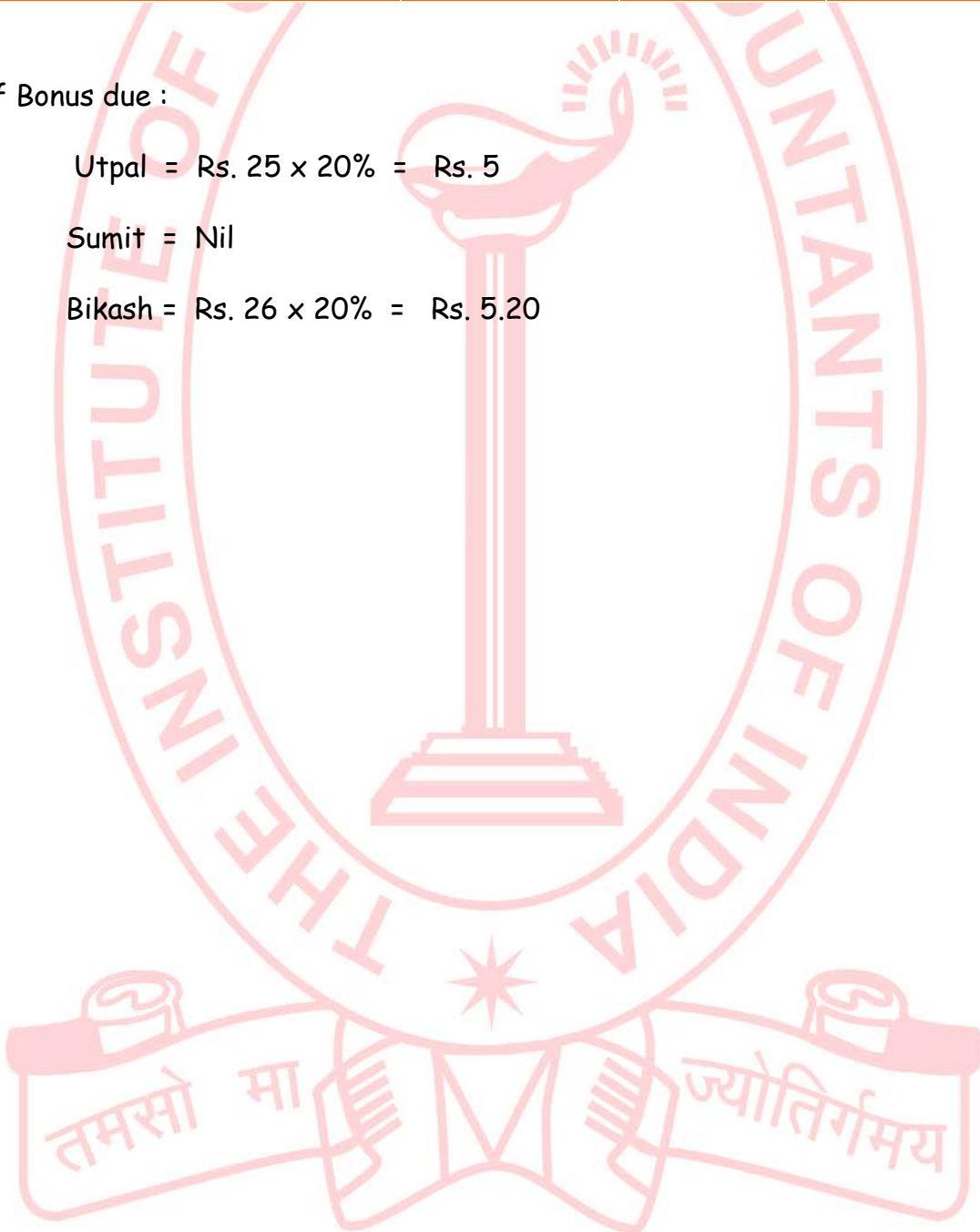
	Utpal	Sumit	Bikash
Time taken (hours)	25	30	20
Wage Rate (Rs.)	1	1.25	1.30
Wages Payable (Rs.) (a)	25	37.50	26.00
Overhead ( 300%) (b)	75	112.50	78.00
Total wages and overhead (a) + (b)	100	150	104
Standard Cost [ 100 × Rs. 1.50]	150	150	150
Cost reduction (Saving)	50	-----	46
Percentage of reduction on standard	33⅓%	-----	30⅓%
Percentage of Bonus on earning (as per slab)	20%	-----	20%
Wages	25	37.50	26

Amount of Bonus due :

$$\text{Utpal} = \text{Rs. } 25 \times 20\% = \text{Rs. } 5$$

$$\text{Sumit} = \text{Nil}$$

$$\text{Bikash} = \text{Rs. } 26 \times 20\% = \text{Rs. } 5.20$$







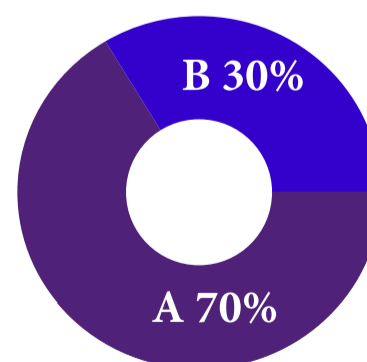
GROUP: 2, PAPER: 9, Part- i

# OPERATIONS

MANAGEMENT & STRATEGIC  
MANAGEMENT (OMSM)  
Operations Management

CMA Ankan K Bandyopadhyaya  
He can be reached at:  
abanerjee8533@gmail.com

## Your Preparation Quick Takes



### Syllabus Structure

A Operations Management 70%  
B Strategic Management 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 continuation to our discussion in November issue, in this and in succeeding few issues we will study on important definitions which may be required to answer various short type questions.

**Acceptance sampling:** It is a statistical method. In acceptance sampling a random sample of the units produced is inspected and the quality of this sample is assumed to reflect the overall quality of all items or a particular group of items called a lot. Under this sampling if a sample has an acceptable number or percentage of defective items, the lot is accepted.

**Activity Scheduling:** Scheduling in project management is the listing of activities, deliverables, and milestones within a project. Activity scheduling usually includes the planned start and finish date, duration, and resources assigned to each activity for completion of the project.

**A work breakdown structure (WBS):** is a key project deliverable that organizes the team's work into manageable sections. Project Management Body of Knowledge (PMBOK) defines the work breakdown structure as a "deliverable oriented hierarchical decomposition of the work to be executed by the project team." The work breakdown structure visually defines the scope into manageable chunks that a project team can understand, as each level of the work breakdown structure provides further definition and detail.

The main purpose of a WBS is to reduce complicated activities to a collection of tasks. This is important for the project manager because he/she can oversee the tasks more effectively than the complex activities. Tasks must be measurable and independent, with clearly defined limits. All the project work must be included in one of the tasks and the tasks must not include any non-project work.

**Aggregate Planning:** is intermediate range capacity planning that typically covers a time horizon of 2 to 12 months, although in some companies it may extend to as much as 18 months.

It determines the resource capacity a firm will need to meet its demand over the intermediate time horizon. Within this time frame it is usually not feasible to increase capacity by building new facilities or purchasing new equipment. However it is feasible to hire or lay off workers, increase or reduce the work week, add an extra shift, subcontract out work, use overtime or build up and deplete inventory levels.

**Agile Operation:** is a strategic approach for competitive advantage that emphasizes the use of flexibility to adapt and prosper in an environment of change.

Agility involves a blending of several distinct competencies such as cost, quality and reliability along with flexibility. Successful agile operations requires careful planning to achieve a system that includes people, flexible equipment and information technology.

**Allowance Factor:** The standard time for a job is the normal time multiplied by an allowance factor for personal delays (fatigue), unavoidable delays (machine adjustments, repairs) or breaks. The standard time  $ST = NT * AF$  where AF is the allowance factor, NT normal time.

The allowance factor is computed using the formula:  $AF_{job} = 1 + A$ , where A = allowance percentage based on job time.

**Alpha Risk:** Alpha risk is defined as the risk of rejecting the null hypothesis when in fact it is true. Synonymous with: Type I error, Producers Risk. In other words, stating a difference exists where actually there is none. Alpha risk is stated in terms of probability (such as 0.05 or 5%).

**Andon:** Problems that occur during production must be dealt with quickly. Some companies use a light system to signal problems. In Japan such system is called Andon. Each workstation is equipped with a set of three lights. No problems are indicated by green light, an amber light signals a worker is falling a little bit behind and a red light indicates a serious problem.

**Anticipation Stock:** Anticipation stock is the stock of components, material, or goods kept at hand by a company or business to meet demand or to meet the shortfall caused by erratic production. It is also called as anticipation inventory, build stock, seasonal inventory, or seasonal stock. In an electronic shop a customer can be a person who walks in off the street to buy a new electronic gadgets. The shop must keep anticipation stock.

**Appointment Systems:** are intended to control the timing of customer arrivals in order to minimize customer waiting while achieving a high degree of capacity utilization. Appointment system in a doctor's chamber.

**Appraisal Costs:** Appraisal costs are a specific category of quality control costs. Companies pay appraisal costs as part of the quality control process to ensure that their products and services meet customer expectations and regulatory requirements. These are incurred to uncover defective products or services or to assure that there are none. These costs could include expenses for field tests and inspections.

**Arrival Patterns:** This is the pattern that infers the times between customer arrivals. Waiting lines are a direct result of arrival variability. They occur because random, highly variable arrival patterns cause system to be temporarily overloaded. The most commonly used models assume that arrival rates can be described by the Poisson process. The telephone network also faces the random arrival pattern. In this case, the arrival is in terms of calls.

**Assembly chart:** A schematic model that define how parts go together, the order of assembly, and the overall structure of the product. This chart is ideal for getting a bird's eye view of the process for producing most assembled products. It lists all major materials and components, subassembly operations, inspections and assembly operations. This chart is sometimes called *gozinto* chart.

**Assignable variation:** Variation occurs in all business processes. It can be due to variety or variability. Random variability is inherent in every process. Variations

can also occur as the result of deliberate management choices to offer customers variety. Assignable variations are caused by defective inputs, incorrect work methods, out of adjustment equipment and so on. This type of variation can be reduced or eliminated by analysis and corrective action.

**Assemble to order:** Assemble to order products and services also known as build to order are produced in standard modules to which options are added according to customer specifications. Thus components are made to stock and then assembled to order after the customer order has been received. e.g Computer system, Corporate training

**Associative model:** A forecasting model that use equations consisting of one or more explanatory variables that can be used to forecast demand. e.g. demand for paint might be related to variables such as the price per gallon and the amount spent on advertising etc.

**Automation:** is machinery that has sensing and control devices that enable it to operate automatically. Automation can range from factories that are completely automated to a single automated operation.

**Autonomation:**Autonomation describes a feature of machine design to effect the principle of jidoka used in the Toyota Production System and Lean manufacturing. It may be described as "intelligent automation" or "automation with a human touch". It is generally applied to one piece flow operations where one person may be operating several machines but his/her human intelligence is linked into the process. Autonomation removes operators from the inspection cycle on machines by introducing simple mechanisms that detect production abnormalities. A machine automatically stops when it detects a bad part. A worker then stops the line. The purpose of autonomation is that it is part of the continuous improvement process whereby abnormalities are identified immediately, corrected and mistakes not repeated. Autonomation removes judgement from the operator and permits the control of many machines/processes because their intervention is only required when there is a problem which the machine will alert them to.

**Backflushing:** is a procedure in which an end item's bill of materials is periodically exploded to determine the quantities of the various components that were used to make the item, eliminating the need to collect detailed usage information on the production floor. This is a process of determining the number of parts that must be subtracted from inventory records. This number is computed by referring to the number of parts withdrawn from the inventory and delivered to the shop floor and the number parts assumed (according to BOM) to have been consumed in a manufacturing line at one or more deduct points.

**Back orders:** An organisation can shift demand fulfillment to other periods by allowing back orders. That is orders are taken in one period and deliveries promised for a later period. The success of this approach depends on how willing customers are to wait for delivery. For some restaurants one may be willing to wait an hour for a table; for others he or she may not.

**Backward Scheduling:** Method of determining a production schedule by working backwards from the due date (time) to the start date (time) and computing the materials and time required at every operation or stage. Both material requirement planning and manufacturing resource planning are backward scheduling system. It would be used if the issue is "when is the latest the job can be started and still be completed by the due date?"

**Balance Delay:**Balance delay time is the amount of idle time on production

assembly lines caused by the uneven division of work among operators or stations. This is the percentage of idle time.

$$\text{Percentage of idle time} = \frac{\text{Idle time per cycle}}{N_{\text{actual}} \times \text{Cycle time}} \times 100$$

Where  $N_{\text{actual}}$  = Actual number of stations

**Benchmarking:** This involves identifying other organizations that are the best at something and studying how they do the operation to learn how to improve one's own operation. The company need not be in the same line of business.

**Beta Distribution:** In probability theory and statistics, the beta distribution is a family of continuous probability distributions defined on the interval  $[0, 1]$  parameterized by two positive shape parameters, denoted by  $\alpha$  and  $\beta$ , that appear as exponents of the random variable and control the shape of the distribution. It is generally used to describe the inherent variability in time estimates

**Binding Constraints:** In linear programming if a constraint forms the optimal corner point of the feasible solution space, it is called a binding constraint. It limits the value of the objective function. If the constraints could be relaxed (less restrictive) an improved solution would be possible.

**Bottleneck Operation:** In production and project management, a bottleneck is one process in a chain of processes, such that its limited capacity reduces the capacity of the whole chain. An example of a long-term bottleneck is when a machine is not efficient enough and as a result has a long queue. A bottleneck operation is an operation in a sequence of operation whose capacity is lower than that of the other operations.

**Bounded Rationality:** are the limitations on decision making caused by costs, human abilities, time, technology and availability of information. Because of these limitations manager cannot always expect to reach decisions that are optimal towards providing the best possible outcome. e.g. Highest profit with least cost.

**Breakdown maintenance:** is a reactive approach of maintenance. The breakdown maintenance definition is a type of maintenance that involves using a machine/system until it completely breaks down and then repairing it to working order. For example, this type of maintenance would occur if one waits until a machine/system stops working before fixing it. This is one of several common maintenance types.

**Bullwhip Effect:** is a distribution channel phenomenon in which forecasts yield supply chain inefficiencies. It refers to increasing swings in inventory in response to shifts in customer demand as one moves further up the supply chain. Without careful management demand variations can easily cause inventory fluctuations to get out of control. Variations in demand at the consumer end of a supply chain tend to ripple backwards through the chain. Moreover periodic ordering and reaction to shortages can magnify variations causing inventories to oscillate in increasingly larger swings. i.e. demand variations begin at the customer end of the chain and become increasingly large as they radiate backward through the chain. This is called bullwhip effect.

**C chart:** When the goal is to control the number of occurrences of defects per unit a c-chart is used. Units might be automobiles, hotel rooms. Use of the Poisson distribution as underlying sampling distribution assumes that defects occur over some continuous region and that the probability of more than one defect at any particular point is negligible. The mean number of defects per unit is  $c$  and the standard deviation is  $\sqrt{c}$ . The control limits are  $UCL = c + z\sqrt{c}$  &  $LCL = c - z\sqrt{c}$

**C-kanban:** A kanban is a card that is attached to a storage and transport container Kanban. Card communicates demand for work or materials from the preceding station. It identifies the part number and container capacity along with other information. c-kanban or conveyance kanban signals the need to deliver parts to the next work center. It is also called a move kanban or a withdrawal kanban.

**Capability Analysis:** Capability analysis is performed on a process that is in control (i.e. the process exhibits only random variation) for the purpose of determining if the range of variation is within design specifications that would make the output acceptable for its intended use. If it is within the specifications the process is said to be capable.

**Capability Index:** measures the capability of a machine or process using the formula

$$C_p = \frac{\text{Specification width}}{\text{process width}} = \frac{\text{Upper specification} - \text{Lower specification}}{6\sigma \text{ of the process}}$$

**Capacity Buffers:** In manufacturing, the concept of buffering is defined as maintaining enough supplies to keep operations running smoothly. These supplies often include the raw materials needed for production, and also the inventories of finished products waiting for shipment. Manufacturing facilities keep these buffer inventories on hand to help stabilize any fluctuations they experience with their supply and demand chains, production capacities and lead times. Running an operation below the theoretical maximum capacity could create a buffer to guard against unexpected demand. Reserve capacity in power generating plant is one sort of capacity buffer.

**Capacity Chunks:** Capacity planning refers to the process used by an organization to ensure that its supply capabilities would meet the long term market demand. Capacity chunk means capacity increases are often acquired in fairly large chunks rather than smooth increments making it difficult to achieve a match between desired capacity and feasible capacity. A machine with a capacity to produce 100 units/hour needs to be procured in 2 numbers (chunks) to serve 120 units/hour desired capacity with 80 units leftover capability. It means that additional capacity can only be had in discrete, rather than continuous, amounts.

**Capacity Cushion:** The capacity cushion is the amount of capacity a business has in excess of expected demand when there is some uncertainty about demand. An industry with an 80% average utilisation would have a 20% capacity cushion for unexpected surges in demand or temporary work stoppages. Large capacity cushions are common in industries in which demand is highly variable, resource flexibility is low and customer service is important. Capacity Cushion = Capacity – Expected demand. Typically the greater the degree of demand uncertainty, the greater the amount of cushion used.

**Capacity Disposal Strategies:** Organisations sometimes need to undertake capacity contraction programme and then capacity disposal strategies become important. This can be the result of the need to replace aging equipment with newer equipment. It can also be the result of outsourcing and downsizing operations. The cost or benefit of asset disposal should be taken into account when contemplating these actions.

**Constraint Management:** A constraint is something that limits the performance of a process or system in achieving its goals. A systematic approach that focuses on actively managing constraints that are impeding progress is defined as constraint management. Constraint management is a tool used by supervisors and other management personnel to help employees maintain task focus.

**Capacity Requirement Planning:** Capacity requirements planning is the process by which a company figures out how much it needs to produce, and determines if it is capable of meeting those production goals. Businesses must conduct capacity requirements planning to keep up with changes in supply and demand.

**Capital Productivity:** Is output per unit of value of fixed production assets (fixed capital).

**Cellular layout:** Cellular layout or Cellular production layout is a type of layout in which workstations are grouped into what is referred to as a cell. Groupings are determined by the operations needed to perform work for a set of similar items that require similar processing.

**Center of gravity method:** Is a method to determine the location of a facility that will minimize shipping costs or travel time to various destinations. e.g. use of this method to fix the location of electric repairing shop in an integrated steel plant.

**Change transactions:** Traditional manufacturing systems often have many built in transactions that do not add value. Change transactions primarily involve engineering changes and the ensuring changes generated in specifications, bills of material, scheduling, processing instruction and so on.

**Check Sheet:** Is a simple tool frequently used for problem identification. It provides a format that enables users to record and organize data in a way that facilitates collection and analysis.

**Clustering:** When businesses locate near similar businesses it is referred to as clustering. A business cluster is a geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field. Clusters are considered to increase the productivity with which companies can compete, nationally and globally. Retail businesses generally prefer locations that are near other retailers because of the higher traffic volumes and convenience to customers. E.g. restaurants and specialty stores often locate in and around malls.

**Combination Layout:** A combination layout is possible where an item is being made in different types and sizes. In such cases machinery is arranged in a process layout but the process grouping (a group of number of similar machines) is then arranged in a sequence to manufacture various types and sizes of products. Hospitals use the basic process arrangement, although frequently patient care involves more of a fixed position approach in which nurses, doctors medicines and special equipment are brought to the patient---this is combination layout

**Component Commonality:** Manufacturers often have multiple products or services to offer customers. Often these products or services has a high degree of similarity of features and components to realise significant cost benefits. This is component commonality. e.g. car manufacturers employ this tactic by using internal components such as similar water pumps in different products.

**Concurrent engineering:** It means bringing design and manufacturing engineering people together early in the design phase to simultaneously develop the product and the process for creating the product. This is done to achieve smoother transition from product design to production.

**Constrained optimization:** Optimizing an objective function under constraints.

**Cost of nonconformance:** Cost incurred from failure to meet product quality requirements. Nonconformance cost results from production imperfections and encompasses both internal and failure costs. The cost of nonconformance is comprised of those costs incurred as the result of a failure to meet the quality

standards for a product. The costs can include rework, scrap, field service costs, warranty replacements, and the cost of lost customers.

**Cradle to Grave Assessment:** Also known as life cycle analysis is the assessment of the environmental impact of a product or service throughout its useful life, focusing on such factors as global warming, smog formation etc.

**Craft production:** Craft production is the process of manufacturing by hand with or without the aid of tools. The term Craft production refers to a manufacturing technique applied in the hobbies of handicraft but was also the common method of manufacture in the pre-industrialized world, such as in the production of pottery.

**Creeping featurism:** Is a slang term used to describe a tendency for systems to become more complex over time as more features are added than were in the original design or plan. The creeping featurism is particularly evident in electronic products.

**Cross Docking:** Is a practice in logistics of unloading inbound trucks/ railroad car with materials/goods arriving at distributor warehouses from suppliers and loading these goods/materials directly into outbound trucks, trailers, or rail cars for store or dealer delivery to avoid warehouse handling & storage costs.

**Cross Training:** A training to make the workers able to perform more than one task

**Cycle Stock:** Inventory that is intended to meet expected demand. Cycle stock inventory is the level of inventory a retailer or manufacturer uses for their standard business cycle to satisfy regular sales orders or sales forecasts.

**Cyclical Scheduling:** In many services e.g. in hospitals, restaurants etc. the scheduling requirements are fairly similar. Employees must be assigned to work shifts or time slots and have days off on a repeating or cyclical basis. This is called cyclical scheduling.

**Decoupling Inventory:** Usually manufacturing firms have used inventories as buffers between successive operations to maintain continuity of production that would otherwise be disrupted by events such as breakdown of equipment and accidents that cause a portion of the operation to shut down temporarily. These are called decoupling inventory. In simple terms, decoupling inventory is a safety stock of sorts. Much like safety stock, it establishes a buffer between product demand and product supply and is used in work-in-process inventories. Where safety stock is seen as a buffer against increased external demand, decoupling inventory is the buffer against increased internal demand. Decoupling inventory consists of inventory stock which is held to cushion manufacturing assembly against potential issues within the production line.

**Delayed differentiation:** Is a postponement tactic of production. It is a process of producing but not quite completing a product or service, postponing completion until customer preferences or specifications are known. Furniture makers can produce dining room sets but not apply stain allowing customers a choice of stain.

**Demand Chain:** The demand chain is the sales and distribution portion of the value chain a term that reflects the concept that value is added as goods and services progress through the chain. Value chain has two components for each organisations: a supply component and a demand component. The supply component starts at the beginning of the chain and ends with the internal operations of the organisation. The demand component of the chain starts at the point where the organisation's output is delivered to its immediate customer and ends with the final customer in the chain. The length of each component depends



on where a particular organisation is in the chain: the closer the organisation is to the final customer the shorter its demand component and longer its supply component.

**Demand fence:** Stability in short term production plan is very important. Without it changes in order quantity and/or timing can render material requirements plan almost useless. To achieve this some companies use near term demand fence of around 4 weeks from the present time during which customer orders receive precedence over the forecast.

**Deming wheel:** Also known as PDSA cycle. The Plan-Do-Study-Act cycle is the conceptual basis for problem solving activities. The Deming Wheel is an iterative model developed by W. Edwards Deming composed of four functional elements: plan, do, study, and act. It is a looping model based on the principles of continuous process improvement.

**Depth skills:** Reflect quality and productivity results from the task performed by workers

**Degree of newness:** It refers to the product or service design change which ranges from the modification of an existing product or service to an entirely new product or service. The degree of newness affects the organization as well as the market. For organization a low level of newness can mean a fairly quick and easy transition to producing the new product while a high level of newness would likely mean a slower and more difficult, costly transition. For the market a low level means little difficulty in acceptance but possibly low profit potential. A high level of newness in market might mean more difficulty in acceptance but with a high potential of profit.

**Design Capacity:** The maximum output rate or service capacity an operation, process or facility is designed for.

**Diffusion models:** When new products or services are introduced, historical data are not generally available on which to base forecasts. Instead predictions are based on rates of product adoption and usage spread from other established products, using mathematical diffusion models taking into accounts factors like market potential, attention from mass media , word of mouth etc.

**Dimensions of quality:** Customer expectations on quality of a product or services can be broken down into a number of categories or dimensions that customers use to judge the quality. Understanding these helps organisations in their efforts to meet or exceed customer expectations. The dimensions used for goods like Aesthetics, special features, Serviceability etc. are somewhat different from those used for services namely reliability, assurance, courtesy etc.

**Disaggregation:** For the production plan to be translated into meaningful terms for production it is necessary to disaggregate the aggregate plan. This means breaking down the aggregate plan into specific product requirements in order to determine labour requirements (skills, size of workforce), materials and inventory requirements. This is called disaggregation.

**Discrete stocking level:** When stocking levels are discrete rather than continuous, the service level computed using the ratio  $C_s / (C_s + C_e)$  usually does not coincide with a feasible stocking level (e.g, the optimal amount may be between nine and ten units). The solution is to stock at the next higher level i.e. ten units.

**Diseconomies of scale:** If the output rate is more than the optimal level, increasing the output rate results in increasing average unit costs.

**Suggestions:**

*These definitions are taken purely from teachings imparted by the Guide book issued by Institute and some reference books covering the syllabus. The study guide on Operations Management issued by Institute is to be studied thoroughly and many of these sort of definitions are to be noted carefully to answer the columnar matching type questions. In this month discussions are held in alphabetical order beginning from alphabet A. Attempts are made here to explain all the definitions in some detail. For supplementary readings one can refer Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson.*





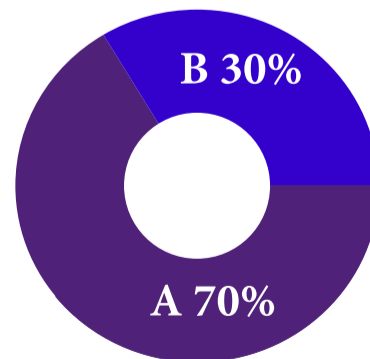
GROUP: 2, PAPER: 9, Part- ii

# OPERATIONS

MANAGEMENT & STRATEGIC  
MANAGEMENT (OMSM)  
Strategic Management

CMA (Dr.) Sumita Chakraborty  
Additional Director,  
Research & Studies  
She can be reached at:  
[research.hod@icmai.in](mailto:research.hod@icmai.in)  
[studies.addldir1@icmai.in](mailto:studies.addldir1@icmai.in)

## Your Preparation Quick Takes



### Syllabus Structure

A Operations Management 70%

B Strategic Management 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 COST MANAGEMENT****Why Strategy?**

A strategy is a plan of actions taken by managers to achieve the company's overall goal and other subsidiary goals. It determines the success of a company. In strategy, a company is essentially asking itself, "Where do you want to play and how are you going to win?"

**Vision, Mission, and Values**

To develop a business strategy, a company needs a very well-defined understanding of what it is and what it represents. Strategists need to look at the following:

- Vision - What it wants to achieve in the future (5-10 years)
- Mission Statement - What business a company is in and rallies people
- Values - The fundamental beliefs of an organization reflecting its commitments and ethics

After gaining a deep understanding of the company's vision, mission, and values, strategists can help the business undergo a strategic analysis.

The purpose of a strategic analysis is to analyze an organization's external and internal environment, assess current strategies, and generate and evaluate the most successful strategic alternatives.

**Levels of Strategy:**

Strategic plans involve three levels in terms of scope:

**1. Corporate-level (Portfolio)**

At the highest level, corporate strategy involves high-level strategic decisions that will help a company sustain a competitive advantage and remain profitable in the foreseeable future. Corporate-level decisions are all-encompassing of a company.

**2. Business-level**

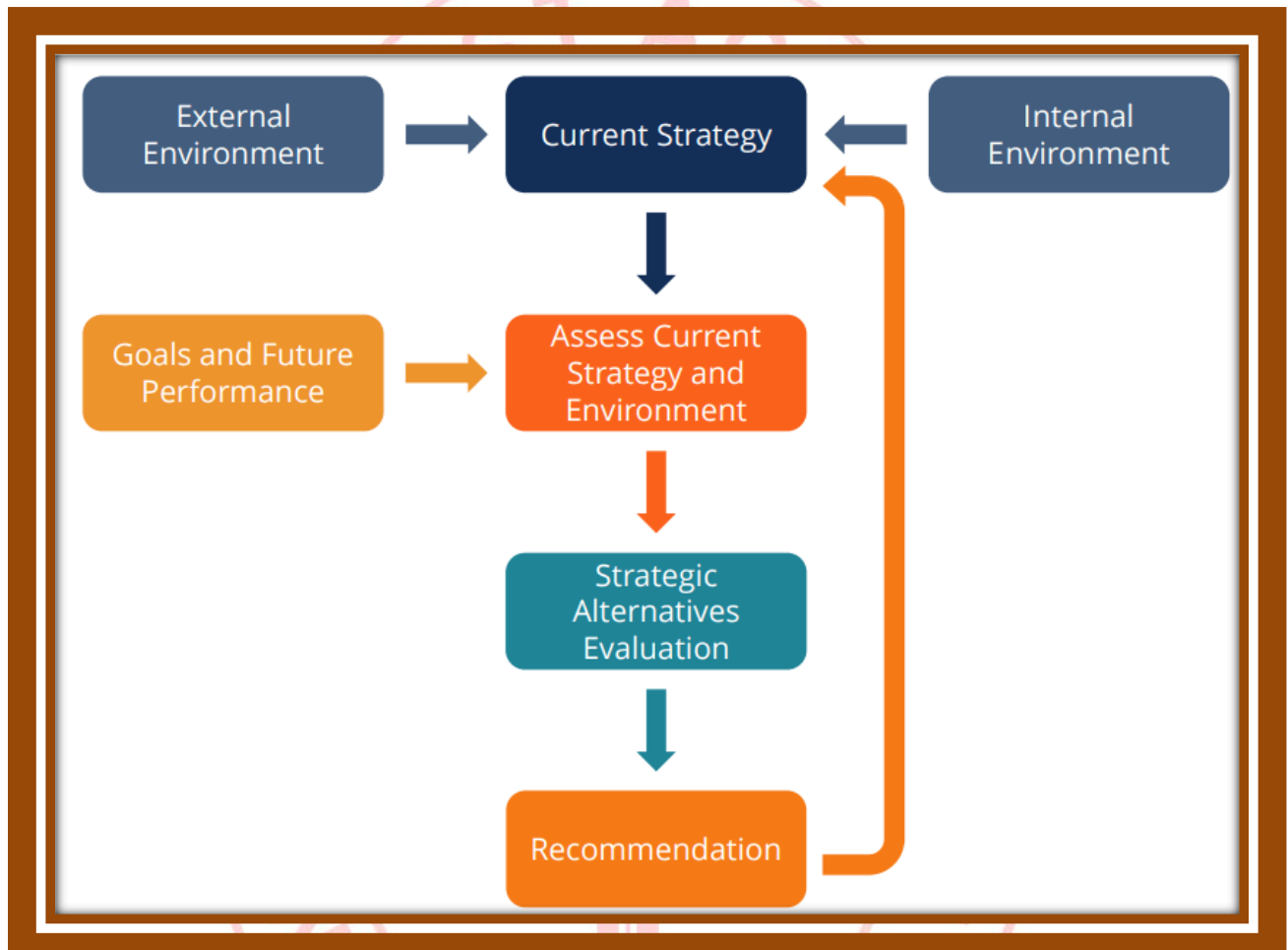
At the median level of strategy are business-level decisions. The business-level strategy focuses on market positions to help the company gain a competitive advantage in its own industry or other industries.

### 3. Functional-level

At the lowest level are functional-level decisions. They focus on activities within and between different functions aimed at improving the efficiency of the overall business. The strategies are focused on particular functions and groups.

The following guide gives a high-level overview of business strategy, its implementation, and the processes to lead to business success.

#### Strategic Analysis Process:



Thus, **Strategic analysis** is essential to formulate **strategic** planning for decision making and smooth working of that organization.

#### Levels of Strategy

Strategic plans involve three levels in terms of scope:

##### 1. Corporate-level (Portfolio)

At the highest level, corporate strategy involves high-level strategic decisions that will help a company sustain a competitive advantage and remain profitable in the foreseeable future. Corporate-level decisions are all-encompassing of a company.

##### 2. Business-level

At the median level of strategy are business-level decisions. The business-level strategy focuses on market positions to help the company gain a competitive advantage in its own industry or other industries.

##### 3. Functional-level

At the lowest level are functional-level decisions. They focus on activities within and between different functions aimed at improving the efficiency of the overall business. The strategies are focused on particular functions and groups.

The strategic management process, after deciding the vision, mission, goals and objectives of the organization, turns its focus to scanning of both external environment and internal environment.

Definitions of strategic analysis often differ, but the following attributes are commonly associated with it:

1. Identification and evaluation of data relevant to strategy formulation.
2. Definition of the external and internal environment to be analysed.
3. A range of analytical methods that can be employed in the analysis.

Examples of analytical methods used in strategic analysis include:

- ❖ Situational Analysis
- ❖ SWOT Analysis
- ❖ Portfolio Analysis
- ❖ BCG Matrices

#### **Situational Analysis:**

A company's macro environment consists of all related dimensions and influences outside the company's boundaries; by relevant factors like:

- direction,
- objectives,
- strategy, and
- business model.

But influences coming from the outer globe of the macro environment have a small impact on a company's business situation. They only shape the limits of the company's direction and strategy. There are sufficient amount of strategically relevant trends and developments in the macro environment. As company managers scrutinize the external environment, they must examine for potentially important environmental forces, assess their impact and influence, and adapt the company's direction and strategy as needed.

#### **Swot Analysis:**

Gathering data about the general, operating, and internal environments provides the raw material from which to develop a picture of the organisational environment.

SWOT analysis refines this body of information by applying a general framework for understanding and managing the environment in which an organisation operates. (The acronym SWOT stands for Strengths, Weaknesses, Opportunities, and Threats.).

#### **Portfolio Analysis:**

Portfolio analysis is a term used in describing methods of analysing a product - market portfolio with the following aims.

- (i) To identify the current strengths and weaknesses of an organisation's products and its markets, and the state of growth or decline in each of these markets.
- (ii) To identify what strategy is needed to maintain a strong position or improve a weak one. Several matrices have been developed over the years to analyse market share, market growth and market position.

**BCG Matrix:**

Created by the Boston Consulting Group, the BCG matrix - also known as the Boston or growth share matrix - provides a framework for analyzing products according to growth and market share. The matrix has been used since 1968 to help companies gain insights on what products best help them capitalize on market share growth opportunities.

Reeves Martin, senior partner and managing director of the Boston Consulting Group, said that nearly 50 years after its inception, the BCG matrix remains a valuable tool for helping companies understand their potential.

*"A satisfied customer is the best business strategy of all"*





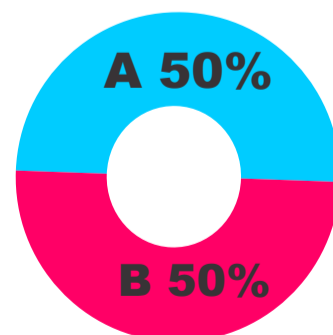
**GROUP: 2, PAPER:10**

# **COST & MANAGEMENT**

**ACCOUNTING AND FINANCIAL  
MANAGEMENT(CMFM)**

Dr. Swapan Sarkar,  
Assistant Professor  
Department of Commerce,  
University of Calcutta  
He can be reached at:  
[swapansarkar22@gmail.com](mailto:swapansarkar22@gmail.com)

## Your Preparation Quick Takes



**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: Full 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.

**Chapter 2: Decision Making Tools****Decision Type: Fixation of Selling Price**

Fixation of appropriate price for its products and services is an important function for any organisation. Not only it provides an edge over the competitors but also helps a lot to ensure the financial health and long-term sustainability of the business.

Traditionally, organisations fix the price at full cost-plus profit under absorption costing method. However, during the present business environment with cut throat competition, organisations are forced to follow marginal cost-based pricing where price is fixed at a level to recover the fixed cost and also to earn some additional revenue, known as contribution, which aim to recover the fixed cost and thereby ensure profit. In some circumstances, however, an organisation may have to set the price at even less than the marginal cost. Such situations are:

- (i) To introduce a new product in the market or to popularize it.
- (ii) To drive out weaker competitors from the market.
- (iii) To maintain production in order to avoid retrenchment of employees.
- (iv) To keep the plant and machinery in gear.
- (v) To avoid the loss of future markets.
- (vi) To sell the goods of perishable nature.
- (vii) To push up the sales of other conjoined profitable products.

Under marginal costing fixation of price of a product or service requires the following formula:

Target Price = (Fixed cost + Target Profit) ÷ No. of units of production.

**Example:** K Ltd. produces 1000 units of a component at a variable cost of Rs. 60 per unit and fixed cost of Rs. 150000. If the company wants to earn a profit of Rs. 20000, calculate the price per unit to be fixed.

**Solution:**

As we know,

Target Price = (Fixed cost + Target Profit) ÷ No. of units of production.

So, price per unit = (Rs. 150000 + Rs. 20000)/ 1000 = Rs. 170 per unit.

**Example:** P Ltd. produces 1500 units of a component at a variable cost of Rs. 60 per unit and fixed cost of Rs. 180000. If the company wants to earn a profit of 10% on selling price, calculate the price per unit to be fixed.

**Solution:**

Let the selling price to be fixed = x

So, target profit =  $0.10x \times 1500$

Conditionally, Target Price = (Fixed cost + Target Profit) ÷ No. of units of production.

Or,  $x = (180000 + 0.10x \times 1500) / 1500$

Or,  $1500x = 180000 + 150x$

Or,  $1350x = 180000$

Or,  $x = 133.33$

So, the price to be fixed is Rs. 133.33.

**Example:** X Ltd. produces two products P and Q. The selling price per unit of P is Rs. 15 with a variable cost of Rs. 10 per unit. The variable cost associated with product Q is Rs. 8 per unit. If the total fixed cost of the company is Rs. 100000 and the company wants to earn an overall profit of Rs. 50000, what will be the selling price per unit of product Q. Given, production of P and Q during the year is 20000 and 5000 units.

**Solution:**

Total target contribution of the company = Fixed cost + target profit  
= Rs.100000 + Rs.50000 = Rs.150000

Contribution per unit of P = Rs. 15 - Rs. 10 = Rs. 5

Total contribution from P = Rs. (5\*20000) = Rs. 100000

Further contribution required from Q = 150000 - 100000 = Rs. 50000

Contribution per unit of Q = Rs. 50000/ 5000 = Rs. 10

So, desired selling price per unit of Q = Contribution + Variable cost = 10 + 8 = Rs. 18.

The selling price per unit of Q will be Rs. 18

**Decision Type: Maintaining Desired level of Profit**

A company produces and markets steel cabinets. Due to competition, the company proposes to reduce the selling price. If the present level of profit is to be maintained, indicate the number of units to be sold if the proposed reduction in selling price is:

(a) 10%; (b) 15%; (c) 20%.

The following additional information is available:

Particulars	Rs.
Present Sales Turnover (20000 units)	200000
Variable Cost (20000 units)	120000
Fixed Cost	30000
Net Profit	50000

**Solution:**

Calculation of no. of units to be produced

Particulars	Present Condition	10% reduction	15% reduction	20% reduction
Selling price (Rs.)	10.00	9.00	8.50	8.00
Variable cost (Rs.)	6.00	6.00	6.00	6.00
Contribution (Rs.)	4.00	3.00	2.50	2.00
Fixed Cost (Rs.)	30000	30000	30000	30000
Target Profit (Rs.)		50000	50000	50000
Target Contribution = FC + Target Profit		80000	80000	80000
Desired production (units) = Target Contribution / contribution per unit		26667	32000	40000

**Decision Type: Alternative Courses of Action**

This type of decisions is evaluated by calculating the net profit of each alternative and finally the alternative with the highest profit is accepted. While calculating the net profit, the statement is preferably prepared under marginal costing system to facilitate calculation of indifference point between the two alternatives.

**Example:** A doctor currently spends Rs. 0.80 per k.m on taxi fares for his work. He is considering two other alternatives - the purchase of a new small car or an old bigger car.

Item	New Small Car	Old bigger Car
Purchase price	270000	400000
Sale price after 10 years	38000	24000
Repairs and servicing per annum	2000	2400
Taxes and insurance p.a.	3400	1400
Petrol consumption per liter (K.m.)	10	7
Petrol price per liter (Rs.)	3.5	3.5

He estimates that he does 20,000 K.m. annually. Which of the three alternatives will be cheaper? If his practice expands he has to do 38,000 Km p.a. which is cheaper? At what level of travelling per year will cost of the two cars break even? Ignore interest and Income-tax.

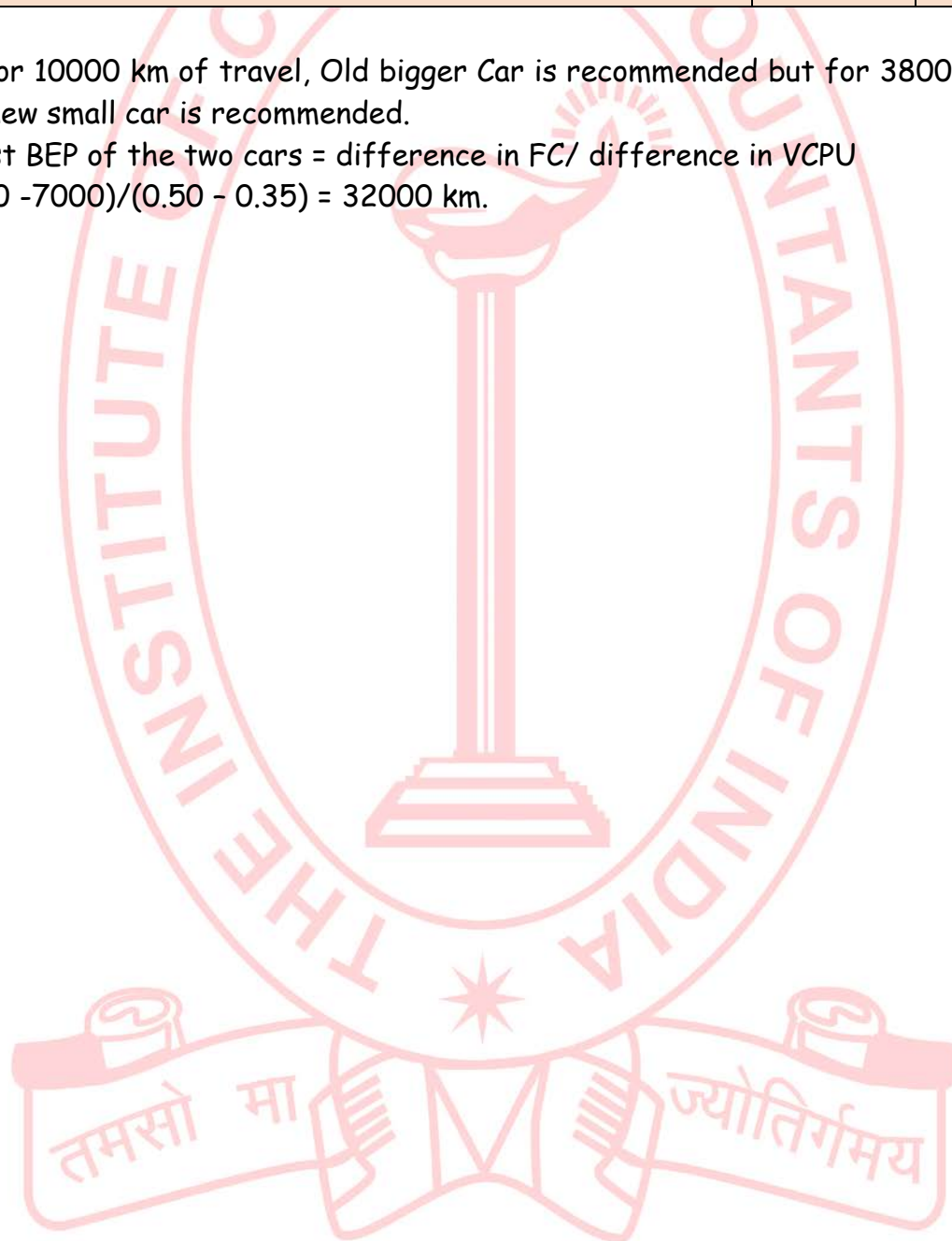
**Solution:**

Particulars	New Small Car	Old bigger Car
Fixed Cost:		
Depreciation	(70000 - 38000)/5	(40000 - 24000)/5
Repairs	= 6400	= 3200
Taxes etc.	2000	2400
	3400	1400

<b>Behind every successful business decision, there is :</b>	11800	7000
Total Fixed cost		
Variable cost		
Petrol per km	$(3.50/10)$ = 0.35	$(3.50/7)$ = 0.50
<b>Behind every successful business decision, there is :</b>	11800/20	7000/20
Total cost per km for 20000 km.	000 + 0.35 = 0.94	000 + 0.50 = 0.85
Total cost per km for 38000 km.	11800/38 000 + 0.35 = 0.66	7000/38 000 + 0.50 = 0.68

Thus, for 10000 km of travel, Old bigger Car is recommended but for 38000 km of travel new small car is recommended.

The cost BEP of the two cars = difference in FC/ difference in VCPU  
=  $(11800 - 7000)/(0.50 - 0.35) = 32000$  km.



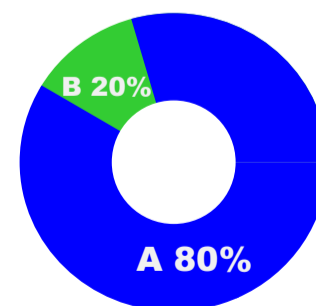


GROUP: 2, PAPER:11

# INDIRECT TAXATION (ITX)

Ms. Poushali Das  
Asstt. Professor,  
Scottish Church College  
She can be reached at:  
[das.poushali16@gmail.com](mailto:das.poushali16@gmail.com)

## Your Preparation Quick Takes



Syllabus Structure  
A 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

### To be or not to be - Filing of GST audit and annual return

What is the debate going on for filing of GSTR-9 and GSTR-9C GST returns?

As Shakespeare had a question "To be or not to be" a similar question is bothering Auditors and Taxpayers after the issue of notification on 14-11-2019, wherein form GSTR-9 (Annual Return) and GSTR-9C (Audit report) were simplified. As per latest tweet, the new template for filing returns would be made available on 10th December 2019. So, the question is whether to file GSTR-9 and GSTR-9C before 10th December 2019 or not.

What if the taxpayers file GSTR-9 for F.Y 17-18, before 10th December 2019?

If the taxpayers file GSTR-9 for F.Y 17-18, before 10th December 2019 there would be no issue but following details may be provided

- The taxpayer would have to report taxable outward supplies and debit and credit notes separately.
- The amendments of taxable outward supplies are to be reported separately.
- The Exempted, Nil-rated, Non-GST are to be shown separately along with debit and credit notes.

• In Table 15 of Demand and Refund details are to be provided.

- The bifurcation of ITC as Input, Input services and capital goods is to be provided.
- Also, the bifurcation of ITC reversals is to be provided.
- The HSN-wise summary to be provided for both inward and outward supplies.
- One should note that the above requirements have been made optional via Notification issued on 14th November 2019. One may file return before 10th December in old utility proper note that one has opted such option of not providing above mentioned details should be enough.

What if the taxpayers file GSTR-9C for F.Y 17-18 before 10th December 2019?

If the taxpayers file GSTR-9C before 10th December 2019 there would be no issue but following details may be provided-

- Cashflow statement is to be provided "True and Fair" is to be reported by an auditor instead of "True and Correct" as the same cannot be edited in old utility.
- The taxpayer would have to report the details of

reconciliation of gross turnover in Table 5

- The taxpayer would have to provide data of ITC booked in earlier F.Y and claimed in the current year and ITC booked in current F.Y and claimed in the subsequent year.
- Expense head-wise details of ITC in Table 14 are to be provided.
- One should note that the above requirements have been made optional via Notification issued on 14th November 2019. One may file return before 10th December in old utility. A proper disclosure that one has opted such an option of not providing above mentioned details should be sufficient.

What if the taxpayers file GSTR-9 and GSTR-9C for F.Y 17-18 after 10th December 2019?

The utility for filing GSTR-9 and GSTR-9C would be available till 10th

December 2019. The taxpayers would get relief from various reporting requirement, as it is made optional. But the due date for filing GSTR-9 and GSTR-9C is 31st December 2019.

When should one file Annual return and Audit report for F.Y 18-19?

The utility for filing GSTR-9 and GSTR-9C is not yet made available. So, one cannot file returns as of now. What lesson one should learn from this?

There are continuous changes made in GST, which is leading to confusion. One should cautiously file GSTR-9 and GSTR-9C, if one decides to file it before 10th December 2019. Proper notes and disclosures should be made and if one decides to wait till new utility is made available care must be taken that there is no last-minute hurry.

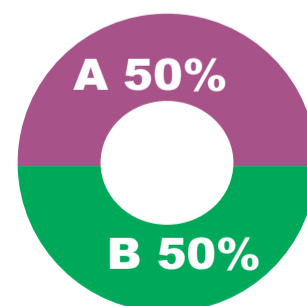




**GROUP: 2, PAPER:12**  
**COMPANY**  
**ACCOUNTS & AUDIT (CAA)**

Dr. Malay Kr. Nayak  
Associate Professor,  
Dept. Of Commerce,  
M.B.B.College, Tripura  
He can be reached at:  
[malay\\_nayak@ymail.com](mailto:malay_nayak@ymail.com)

# Your Preparation Quick Takes



## Syllabus Structure

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



**Learning Objectives:**

- 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**

Friends-students, December exam is knocking. Hope you all are in good preparation.

Before going to examination assure that syllabus is almost covered. Understanding of framework of financial statements as per schedule 111 is essential ingredient of company accounts. You must practice it taking numerous problems. You should go on practicing cash flow statement as per IND AS 7.

SPECIAL ACCOUNTING IN CASE OF BANKING, ELECTRICITY AND INSURANCE should be engulfed as there are special formats for those.

If you memorize formats of those special accounting you can tackle the problems in exam room. Then you will be in cushioning position.

Students are to go through accounting standards particularly AS11,12,15, 16,17,18,19, but you should go through the respective IND ASs, eg IND AS 21,20,19,23,108,24,17.

We are to notice that today's accounting is not only measurement centric rather it encompasses disclosure issues. We are to deal with various disclosure issues as per Ass and IND Ass.

Accounting of issues of shares, bonus shares, preference shares are to understand along with forfeiture of shares. Students are to calculate profit on re issue of shares with care and skill. Redemption of preference shares debentures is very simple. Just by knowing some journals you can manage the affairs.

The entire syllabus is stressed on statutes as per companies Act, standards and some other statutes as per respective acts. Accounting is the dissemination of information to the various stakeholders at which they may take efficient decisions. Therefore we are to abide by statutes as well as information system in reasonable way.

Then we are to march on towards auditing. We are to deal in two aspects. One is auditing in general and another is audit under companies Act. Students may expect questions on internal check, internal control and internal audit. Students may expect question from company auditor's appointments and related issues. Writing of auditor's report is an important area of auditing. Meaning of true and fair view should be clear. Students may EXPECT SHORT NOTES ON COST AUDIT,

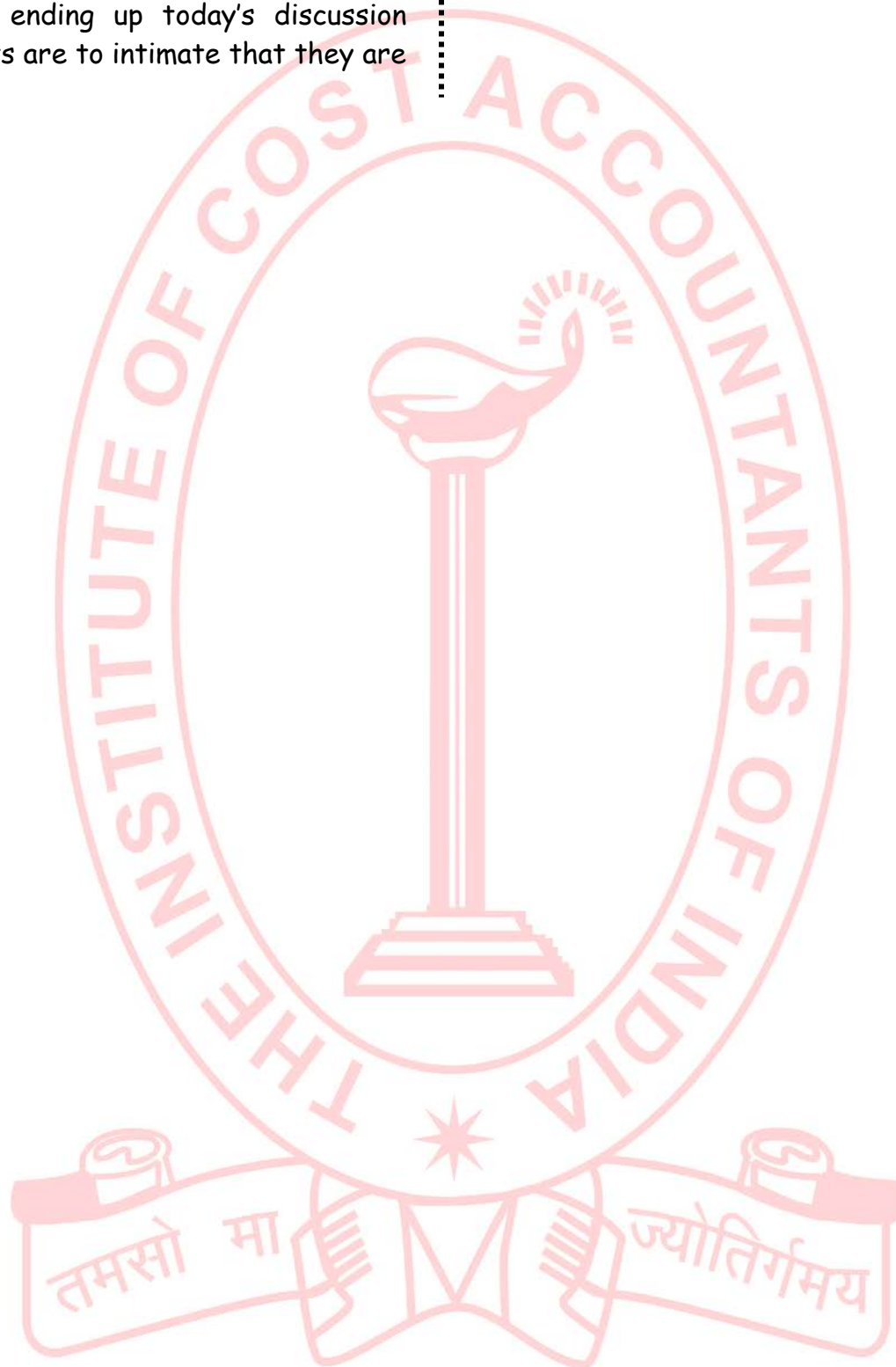
SECRETARIAL AUDIT AND OTHER AUDITS.

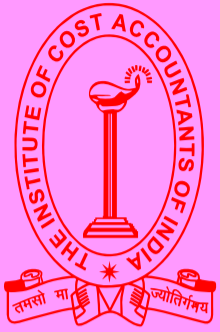
Try to concentrate on study and enjoy study. You take the study sincerely and the rest will take care of itself in expected way.

Before ending up today's discussion students are to intimate that they are

to go through various provisions of companies Act from companies Act 2013, specially sec 33,39,53,60,63,54,67,68,70,55,71,,12 9,and sch 111, Ass and SEBI GUIDELINES.

These all you may have ACT.





# 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  
Webinar seasons**

**Solve Exercises  
given in Study Note**

02

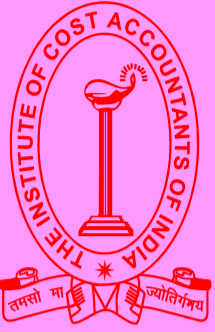
03

**Assess Yourself**

**Appear For Examination**

04

FINISHED



# SUBMISSION



## Updation 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,

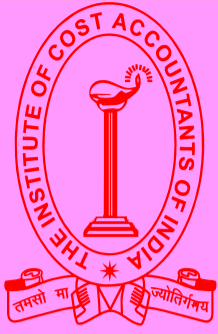
We are very much delighted to receive responses from all of you; for whom our effort is!

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.

All rights reserved. No part of this Bulletin may be translated or copied in any form or by any means without the prior written permission of the Institute of Cost Accountants of India.

Send your Feedback to:  
e-mail: [studies.ebulletin@icmai.in](mailto:studies.ebulletin@icmai.in)  
website: <http://www.icmai.in>



## Message from Directorate of Studies

Dear Students,

Greetings from the D.O.S.,

We from the Directorate of studies know your expectations from us and accordingly we are trying to delivery some meaningful tips through the publications of monthly E-bulletins. Other than this we are trying to help you through, Mock Test Papers (MTPs), Work Book, and we have conducted Webinar sessions. Before stepping in to the examination hall, please go through the PPTs on "Achieve your GOAL"; Uploaded by the Directorate of Studies and which will help you to know about certain Do's and Don'ts in the examination.

You know that the nation is celebrating 150th birth anniversary of the father of the nation **M.K. Gandhi**. One of his inspirational message towards the students were:

**"Whatever you do will be insignificant. But it is very important that you do it",**

Let us observe his memory by following his message.

**Certain general guidelines are listed below and which will help you in preparing yourselves:**

- Conceptual understanding & Overall understanding of the subject should be clear.
- Candidates are advised to go through the study material provided by the Institute in an analytical manner.
- Students should improve basic understanding of the subject with focus on core concepts.
- The Candidates are expected to give to the point answer, which is a basic pre-requisite for any professional examination.
- To strengthen the answers candidates are advised to give answer precisely and in a structured manner.
- In-depth knowledge about specific terms is required.
- Write question numbers correctly and prominently.
- Proper time management is also important while answering.

**Please refer the links mentioned below :**

For Mock Test Papers (MTP) : [https://icmai.in/studentswebsite/mtp2016\\_j19\\_Final.php](https://icmai.in/studentswebsite/mtp2016_j19_Final.php)

For PPT on "Achieve your GOAL : <http://icmai.in/studentswebsite>

For Work Book Link : <https://icmai.in/studentswebsite/Workbook-Syl-2016-Final-March2019.php>

Live/Recorded Webinar Link : [https://eicmai.in/Webinar\\_Portal/Students/StudentLogin.aspx](https://eicmai.in/Webinar_Portal/Students/StudentLogin.aspx)

Ebulletin Link : <https://icmai.in/studentswebsite/E-Bulletin.php>

• Don't give up

• Don't give in

• Don't give out

You can win !

We are sure that you will be motivated after looking into the placement news of our students' appeared in the Times of India, newspaper.

**Anticipate Victory, Prepare for triumph.  
GOOD LUCK in your exams!**

Disclaimer:

Although due care and diligence have been taken in preparation and uploading this E-bulletin, the Institute shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents of this E-bulletin.



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

STUDENTS' E-bulletin Intermediate  
Vol: 3, No.: 12, December 2018, Issue



**Headquarters:**  
CMA Bhawan, 12 Sudder Street, Kolkata - 700016  
**Delhi Office:**  
CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

[www.icmai.in](http://www.icmai.in)

# CMA LEADS

**Last Date for Admission**  
June Exam  
31<sup>st</sup> January  
of the same Calendar Year

December Exam  
31<sup>st</sup> July  
of the same Calendar Year

5,00,000<sup>+</sup>  
Students

75,000<sup>+</sup>  
Members

4 Regional  
Councils

98  
Chapters

9  
Overseas  
Centres

Largest  
CMA body  
in Asia

2nd  
Largest  
CMA body  
in the  
Globe

The Institute of Cost Accountants of India is a premier professional Institute and a statutory body constituted under an Act of Parliament under the administrative control of **Ministry of Corporate Affairs (MCA), Govt. of India** to regulate and develop the profession of Cost and Management Accountancy (CMA) in the country. The Institute established in **1944** is now celebrating the **Platinum Jubilee year** of its glorious presence.

## ADMISSIONS OPEN 2018-2019

✉ [studies@icmai.in](mailto:studies@icmai.in)

☎ **1800 345 0092/1800 110 910**

**For Online Admission**

<http://cmaicmai.in/students/Home.aspx>

### Cultivating and Enhancing Skills of Success

- CMA Course Curriculum is designed to meet Industry requirements and challenges in Global Economic Scenario
- Hands on Computer and Soft skills training
- Industry oriented practical training programme
- Six Skill Sets - Knowledge, Comprehension, Application, Analysis, Synthesis and Evaluation
- Four Knowledge Pillars - Management, Strategy, Regulatory Function and Financial Reporting
- Our Motto - Student friendly Syllabus and Industry friendly Students

Excellent Campus Placement Record  
in renowned Public and Private Sector Companies

Highest Salary Offered **Rs.18 Lakh p.a.** | Average Salary **Rs.7.5 Lakh p.a.**

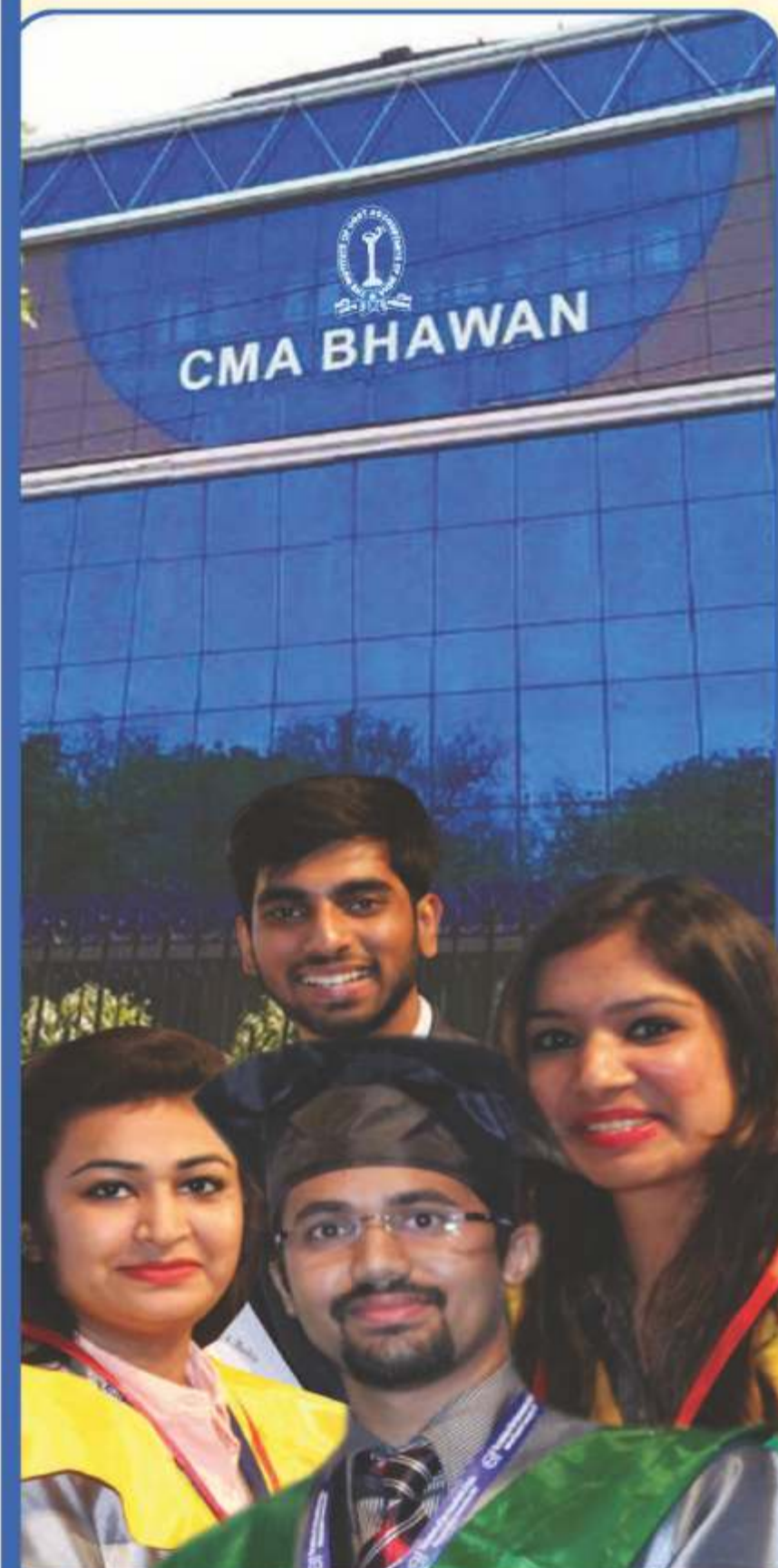
*Few of Our Proud Recruiters*



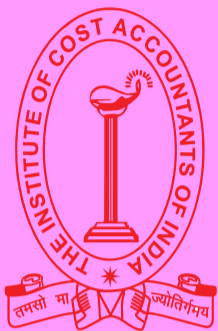
✉ [placement@icmai.in](mailto:placement@icmai.in) / [cpt@icmai.in](mailto:cpt@icmai.in)

☎ **+ 91 33 40364770**

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



# Few Snapshots



CMA Balwinder Singh President ICAI and Shri. K Sankaranarayanan Ex-Governor of the Indian state of Maharashtra, Nagaland & Jharkhand inaugurating Thrissur Chapter events by lighting the lamp. With them are CMA H Padmanabhan Council Member ICAI, CMA Dr PVS Jaganmohan Rao President SAFA, CMA Jyothi Satish Chairperson and CMA Sankar Panicker VC ICAI SIRC and CMA T G Sugunan Chairman & MCMs Thrissur Chapter



16th National Awards for Excellence in Cost Management 2018 on October 25, 2019



Seminar on Sabka Viswas (Legacy Dispute Resolution Scheme) 2019 organised by the Tax Research department of the Institute in association with PD Committee of EIRC on 24th October 2019 at CMA Bhawan, Kolkata. Shri Rupam Kapoor, IRS, Principal Commissioner CGST and Shri Suryateja, Joint Commissioner CGST graced the occasion as Chief Guests.



Seminar on Direct and Indirect Tax organised by the Tax Research department of the Institute in association with Bengaluru Chapter on 20th October 2019. Shri Ajaya Saxena, IRS, Principal Commissioner CGST and Shri S V S S Prasad, IRS, Principal Commissioner Income Tax graced the occasion as Chief Guests.



CMA Balwinder Singh, President of the Institute welcomes Mr. Benrodgers M. Milaih, Board Member of Kenya Accountants and Secretaries National Examination Board (KASNEB) on 5th November 2019 at CMA Bhawan, New Delhi.



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Headquarters: CMA Bhawan, 12, Sudder Street, Kolkata - 700 016

Phone: +91-33-2252-1031/34/35/1602/1492/1619/7373/7143

Delhi office: CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi - 110 003

Phone: +91-11-2462-2156/2157/2158

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