

# 2021

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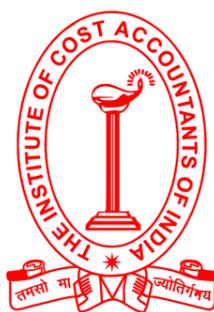
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# CMA Student E - Bulletin

# INTERMEDIATE

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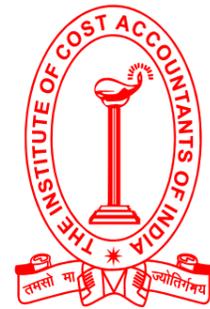
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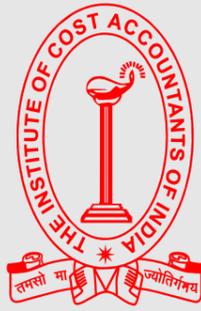
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# KNOWLEDGE Update



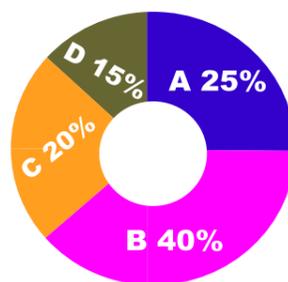
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.



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

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# 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 Objective:**

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

**FINANCIAL ACCOUNTING**

Photography day was just a few days back. May be you are fond of it or may be not. However, there is no harm to know three basic things of clicking perfect photograph.

1. Proper focus
2. Proper timing
3. No shivering of finger

Life is such. Come whatever may, do not move from your focus. Take your decisions at the right time. Do not get afraid so that your finger shivers. If you repeatedly lose focus, shiver while taking decisions the picture will be blurred. So go ahead with these three things keeping in mind and close your ears from howling mobs. Your picture of life will never be blurred.

Hope you are studying well. Here is again some exercise to brush up your minds.

1. Match the following :

Source document	Name of the Book
1. Cash Memos, Cash Receipts and issue vouchers	(a) Returns Outward Book
2. Inward invoice received from the creditors of goods	(b) Return Inward Book
3. Outward Invoice issued to Debtors	© Sales Book
4. Credit Note issued to Debtors and Debit Notes received from Debtors	(d) Purchase Books
5. Debit Note issued to creditors and Credit Note received from creditors.	(e) Cash Book

**1 e . 2 d 3 c 4 b 5 a**

2. Classify the following items as capital or revenue expenditure:

- (i) An extension of railway tracks in the factory area;
  - (ii) Wages paid to machine operators;
  - (iii) Installation costs of new production machine;
  - (iv) Materials for extension to foremen's offices in the factory;
  - (v) Rent paid for the factory;
  - (vi) Payment for computer time to operate a new stores control system,
  - (vii) Wages paid to own employees for building the foremen's offices.
- Give reasons for your classification.

3. What is the nature of salary payable in the following journal ?

Salary A/c Dr.  
To Salary payable A/c  
(Being the entry to record salary obligation for the month)

- a. Increase in liability**      b. Decrease in asset      c. Revenue      d. Loss

4. The debts written off as bad, if recovered subsequently are

- (a) Credited to Bad Debts recovered A/c
- (b) Credited to trade receivables Account
- © Debited to profit and Loss Account
- (d) None

5. will you take closing stock in the trial balance if the following items are provided ?

Adjusted Purchase 8,00,000

Closing stock Rs. 40000

- a. Yes      b. No

## 6. Match the following table

1. Salary account	a) Artificial personal account
2. Drawings account	b) Representative personal account
3. Furniture account	c) Personal account
4. Income received in advance	d) Real account
5. Modern Academy	e) Nominal account

1. e 2. C 3. D 4. B 5. A

## 7. Which of the following is an external cause for depreciation

- (a) Obsolescence (b) time element (c) abnormal occurrences (d) all of the above

## 8. The value of an asset after deducting depreciation from the historical cost is known as

- (a) Fair value (b) market value (c) net realizable value (d) book value

## 9. Match the following table

1. Depreciation	a. Written down value method
2. Straight line method	b. Equal installment method
3. Fixed assets	c. Depletion method
4. Reducing balance method	d. As-6

1. d 2. b 3. c 4. a

## 10. Credit balance of bank pass book will be \_\_\_\_ to the account holder

- a) An asset  
b) A liability  
c) A provision  
d) None of these

## 11. Overdraft balance as per Cash book Rs. 9000

Cheques issued, but not presented Rs 300, Rs 150, Rs 375

Cheques paid into bank account, but not cleared Rs. 1,200 Find the balance as per Pass Book

- a) Rs 3,300 Dr  
b) Rs 9375 Dr  
c) Rs 4,875 Dr  
d) Rs 4,125 Dr

## 12. Can a minor be admitted into a joint venture?

- a) Can be admitted  
b) Cannot be admitted  
c) Can be admitted subject to the consent of the co-venturer.  
d) Can be admitted for the benefit of minor

## Solution of 2

- (i) Expenses incurred for extension of railway tracks in the factory area should be treated as a Capital Expenditure because it will yield benefit for more than one accounting period.  
(ii) Wages paid to machine operators should be treated as a Revenue Expenditure as it will yield benefit for the current period only.  
(iii) Installation costs of new production machine should be treated as a Capital Expenditure because it will benefit the business for more than one accounting period.  
(iv) Materials for extension to foremen's offices in the factory should be treated as a Capital Expenditure because it will benefit the business for more than one accounting period.  
(v) Rent paid for the factory should be treated as a Revenue Expenditure because it will benefit the Company only during the current period.  
(vi) Payment for computer time to operate a new stores control system should be treated as Revenue Expenditure because it has been incurred to carry on the normal business.  
(vii) Wages paid for building foremen's offices should be treated as a Capital Expenditure because it will benefit the business for more than one accounting period.

13. Particulars Claims paid 4,90,000 Legal expenses regarding claims 10,000 Premiums received 13,00,000 Re-insurance premium paid 1,00,000 Commission 3,00,000 Expenses of management 2,00,000 Provision against unexpired risk on 1st

April, 2013- 5,50,000 Claims unpaid on 1st April, 2013- 50,000 Claims unpaid on 31st March, 2014- 80,000  
Operating profit from Fire insurance revenue account as per IRDA regulations will be :

- a. 120000
- b. 150000
- c. 130000
- d. 100000

14. How will you translate the following items of the Singapore Branch as on 31.03.2012. Opening Stock \$ 4,100, Goods from H. O. \$ 29,400, Salaries & Wages \$ 7,600, Sales \$ 52,600, Closing Stock \$ 1,200, Goods sent to London Branch in the H. O. Books amounted to ` 10,73,100, Exchange Rates : on 1.4.2012 \$ 1 = ` 26.40, on 31.03.2013 \$ 1 = ` 42.20, Average of 2012-2013 \$ 1 = ` 36.50 (Here, \$ refers to Singapore Dollars).

What will be the value of the opening stock ?

- A 102480
- B 108440
- C 106660
- D 108240**

15. Goods are transferred from Department X to Department Y at a price so as to include a profit of 33.33% on cost. If the value of closing stock of Department Y is ` 48,000, then the amount of stock reserve on closing stock will be

- (a) 12,000**
- (b) 9,000
- (c) 18,000
- (d) None of the above

16. In a Cash Book Debit balance of 110 brought forward as credit balance of 120, while preparing a Bank Reconciliation Statement taking the balance as per Cash Book as the starting point:

- (a) 112 to be added
- (b) 121 to be added
- (c) 230 to be added**
- (d) 112 to be subtracted

17. X and Y are partners with the capital of 50,000 and 30,000 respectively. Interest Payable on Capital is 10% p.a. If the profits earned by the firm is 4,800, what will be the Interest on Capital for X and Y?

- (a) 5,000 and 3,000
- (b) 3,000 and 1,800**
- (c) No interest will be paid to the partners
- (d) None of the above

18. Which one of the following accounting conventions stipulates that contingent assets appear as a footnote in the balance sheet?

- a. Materiality
- b. Consistency
- c. Disclosure
- d. Conservatism**

19. On dissolution of a firm, out of the proceeds received from the sale of assets will be paid first of all

- (A) Partner's Capital
- (B) Partner's Loan to Firm
- (C) Partner's additional capital
- (D) Outside Creditors**

20. Court can make an order to dissolve the firm when :

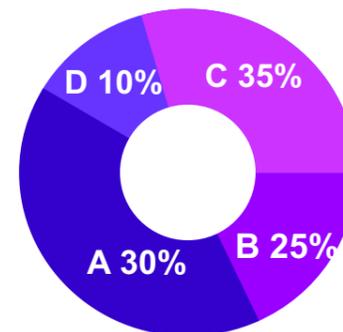
- (A) Some partner has become fully mad**
- (B) Partnership deed is fully followed
- (C) Continued future profits are expected
- (D) Firm is running legal business



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

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## Your Preparation Quick Takes



**Syllabus Structure**  
A Commercial Laws **30%**  
B Industrial Laws **25%**  
C Corporate Laws **35%**  
D Ethics **10%**

**Learning Objectives:**

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

- Read the Act carefully and try to know the meaning of the contents in it,
  - All the Acts are having practical implications in the real life world and it will help you to solve the problems in your real life situations once you join in the industry and / or practicing field,
  - Answers should be specific and to the point,
  - Please don't try to elaborate your answers adding irrelevant terms and items ; it may 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.

**LAWS & ETHICS**

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

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

**Quorum Required for a Board Meeting**

A meeting of the Board of Directors of the Company is called a Board Meeting. Board meetings are usually held to take important decisions about the company in a systematic manner and to ensure that decisions not taken arbitrarily.

The Act requires a quorum for the meeting so that the decisions taken in the meeting are valid. Section 174 of the Act provides the quorum for a board meeting:

- Section 174 (1) states:** - The quorum for a board meeting must be 1/3rd of the total number of directors or 2 directors whichever is the higher number. Therefore in case, there are only three directors in a company, then at least two must be present even though 1/3rd would entail that only one director needs to be present. - If the directors are not physically present but take part in the meeting via any audio/visual means, they too shall be considered part of the quorum even though they are not present physically.
- Section 174(2) states:** - In the case where the quorum for a board meeting is not present, the directors present may take two courses of action:
  1. The continuing directors or director may either act for the purpose of increasing the number of directors to that fixed for the quorum ; or
  2. They may act to summon a general meeting.
- Section 174(3) states:** Where the number of interested directors present in the meeting, ( interested directors are those who have invested in the company), exceeds or is equal to 2/3rd of the board of directors, the number of not interested directors present at the meeting has to be at

least 2 for the quorum.

- Section 174(4) states:** - In the case where the board meeting could take place due to the lack of the quorum, the board meeting shall be adjourned. This is subject to the Articles of Association of the company. Therefore as long as the articles of the company states something otherwise, the meeting will be adjourned - The meeting will be adjourned to the same time and place as the original meeting on the same day the following week. - However, the following point must be kept in mind - in the case where the adjourned date is a national holiday, then the board meeting will be held at the same place and time on the following day.

The following points is also to be kept in mind while calculating the quorum: -

When calculating 1/3rd or 2/3rd of the strength of the board of directors, if the final number is in fractions, then it shall be rounded off to one.

- When calculating the strength of the board of directors, one should not take into account directors whose place is vacant.

**Exception A valid meeting may be constituted by the presence of one person in the following cases:**

- If the meeting is an Annual General Meeting (AGM) which was called by, or on the direction of, the Registrar pursuant to S.131(2) in such a case, the section empowers the Registrar to direct "that one member of the company present in person or by proxy shall be deemed to constitute a meeting".
- If the meeting is one which has been called pursuant to a court order under S.135(1). The section empowers the court to direct that "one member of the company present in person or by proxy shall be deemed to constitute a meeting".
- If the meeting is an adjourned meeting and the articles provide that "the member or members present shall be a quorum".

**Chairman of Meetings**

**Sec.104 (1)** Unless the Articles of the company otherwise provide, the members personally present at the meeting shall elect one of themselves to be the Chairman thereof on a show of

hands.

**Sec.104(2)** If a poll is demanded on the election of the Chairman, it shall be taken forthwith in accordance with the provisions of this Act and the Chairman elected on a show of hands under Sec.104(1) shall continue to be the Chairman of the meeting until some other person is elected as Chairman as a result of the poll, and such other person shall be the Chairman for the rest of the meeting.

#### Exceptions/ Modifications/ Adaptations

**1. In case of private company** - Section 104 shall apply, unless otherwise specified in respective sections or the articles of the company provide otherwise. - Notification dated 5th June 2015.

**2. In case of Specified IFSC Public Company** - Section 104 shall apply in case of a Specified IFSC public company, unless otherwise specified in the articles of the company. Notification Date 4th January, 2017.

#### Proxies

**Sec.105(1)** Any member of a company entitled to attend and vote at a meeting of the company shall be entitled to appoint another person as a proxy to attend and vote at the meeting on his behalf:

Provided that a proxy shall not have the right to speak at such meeting and shall not be entitled to vote except on a poll:

Provided further that, unless the articles of a company otherwise provide, this sub-section shall not apply in the case of a company not having a share capital:

\*Provided also that the Central Government may prescribe a class or classes of companies whose members shall not be entitled to appoint another person as a proxy:

\*Provided also that a person appointed as proxy shall act on behalf of such member or number of members not exceeding fifty and such number of shares as may be prescribed.

**Sec.105(2)** In every notice calling a meeting of a company which has a share capital, or the articles of which provide for voting by proxy at the meeting, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy, or, where that is allowed, one or more proxies, to attend and vote instead of himself, and that a proxy need not be a member.

**Sec.105(3)** If default is made in complying with sub-section (2), every officer of the company who is in default shall be liable to penalty of five thousand rupees.

**Sec.105(4)** Any provision contained in the articles of a company which specifies or requires a longer period than forty-eight hours before a meeting of the company, for depositing with the company or any other person any instrument appointing a proxy or any other document necessary to show the validity or otherwise relating to the appointment of a proxy in order that the appointment may be effective at such meeting, shall have effect as if a period of forty-eight hours had been specified in or required by such provision for such deposit.

**Sec.105(5)** If for the purpose of any meeting of a company, invitations to appoint as proxy a person or one of a number of persons specified in the invitations are issued at the company's expense to any member entitled to have a notice of the meeting sent to him and to vote thereat by proxy, every officer of the company ( as per Amendment Effective from 21st December 2020) who issues the invitation as aforesaid or authorizes or

permits their issue, shall be liable to a penalty of Rs.50,000 (fifty thousand)

Provided that an officer shall not be liable (Amendment Effective from 21st December 2020) under this sub-section by reason only of the issue to a member at his request in writing of a form of appointment naming the proxy, or of a list of persons willing to act as proxies, if the form or list is available on request in writing to every member entitled to vote at the meeting by proxy.

**Sec.105(6)** The instrument appointing a proxy shall—

(a) be in writing; and  
(b) be signed by the appointer or his attorney duly authorized in writing or, if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorized by it.

**Sec.105(7)** An instrument appointing a proxy, if in the form as may be prescribed Form No. MGT.11., shall not be questioned on the ground that it fails to comply with any special requirements specified for such instrument by the articles of a company.

#### Inspection of instrument of proxy Sec105(8)

**Sec.105(8)** Every member entitled to vote at a meeting of the company, or on any resolution to be moved thereat, shall be entitled during the period beginning twenty-four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged, at any time during the business hours of the company, provided not less than three days' notice in writing of the intention so to inspect is given to the company.

#### Representation of President and Governors at meeting of companies (As notified on 12/09/2013)

**Sec.112(1)** The President of India or the Governor of a State, if he is a member of a company, may appoint such person as he thinks fit to act as his representative at any meeting of the company or at any meeting of any class of members of the company.**Sec.112. (2)** A person appointed to act under sub-section (1) shall, for the purposes of this Act, be deemed to be a member of such a company and shall be entitled to exercise the same rights and powers, including the right to vote by proxy and postal ballot, as the President or, as the case may be, the Governor could exercise as a member of the company.

#### As per General Circular No.14/2020 dated 08/04/2020 issued by the Ministry of Corporate Affairs, Government Of India(GOI)

- In view of the pandemic caused by COVID-19 companies can now take decisions through Postal Ballot / e-voting, without holding a General Meeting at a venue.
- EGSMs wherever unavoidable, may be held through Video Conferencing (VC) or Other Audio Visual Means ( OAVM ), and the recorded transcript of such meetings shall be maintained in safe custody.
- Facilities must allow 2-way Teleconferencing or Webex for the participating members.
- Attendance of members through VC / OAVM shall be counted for the purpose of reckoning the quorum under Sec.103 of the Act.

#### Representation of Corporations at meeting of companies and creditors

**Sec.113. (1)** A body corporate, whether a company within the

meaning of this Act or not, may, —

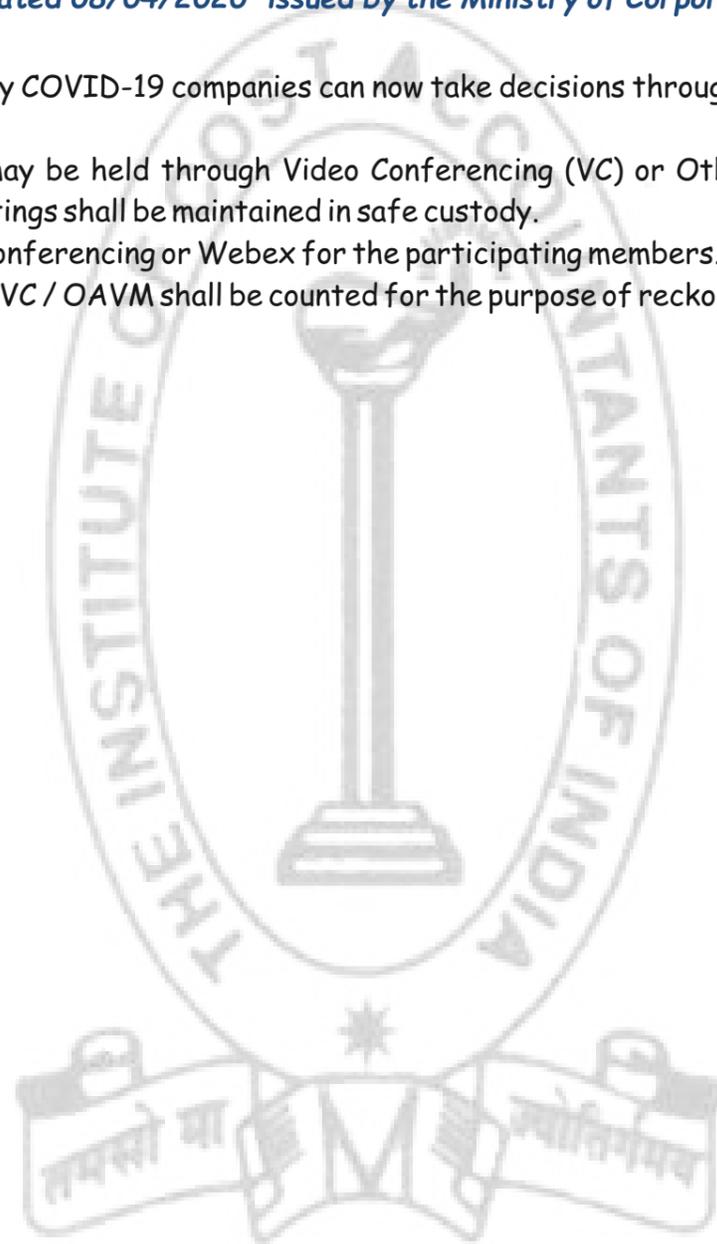
(a) if it is a member of a company within the meaning of this Act, by resolution of its Board of Directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the company, or at any meeting of any class of members of the company;

(b)(As notified on 01/04/2014), if it is a creditor, including a holder of debentures, of a company within the meaning of this Act, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of any creditors of the company held in pursuance of this Act or of any rules made thereunder, or in pursuance of the provisions contained in any debenture or trust deed, as the case may be.

**Sec.113.** (2) A person authorised by resolution under Section 113 (1) shall be entitled to exercise the same rights and powers, including the right to vote by proxy and by postal ballot, on behalf of the body corporate which he represents as that body could exercise if it were an individual member, creditor or holder of debentures of the company. ., :

*As per General Circular No.14/2020 dated 08/04/2020 issued by the Ministry of Corporate Affairs, GOI., :*

- In view of the pandemic caused by COVID-19 companies can now take decisions through Postal Ballot / e-voting , without holding a General Meeting at a venue.
- EGSMs wherever unavoidable, may be held through Video Conferencing (VC) or Other Audio Visual Means ( OAVM ) , and the recorded transcript of such meetings shall be maintained in safe custody.
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- Attendance of members through VC / OAVM shall be counted for the purpose of reckoning the quorum under Sec.103 of the Act.



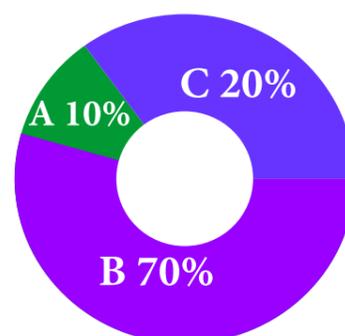


**GROUP: I, PAPER: 7**

# **DIRECT TAXATION (DTX)**

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## 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** Tax Management, Administrative Procedures and ICDS **20%**

**Learning Objectives:**

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

**MULTIPLE CHOICE QUESTIONS**

Choose the correct alternative

- All assesseees are required to follow -
  - Uniform previous year and that must be calendar year
  - Uniform previous year and that must be financial year**
  - Any period of 12 months
  - Period starting from 1st July to 30th June only
- First previous year in case of a business/profession newly set up on 31.3.2021 would -
  - Start from 1st April, 2020 and end on 31st March, 2021
  - Start from 31.3.2021 and will end on 31.3.2021**
  - Start from 1st January, 2021 and end on 31st December, 2021
  - Start from 1st March, 2021 and will end on 31st March, 2021
- A person follows Calendar year for accounting. For taxation, he has to follow -
  - Calendar year only - 1st January to 31st December
  - Financial year only - 1st April to 31st March**
  - Any of the Calendar or Financial year as per his choice
  - He will to follow extended year from 1st January to next 31st March (a period of 15 months)
- Income accrued outside India and received outside India is taxable in case of -
  - Resident and ordinary resident (ROR) only**
  - Resident but not ordinary resident (RNOR) only
  - Non resident only
  - Resident and ordinary resident (ROR), Resident but not ordinary resident (RNOR) and Non-Resident
- An Indian company would -
  - be resident in India if its place of effective management is situated in India
  - be resident in India if its control and management is wholly or partly situated in India
  - be always resident in India irrespective of location of its place of effective management**
  - be resident in India if its control and management is wholly situated outside India
- Which of the following may be a 'not ordinarily resident' in India —
  - Partnership firm
  - Joint stock company
  - Association of persons
  - Hindu Undivided Family**
- Under section 10(10BC), any compensation received for loss/damage on account of any \_\_\_\_\_ is eligible for exemption.
  - disaster**
  - life
  - accident
  - business
- Which out of the following income is exempt from tax?
  - Sum received by a member from HUF**

- (b) Dividend received from a foreign company  
(c) Agricultural income from Bangladesh  
(d) Salary Income from a Non Profitable Organisation
9. Agricultural income is exempt provided that the -  
(a) **Land is situated in India**  
(b) Land is situated in any rural area of India  
(c) Land is situated whether in India or outside India  
(d) Land is situated outside India
10. Leave travel concession is exempt in hands of employee -  
(a) Once in a year  
(b) **Twice in a prescribed block of four year**  
(c) Upto ₹ 50,000 per trip  
(d) Always taxable
11. Uncommuted pension is exempt in hands of -  
(a) Non-specified employees  
(b) All employees  
(c) Government employees  
(d) **No one (i.e., not exempt)**
12. Salary is taxable when -  
(a) it is received  
(b) it is accrued  
(c) it is due  
(d) **it is received or due, whichever is earlier**
13. Net Annual Value of a self occupied property treated as such is -  
(a) Fair Rent  
(b) **Nil**  
(c) Reasonable Expected Rent as reduced by municipal tax paid during the previous year  
(d) Reasonable Expected Rent
14. One out of the following house properties is not exempted, which is -  
(a) House property of a political party  
(b) **House property let out for the purpose of own business of tenant**  
(c) House property of a local authority  
(d) A house property of ex-ruler
15. X is the owner of a house, the details of which are given below:  
Municipal value ₹ 30,000  
Actual Rent ₹ 32,000  
Fair rent ₹ 36,000  
Standard rent ₹ 40,000  
The gross annual value would be -  
(a) **₹ 36,000**  
(b) ₹ 35,000  
(c) ₹ 30,000  
(d) ₹ 40,000
16. Expenditure incurred by a company for the purpose of promoting family planning among its employees, being of a capital nature -  
(a) Is not allowed as a deduction  
(b) Allowed as deduction in 4 equal installments in 4 years  
(c) **1/5 of expenditure is allowed as deduction in the previous year**  
(d) 2/5 of expenditure is allowed as deduction in 4 equal installments in 4 years after the previous year

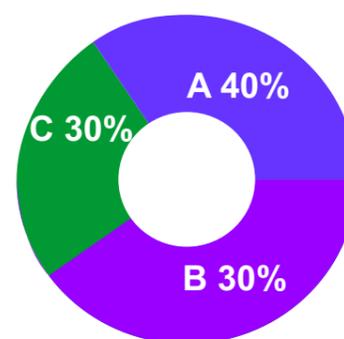
17. The preliminary expenses that can be amortized under the Income Tax Act, 1961 has to be restricted to \_\_\_\_\_ of the cost of project.
- (a) 3%  
(b) 8%  
(c) **5%**  
(d) 20%
18. A person, carrying on profession, has to get his accounts audited on compulsory basis if his gross receipts in profession for the previous year relevant to the assessment year 2021-22 exceed \_\_\_\_\_.
- (a) Nil  
(b) ₹ 40,00,000  
(c) ₹ 20,00,000  
(d) **₹ 50,00,000**
19. In which of the following case Indexation benefit is not available on transfer of long term capital asset being -
- (a) Shares of a company  
(b) **Debentures of a company**  
(c) A residential house  
(d) Agricultural land
20. Any gain on transfer of asset being house property on which depreciation u/s 32(1)(ii) is claimed, shall be treated as -
- (a) Long Term Capital Gain  
(b) **Short Term Capital Gain**  
(c) Income from other source  
(d) Income from house property
21. Long Term Capital Gain on transfer of Zero Coupon Bonds shall be taxable at the rate of -
- (a) **10% (without indexation)**  
(b) 10% (with indexation)  
(c) 20% (with indexation)  
(d) 20% (without indexation)
22. Interest on delayed compensation or enhanced compensation is taxable -
- (a) On accrual basis  
(b) Exempt from tax  
(c) As per method of accounting of the assessee.  
(d) **On receipt basis**
23. While computing taxable interest on delayed compensation, a standard deduction is allowed @ -
- (a) **50%**  
(b) 15%  
(c) 30%  
(d) Nil
24. The maximum amount of standard deduction in case of family pension is \_\_\_\_\_.
- (a) ₹ 5,000  
(b) ₹ 2,000  
(c) **₹ 15,000**  
(d) ₹ 10,000
25. Income of minor is clubbed however the clubbing provision is not applicable if -
- (a) Minor is a married daughter  
(b) **Minor is handicapped as specified u/s 80U**  
(c) Parents are separated  
(d) Minor is a married son



**GROUP: I, PAPER: 8**  
**COST ACCOUNTING**  
**(CAC)**

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# Your Preparation Quick Takes



**Syllabus Structure**

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

**Learning Objectives:**

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

**COST ACCOUNTING**

In present situation for efficient running of an organization, an effective cost accounting system is an integral part of the management. Now a days 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, hence 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 the following suggestions based on my personal experiences during this longer period.

1. A well defined plan should be there 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.

The main purpose of our study, Paper - 8 are to understand the concept of cost, determining the Cost of product or services, understanding the concept of Standard Cost, applying the concept of the marginal costing, Budgetary Control and formulating of business strategy and operational planning.

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. Material consists of the major part of total cost of product, hence it is necessary to control this cost very effectively. You should read the scope and objectives of different Cost Accounting Standards in details. It will help to grasp the concept of Cost Accounting very easily.

The chapter, Cost Book-Keeping, which includes 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 emphasis to complete its solution. Here, separate ledgers are maintained by the cost sections. The chapter is very easy to understand but the process is lengthy.

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.

Nowadays from the view point of both workers as well as employers, selection of method of remuneration to workers is the most complex problem. There is no single method which is acceptable to both employer and employees. Hence prosperity of a concern depends on the joint and co-ordinate efforts of both the employers and employees. Here we have suggested some important questions in MCQ pattern for understanding the concept of labour clearly.

**1. A. State which statements are correct (C) and which are wrong (W) :**

- (i) The cost of labour turnover is recovered through departmental overhead recovery rates.
- (ii) Measurement of labour turnover gives an idea of the degree of mobility of labour.
- (iii) Labour mobility being purely personal, nothing can be done to reduce high labour turnover.
- (iv) Defection of workers is one of the reasons for labour turnover.
- (v) The cost of abnormal idle time may be recovered by inflating the hourly rate.
- (vi) The cost of normal idle time may be charged to departmental overhead.
- (vii) The treatment of idle time in cost accounting depends upon the destination between normal and abnormal idle time.
- (viii) The difference between time clocked and time booked is known as idle time.
- (ix) Time booking is the recording of time spent by a worker on a specific job or work order.
- (x) Time booking is not necessary when time keeping is accomplished.
- (xi) Time keeping facilitates the preparation of payroll.
- (xii) Labour cost can be reduced by recruiting cheap labour.
- (xiii) A well-satisfied team of workers can raise productivity to a large extent.
- (xiv) Productivity of workers can be improved only if they are supervised closely.

[ Ans. Correct (C) : (i), (ii), (iv), (vi), (vii), (viii), (ix), (xi), (xii).  
Wrong (W) : (iii), (v), (x), (xii), (xiv). ]

**B. State which statements are correct and which are wrong :**

- (i) The Halsey Plan protects workers against loose premium rate setting.
- (ii) Piece rate system cannot be successfully applied when the work is of repetitive type.
- (iii) Time wages system is suitable where output cannot be measured.
- (iv) Price rate system is suitable when quality of goods produced is of extreme importance.
- (v) There are two principal wage system.
- (vi) Low time wages do not necessarily mean low cost of production and high wages mean high cost of production.

[ Ans. Correct (C) : (iii), (v), (vi).  
Wrong (W) : (i), (ii), (iv) ]

**C. State which statements are correct and which are wrong :**

- (i) Muster roll is necessary for the preparation of the payroll.
- (ii) High wages need not necessarily mean high cost per unit.
- (iii) Non-financial incentive or labour based costs are also fringe benefits.
- (iv) Fringe benefits are labour - related costs.
- (v) Group bonus plans distinguish between efficient and inefficient workers.
- (vi) Under the Rowan Plan bonus is a fixed percentage.
- (vii) The Halsey plan guarantees a minimum hourly wage.
- (viii) Incentive plans benefit only the employees.
- (ix) Premium Bonus plans induce workers to increased efficiency and greater output.
- (x) payment by result method lowers the cost of production through their impact on fixed

on fixed costs.

(xi) Time and Motion study, which is function of the Engineering department, is useless for the determination of Wages.

[ Ans. Correct ( C ) : (i), (ii), (iv), (vi), (ix), (x).  
Wrong (W) : (iii), (v), (vii), (viii), (xi). ]

2. Which of the following statements is correct in each of the following questions :

A. The wages paid to a joiner who constructs wooden mould for concretes laying on a building contract should be as :

- (i) Direct labour cost of the contract. (ii) Indirect labour cost of the contract.  
(iii) Fixed labour cost of the contract. (iv) Non-controllable cost of the contract.

B. Overtime premium pay may be correctly defined as :

- (i) The bonus paid to skilled workers.  
(ii) The increased payment during overtime hours because of increased rates of pay.  
(iii) The payment for all hours in excess of the basic working week.  
(iv) A premium paid to workers to compensate for fatigue.

C. Vacation pay for factory workers should be charged to :

- (i) Work-in-process inventory. (ii) Direct labour.  
(iii) Administrative expenses. (iv) Factory overhead.

D. Labour turnover rate is best defined as :

- (i) The number of employees successfully completing the required job training programme.  
(ii) The degree of mobility of employees from one department to another.  
(iii) The number of the employees recruited each week.  
(iv) The number of labourers replaced divided by the average number of employees on the payroll.

E. Which of the following method of remuneration is most likely to give stability of labour cost of the employer.

- (i) Straight piecework. (ii) Premium bonus scheme  
(iii) Measured day work. (iv) Group bonus scheme.

F. Which of the following is the most relevant use of the clock card :

- (i) To measure employee efficiency.  
(ii) To facilitate payment for time spent on the work premises.  
(iii) To allow labour time to be charged to individual job.  
(iv) To allow calculation of bonus payment.

G. Which of the following is usually prepared daily by employees for each job worked on?

- (i) Labour Job ticket. (ii) Punch card.  
(iii) Time card. (iv) Cost control card.

[ Ans . A (i), ; B (ii), ; C (iv), ; D (iv), ; E (iii), ; F (ii), ; G (i),.

It is very difficult to compare and find out the reasons of cost fluctuation through Historical Costing, as it ascertains costs after they have been incurred. The reasons for cost fluctuation apart from variations in output may be detected through introduction of Standard Costing. A problem based on Standard Costing is given below :-

**Problem :-**

The following standards have been set to manufacture a product :

Direct material :

	Rs.
2 Units of A @ Rs. 4 per Unit	8.00
3 Units of B @ Rs. 3 per Unit	9.00
15 Units of C @ Rs. 1 per Unit	15.00
	-----
	32.00
Direct Labour : 3 hrs. @ 8 per hour	24.00
	-----
Total standard prime cost	56.00
	-----

The company manufactured and sold 6000 units of the product during the year. Direct material costs were as follows :

12500 Units of A at Rs. 4.40 per Unit  
18000 Units of B at Rs. 2.80 per Unit  
88500 Units of C at Rs. 1.20 per Unit

The company worked 17500 direct Labour hours during the year. For 2500 of these hours the company paid at Rs. 12 per hour while for the remaining, the wages were paid at standard rate.

Calculate material price variance and Usage variance and Labour rate and efficiency variances.

**Solution**

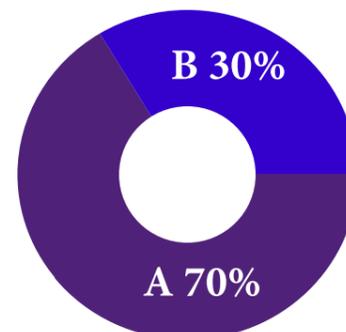




GROUP: II, PAPER: 9, Part- i  
**OPERATIONS**  
MANAGEMENT & STRATEGIC  
MANAGEMENT (OMSM)  
Operations Management

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# 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 this issue let us do some True False type Qs on assorted basis. For every question below we have to mark it as True or False. In case of false right answer is to be provided

- Q1. The part of a business organization that is responsible for producing goods or services is called Operations
- Q2. Activities that provide some combination of time, location, form or psychological value are called facilities
- Q3. Computer repair is neither purely service based nor purely goods based
- Q4. Marketing, Operations & Finance are three basic functions of a business organisation which never overlap
- Q5. Operational processes govern the operation of the entire organisation
- Q6. Structural variation in demand are important for Capacity planning
- Q7. A Supply Chain is a sequence of activities and organizations involved in producing and delivering a good or service
- Q8. If in a market - Supply < Demand, there will be opportunity loss to customers
- Q9. This type of process variation can be reduced or eliminated by analysis and corrective action. This variation is called random variation.
- Q10. The Operations Function consists of all activities *directly* related to producing goods or providing services.
- Q11. Inventory management & control is a system design decision
- Q12. A decision making approach that frequently seeks to obtain a mathematically optimal solution is called quantitative approach
- Q13. Transformation process imparts value addition to inputs towards achieving efficiency
- Q14. Services are activities that provide some combination of time, location, form or psychological value
- Q15. The management of systems or processes that create goods and/or provide services is called operations management
- Q16. The greater the variety of goods and services offered, the greater the variation in production or service requirements
- Q17. The learning effect is not attributed to Product design
- Q18. In fixed position layout cost of moving men and materials to product is more than cost of moving product
- Q19. Routing and scheduling are inter-related, inter-connected and inter-dependent activities of Capacity planning and control
- Q20. The lean production is to consider the organisation in terms of supply chain of value streams
- Q21. In transportation problem shipping cost per unit is assumed to be dependent on number of units shipped
- Q22. Best operating level of a plant is an optimum volume of output per year that results in the least total cost per unit
- Q23. The goal of maintenance is to keep the production system in good working order at optimal cost
- Q24. The main advantage of "Matching capacity with demand" plan are low levels of finished goods inventory resulting in lesser inventory carrying costs
- Q25. The goal of strategic capacity planning is to achieve a match between the long-term supply capabilities of an organization and the predicted level of short-term demand
- Q26. Effective capacity is the design capacity minus allowances such as personal time and maintenance

- Q27. The ultimate goal of lean operation is to achieve a balanced system that achieves a smooth, rapid flow of materials and/or work through the system
- Q28. Manufacturability is the capability of an organization to produce an item at an acceptable cost
- Q29. Assembly line which is used for assembling automobiles follows repetitive focus process strategy
- Q30. Method study aims at finding the best and most efficient way of using the available resources—men, materials, money and machinery
- Q31. EOQ is the ordering quantity at which total cost comprising ordering cost and holding cost is at its minimum
- Q32. Short, Medium and Long range production plans can never be dovetail into one another
- Q33. Capacity is the ideal amount of output a productive unit could produce within a stated time
- Q34. The main issue in designing process layout concerns the absolute positioning of the departments involved
- Q35. When there are 5 customers in a system and 3 customers are being served then there are 8 customers waiting for service
- Q36. Inventory which is not yet committed to existing customer orders is called available to production (ATP) inventory
- Q37. Production planning in the intermediate range of time is termed Intermediate Production Planning
- Q38. During operations input, output can be Physical or Non-physical but transformation/ conversion process always uses Physical resources
- Q39. Market penetration is not an activity under productions and operations management
- Q40. The balanced scorecard is a horizontal management system that helps managers focus attention on strategic issues related to finance, internal processes, customers, and learning and growth
- Q41. Quality control is a process that evaluates output relative to a standard and takes corrective action when output doesn't meet standards
- Q42. Sample statistics are used to judge the randomness of process variation
- Q43. Process layout refers to a production system where the work stations and equipment are located along the line of production
- Q44. Highest labour content of jobs is a feature of higher degrees of customisation in process planning
- Q45. Craft production involves producing high variety of customized goods, high volume output with skilled workers, and utilizing general-purpose equipment
- Q46. Soft drink bottling is an example of lean production
- Q47. The entire manufacturing process needs to be geared to serve constant interaction with production professionals including production workers
- Q48. Agile manufacturing adapts quickly to changes in production schedules
- Q49. Forecasting is called systematic method of probing the future
- Q50. Enterprise Resource Planning is used to provide information sharing in real time among organisation and their major supply chain partners
- Q51. Undersupply is a potential loss of production
- Q52. Unique, one-time operations designed to accomplish a specific set of objectives in a limited time frame is called manufacturing
- Q53. Cost, Schedules & Performance objectives are three sides of a Project Management triangle
- Q54. Facility layout is system operations decisions
- Q55. If a decision-maker decides to increase the level of inventory, he or she has to consider the trade-off between increased level of customer service and the additional inventory carrying cost
- Q56. Business Process Management include process design, process execution and process planning

Q57. The product life cycle is the process a product goes through from when it is first introduced into the market until it declines or is removed from the market

Q58. Value added means the difference between the cost of inputs before the transformation process and the margin on output after the transformation process

Q59. Long range production planning is nothing but lost its own identity to overall corporate plan

Q60. Long-term capacity plans are concerned with investments in new facilities and equipment.

Answer:

Q1	T	
Q2	F	facilities, services
Q3	T	
Q4	F	Overlap
Q5	F	Operational process make up the value chain. Upper management process govern the operations of the entire organisation
Q6	T	
Q7	T	
Q8	F	customers, producers
Q9	F	random variation, assignable variation
Q10	T	
Q11	F	system design decision, system operation decision
Q12	T	
Q13	F	efficiency, output
Q14	T	
Q15	T	
Q16	T	
Q17	F	is not attributed
Q18	F	more, less
Q19	F	capacity, production
Q20	T	
Q21	F	is assumed to be same regardless of the number of units shipped
Q22	F	total, average
Q23.	F	optimal, minimal
Q24	T	
Q25	F	Short term, Long term
Q26	T	
Q27	T	
Q28	F	cost, profit

Q29	T	
Q30	F	<del>Method study</del> , work study
Q31	T	
Q32	F	Short, Medium and Long range production plans are dovetail into one another
Q33	F	<del>ideal</del> , maximum
Q34	F	<del>absolute</del> , relative
Q35	F	There are $5 - 3 = 2$ customers waiting for service
Q36	F	ATP inventory: Available to Promise
Q37	F	<del>Intermediate production planning</del> , Aggregate planning
Q38	T	
Q39	T	
Q40	F	<del>Horizontal management</del> , top down management
Q41	T	
Q42	T	
Q43	F	<del>Process layout</del> , Product layout
Q44	F	Not a feature
Q45	F	<del>high volume of output</del> , low volume of output
Q46	F	<del>lean production</del> , mass production
Q47	T	
Q48	F	<del>Production schedules</del> , delivery schedules
Q49	T	
Q50	T	
Q51	F	Production, business
Q52	F	<del>Manufacturing</del> , projects
Q53	T	
Q54	F	<del>System operation decisions</del> , system design decisions
Q55	T	
Q56	F	<del>Process planning</del> , process monitoring
Q57	T	
Q58	F	<del>the margin on output</del> , the value or the price of output
Q59	T	
Q60	T	

## Suggestions:

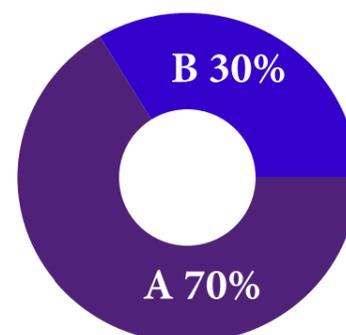
These Questions are made from study guide on the paper 9- Operations Management & Strategic Management written and issued by Institute & from supplementary readings- Modern Production/Operations Management by Buffa and Sarin, Operations Management by R.S Russell & BW Taylor, Operations Management by Lee J Krajewski, Comprehensive productions and Operations management by Dr KC Arora. Students should also attempt to gain further knowledge from the referred books with their own efforts.  
Best Wishes



GROUP: II, PAPER: 9, Part- ii  
**OPERATIONS**  
MANAGEMENT & STRATEGIC  
MANAGEMENT (OMSM)  
Strategic Management

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# 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 MANAGEMENT**

1. Strategic management is an important part of any business which helps with \_\_\_\_\_ formulation and business decisions.
- Strategy
  - Tactics
  - Procedure
  - Marketing

**Answer: A**

2. The origins of Strategic Management can be retraced to \_\_\_\_\_
- 1930
  - 1911
  - 1879
  - 1938

**Answer: B.**

3. Strategy is \_\_\_\_\_
- Completely Proactive & Completely Reactive
  - Partly Proactive & Partly Reactive
  - Either Proactive nor Reactive
  - Proactive Only

**Answer: B**

4. Which of the following is not part of the micro environment?
- Technology
  - Shareholders
  - Competitors
  - Publics

**Answer: A**

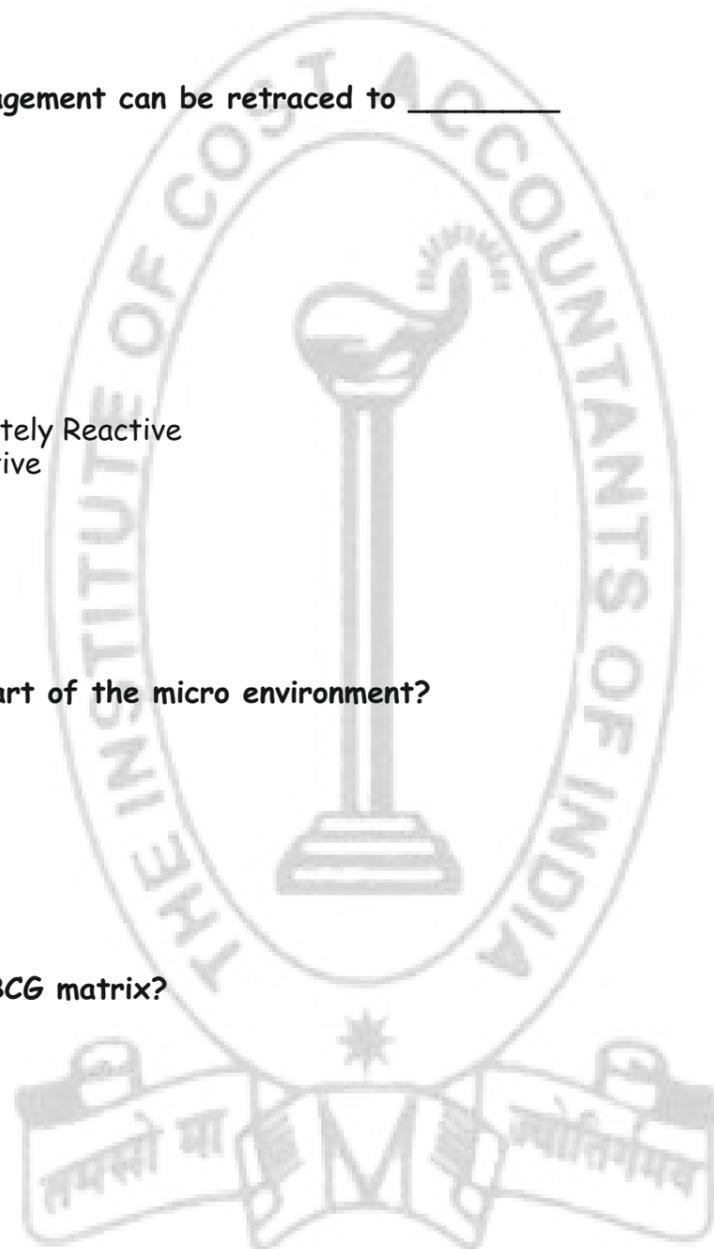
5. What does Stars symbolize in BCG matrix?
- Introduction
  - Growth
  - Maturity
  - Decline

**Answer: B**

6. Cultural values would be part of which of the following factor in macro environment?
- Demographic
  - Social
  - Ecological
  - Natural

**Answer: B**

7. Full form of VUCA is Volatility, Uncertainty, Complexity, and \_\_\_\_\_
- Ambition
  - Anxiety
  - Ambivalence
  - Ambiguity

**Answer: D**

8. In SWOT analysis, SW reflects \_\_\_\_\_ factors
- Internal
  - External
  - International
  - Necessary

Answer: A

9. The GE 9 cell model is based on \_\_\_\_\_
- Industry Attractiveness & Business Strength
  - Industry Growth rate & Business strength
  - Industry Attractiveness & Relative market share
  - Industry Growth & Relative market share

Answer: A

10. Low cost, Differentiation and Focus are examples of \_\_\_\_\_
- Corporate strategies
  - Operational Strategies
  - Business Strategies
  - Functional Strategies

Answer: C

11. The three organizational levels include \_\_\_\_\_
- Corporate level
  - Business level
  - Functional level
  - All of the above

Answer: D

12. In Strategic Management, another name for GE 9 cell model is \_\_\_\_\_
- Three colour matrix
  - Stop light matrix
  - Strategic Portfolio Matrix
  - Colour light matrix

Answer: B

13. The word tactic is most likely to be associated with \_\_\_\_\_
- Business Strategy
  - Corporate strategy
  - Operational Strategy
  - All of the above

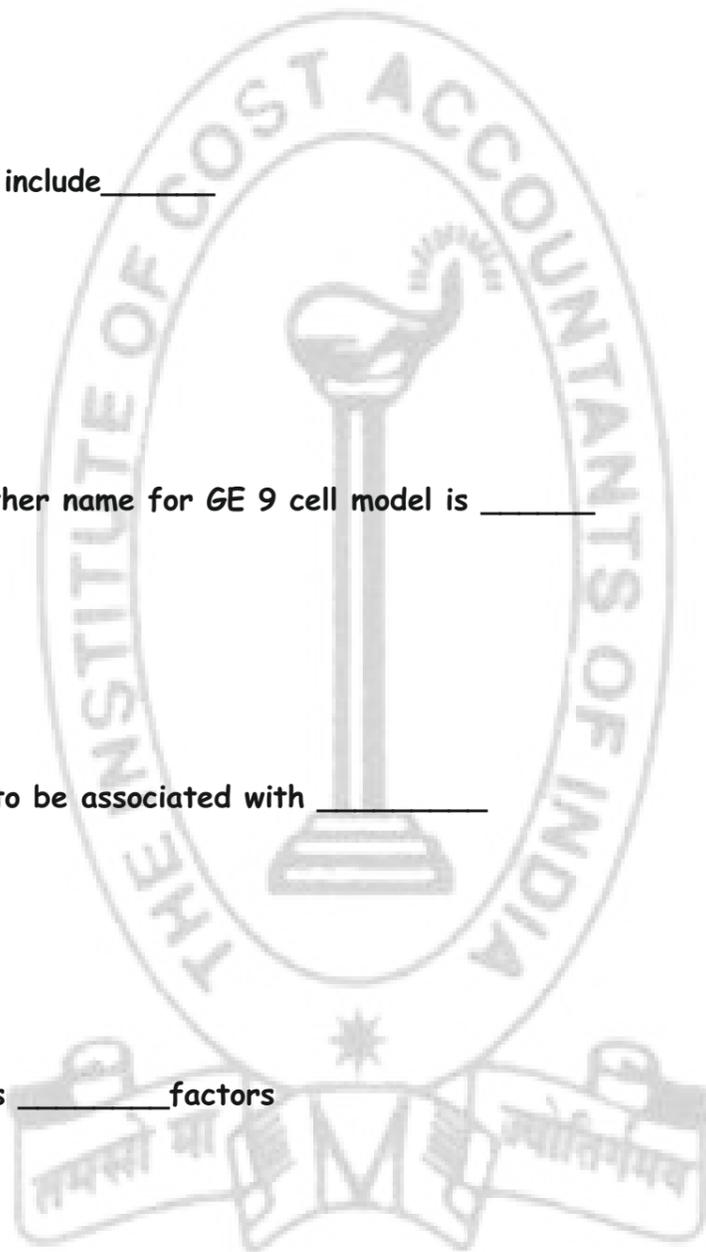
Answer: C

14. In SWOT analysis, OT reflects \_\_\_\_\_ factors
- Internal
  - External
  - International
  - Necessary

Answer: B

15. What does Dog symbolize in BCG matrix?
- Introduction
  - Growth
  - Maturity
  - Decline

Answer: D





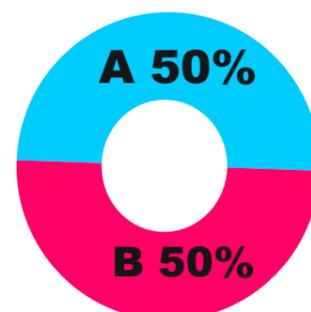
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GROUP: II, PAPER:10

# COST & MANAGEMENT

ACCOUNTING AND FINANCIAL  
MANAGEMENT(CMFM)

## 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.

**GR - II CMA & FM****Question No. - 1 (Sales)**

You are given the following information about sales :-

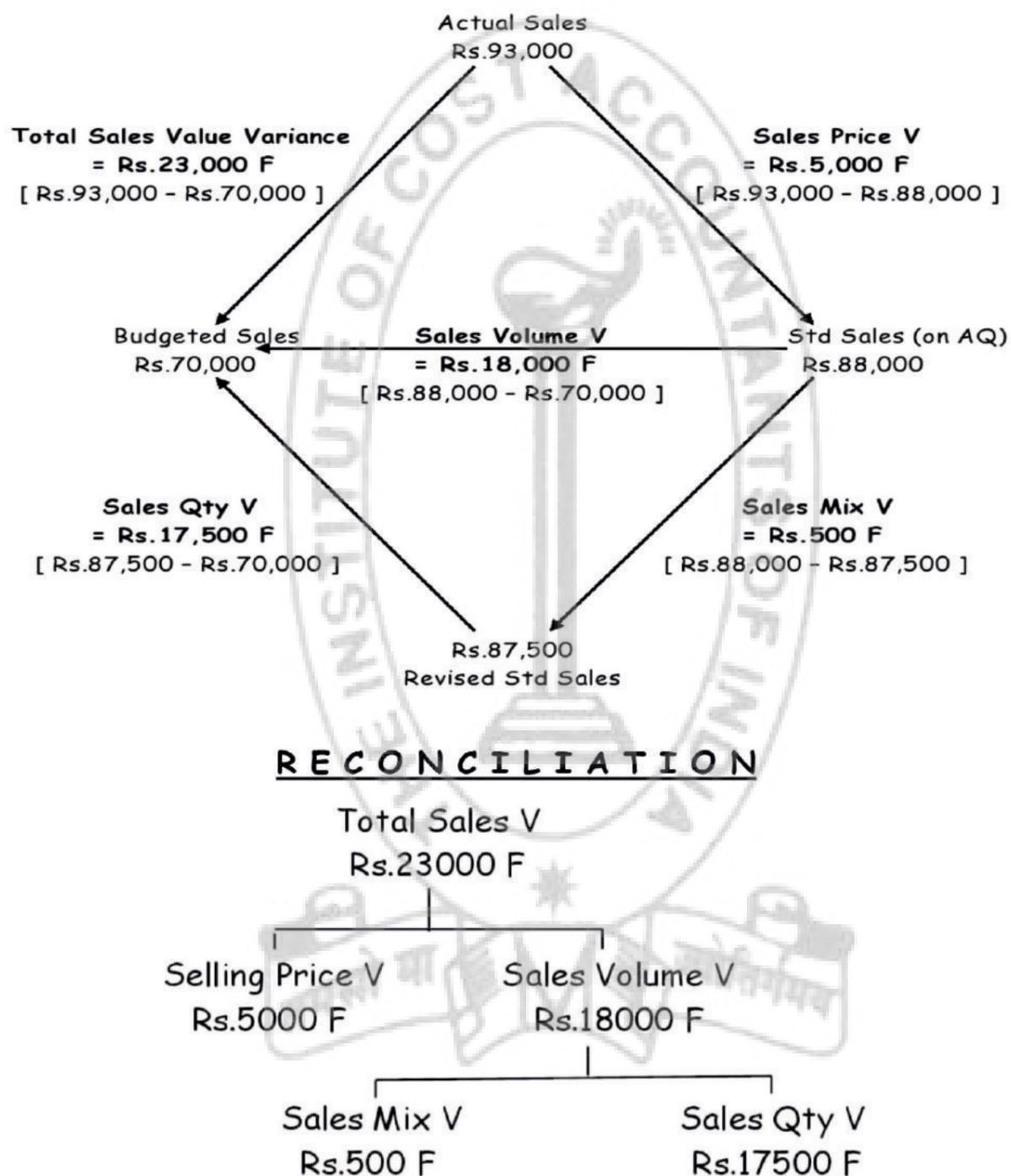
Product	Standard			Actual		
	Nos.	Rate Per unit (Rs.)	Rs.	Nos.	Rate Per unit (Rs.)	Rs.
A	5000	5	25000	6000	6	36000
B	4000	6	24000	5000	5	25000
C	3000	7	21000	4000	8	32000
	12000		70000	15000		93000

What shall be the :-

- 1) Budgeted Sales Amount : (a) Rs.65,000 (b) Rs.70,000 (c) Rs.70,500 (d) Rs.80,000
- 2) Std. Sales Amount on Actual Quantity : (a) Rs.85,000 (b) Rs.86,000 (c) Rs.87,000 (d) Rs.88,000
- 3) Std. Sales Amount on Revised Sales Quantity : (a) Rs.87,500 (b) Rs.88,000 (c) Rs.88,500 (d) Rs.89,000
- 4) Total Sales Price Variance : (a) Rs.4500 F (b) Rs.4500 A (c) Rs.5000 F (d) Rs.5000 A
- 5) Sales Price Variance of Product 'A' : (a) Rs.5000 F (b) Rs.5000 A (c) Rs.6000 F (d) Rs.6000 A
- 6) Total Sales Volume Variance : (a) Rs.18000 F (b) Rs.18000 A (c) Rs.19000 F (d) Rs.19000 A
- 7) Sales Volume Variance of Product 'C' : (a) Rs.6500 F (b) Rs.6500 A (c) Rs.7000 F (d) Rs.7000 A
- 8) Total Sales Mix Variance : (a) Rs.600 A (b) Rs.600 F (c) Rs.500 A (d) Rs.500 F
- 9) Sales Mix Variance of Product 'B' : (a) Rs.1250 A (b) NIL (c) Rs.1250 F (d) Rs.1300 A
- 10) Total Sales Value Variance : (a) Rs.23000 F (b) Rs.23000 A (c) Rs.24000 F (d) Rs.24000 A
- 11) Sales Value Variance of Product 'B' : (a) Rs.1000 A (b) Rs.1000 F (c) Rs.1500 F (d) Rs.1500 A
- 12) Total Sales Quantity Variance : (a) Rs.17000 A (b) Rs.17000 F (c) 17500 A (d) Rs.17500 F
- 13) Sales Quantity Variance of Product 'A' : (a) Rs.6200 F (b) Rs.6200 A (c) Rs.6250 F (d) Rs.6250 A

Answer :

- |                    |                   |                    |
|--------------------|-------------------|--------------------|
| 1) (b) Rs.70,000   | 2) (d) Rs.88,000  | 3) (a) Rs.87,500   |
| 4) (c) Rs.5,000 F  | 5) (c) Rs.6000 F  | 6) (a) Rs.18000 F  |
| 7) (c) Rs.7000 F   | 8) (d) Rs.500 F   | 9) (b) NIL         |
| 10) (a) Rs.23000 F | 11) (b) Rs.1000 F | 12) (d) Rs.17500 F |
| 13) (c) Rs.6250 F  |                   |                    |

Steps for Solution (for both Question 1 and 2) : (See page 12)Solution with Working Notes :Working Notes

Standard Sales given in the problem means Budgeted Sales

Budgeted Sales				
Product	Nos	Rate (Rs.)	Amount (Rs.)	Av. Std. Rate (Rs.)
A	5000	5	25000	
B	4000	6	24000	
C	3000	7	21000	
	12000		70000	Rs.70/12 per unit

Actual Sales			
Product	Nos	Rate (Rs.)	Amount (Rs.)
A	6000	6	36000
B	5000	5	25000
C	4000	8	32000
	15000		93000

Std. Sales (on AQ)			
Product	Nos	Rate (Rs.)	Amount (Rs.)
A	6000	5	30000
B	5000	6	30000
C	4000	7	28000
	15000		88000

Standard Sales on Revised Std Quantity				
Product	AQ in Standard Proportion	RSQ	SR (Rs.)	Amount (Rs.)
A	15000X5/12	6250	5	31250
B	15000X4/12	5000	6	30000
C	15000X3/12	3750	7	26250
		15000		87500

$$\left[ \begin{aligned} &\text{Check Av. Std Rate of Sales X RSQ} \\ &= \text{Rs.}70/12 \times 15000 \text{ units} = \text{Rs.}87,500 \end{aligned} \right]$$

**Total Sales Value Variances = Actual Sales - Budgeted Sales**

A	Rs.36000 - Rs.25000	=	Rs.11,000 F
B	Rs.25000 - Rs.24000	=	Rs. 1,000 F
C	Rs.32000 - Rs.21000	=	Rs.11,000 F
			<b>Rs.23,000 F</b>

**Total Sales Price V = Actual Sales - Standard Sales on AQ**

A	Rs.36000 - Rs.30000	=	Rs.6,000 F
B	Rs.25000 - Rs.30000	=	Rs.5,000 A
C	Rs.32000 - Rs.28000	=	Rs.4,000 F
			<b>Rs.5,000 F</b>

**Total Sales Volume V = Standard Sales on AQ - Budgeted Sales**

A	Rs.30000 - Rs.25000	=	Rs.5,000 F
B	Rs.30000 - Rs.24000	=	Rs.6,000 F
C	Rs.28000 - Rs.21000	=	Rs.7,000 F
			<b>Rs.18,000 F</b>

**Total Sales Mix V = Standard Sales - Std Sales on RSQ**

A	Rs.30000 - Rs.31250	=	- Rs.1,250 A
---	---------------------	---	--------------

B	Rs.30,000 – Rs.30000	=	NIL
C	Rs.28000 – Rs.26250	=	Rs.1,750 F Rs.500 F

Total Sales Quantity V = Std Sales on RSQ – Budgeted Sales

A	Rs.31250 – Rs.25000	=	Rs.6,250 F
B	Rs.30000 – Rs.24000	=	Rs.6000 F
C	Rs.26250 – Rs.21000	=	Rs.5,250 F Rs.17,500 F

### Question No. - 2 (Comprehensive)

Standard Cost Card of a product is as under :

Direct Materials	Rs.
A. 2 kg. @ Rs.3 per kg.	6.00
B. 1 kg @ Rs.4 per kg.	4.00
Direct wages 5 hrs. @ Rs. 4 per hour	20.00
Variable Overheads 5 hrs. @ Re.1 per hour	5.00
Fixed Overheads 5 hours @ Rs.2 per hour	10.00
Total	45.00
Standard Profit	5.00
Standard Selling Price	50.00

Budget output is 8,000 units per month

In July 2021, the company produced and sold 6,000 units.

The actual sales value was Rs.3,05,000.

Direct materials consumed was :

Material A 14,850 kg. valued at Rs.43,065 and material B 7,260 kg. Valued at Rs.29750.

The total direct labour hours worked was 32,000 and the wages paid amounted to Rs.1,27,500.

The Direct labour hour actually booked on production was 31,800.

Overheads recorded were :

Fixed Rs.80,600 and variable Rs.30,000.

Closing work in progress was 600 units in respect of which materials A and B were fully issued and labour and overheads were 50% complete.

What shall be the :-

- 1) Equivalent Units of Direct Materials : (a) 6000 (b) 6200 (c) 6400 (d) 6600
- 2) Equivalent Units of Labour : (a) 6300 (b) 6400 (c) 6500 (d) 6600
- 3) Equivalent Units of Overhead : (a) 6100 (b) 6200 (c) 6300 (d) 6400

- 4) Standard Cost of Actual Production (SCAP) in respect of Direct Materials : (a) Rs.65,000 (b) Rs.66,000 (c) Rs.67,000 (d) Rs.68,000
- 5) Standard Quantity (SQ) of Material 'A' for AP : (a) 13000 Kg (b) 13100 Kg (c) 13200 Kg (d) 13300 Kg
- 6) Std Cost of Actual Qty of Direct Material used : (a) Rs.73560 (b) Rs.73570 (c) Rs.73580 (d) Rs.73590
- 7) Std Cost of Revised Stand. Qty. of Direct Materials : (a) Rs.44220 (b) Rs.44320 (c) Rs.44420 (d) Rs.44520
- 8) Direct Material Price Variance : (a) Rs.775 A (b) Rs.775 F (c) Rs.785 A (d) Rs.785 F
- 9) Direct Material Usage Variance : (a) Rs.7690 A (b) Rs.7690 F (c) Rs.7590 F (d) Rs.7590 A
- 10) Direct Material Mix Variance : (a) Rs.100 A (b) Rs.100 F (c) Rs.110 F (d) Rs.110 A
- 11) Direct Material Yield Variance : (a) Rs.7700 A (b) Rs.7700 F (c) Rs.7800 A (d) Rs.7800 F
- 12) Std Hour for AP in respect of Labour, V.OH and F.OH : (a) 31400 (b) 31500 (c) 31600 (d) 31700
- 13) Std Cost of Actual Labour Hrs paid for : (a) Rs.122000 (b) Rs.124000 (c) Rs.126000 (d) Rs.128000
- 14) Std Cost of Actual Prod. in respect of Labour : (a) Rs.126000 (b) Rs.128000 (c) Rs.130000 (d) Rs.132000
- 15) Std Cost of Labour's Productive Hours (PH) : (a) Rs.127000 (b) Rs.127200 (c) Rs.127400 (d) Rs.127600
- 16) Labour Wage Rate Variance : (a) Rs.450 F (b) Rs.450 A (c) Rs.500 F (d) Rs.500 A
- 17) Labour Efficiency Variance : (a) Rs.1200 A (b) Rs.1200 F (c) Rs.1250 A (d) Rs.1250 F
- 18) Labour Idle time Variance : (a) Rs.650 A (b) Rs.700 A (c) Rs.750 A (d) Rs.800 A
- 19) Labour Cost Variance : (a) Rs.1500 F (b) Rs.1500 A (c) Rs.1550 F (d) Rs.1550 A
- 20) Std Variable Overhead Cost for Actual Prod. (S. V.OH for AP) : (a) Rs.31000 (b) Rs.31500 (c) Rs.32000 (d) Rs.32500
- 21) Std Cost of Productive Hours in respect of V.OH : (a) Rs.31500 (b) Rs.31600 (c) Rs.31700 (d) Rs.31800
- 22) V.OH Expenditure Variance : (a) Rs.1800 F (b) Rs.1800 A (c) Rs.1850 F (d) Rs.1850 A
- 23) V.OH Efficiency Variance : (a) Rs.250 A (b) Rs.250 F (c) Rs.300 A (d) Rs.300 F
- 24) V.OH Cost Variance : (a) Rs.1500 F (b) Rs.1500 A (c) Rs.1550 F (d) Rs.1550 A
- 25) Fixed Overhead for Actual Production (F.OH for AP) : (a) Rs.62500 (b) Rs.63000 (c) Rs.63500 (d) Rs.64000
- 26) Budgeted Fixed Overhead : (a) Rs.69500 (b) Rs.70000 (c) Rs.70500 (d) Rs.80000
- 27) F.OH Expenditure Variance : (a) Rs.600 F (b) Rs.600 A (c) Rs.750 F (d) Rs.750 A
- 28) F.OH Volume Variance : (a) Rs.17000 A (b) Rs.17000 F (c) Rs.18000 A (d) Rs.18000 F
- 29) Std Production Units in Productive Hours : (a) 6330 (b) 6340 (c) 6350 (d) 6360
- 30) Std Prod in Actual Hour paid for : (a) 6300 (b) 6400 (c) 6500 (d) 6600
- 31) F.OH Efficiency Variance : (a) Rs.600 F (b) Rs.600 A (c) Rs.650 F (d) Rs.650 A
- 32) F.OH Idle time Variance : (a) Rs.400 A (b) Rs.450 A (c) Rs.500 A (d) Rs.550 A

33) F.OH Capacity Variance : (a) Rs.15000 F (b) Rs.15000 A (c) Rs.16000 A (d) Rs.16000 F

**Answer :**

- |                     |                     |                     |                     |
|---------------------|---------------------|---------------------|---------------------|
| 1) (d) 6600         | 2) (a) 6300         | 3) (c) 6300         | 4) (b) 66000        |
| 5) (c) 13200 Kg     | 6) (d) Rs.73,590    | 7) (a) Rs.44220     | 8) (b) Rs.775 F     |
| 9) (d) Rs.7590 A    | 10) (c) Rs.110 F    | 11) (a) Rs.7700 A   | 12) (b) 31500       |
| 13) (d) Rs.1,28,000 | 14) (a) Rs.1,26,000 | 15) (b) Rs.1,27,200 | 16) (c) Rs.500 F    |
| 17) (a) Rs.1200 A   | 18) (d) Rs.800 A    | 19) (b) Rs.1500 A   | 20) (b) Rs.31,500   |
| 21) (d) Rs.31,800   | 22) (a) Rs.1800 F   | 23) (c) Rs.300 A    | 24) (a) Rs.1500 F   |
| 25) (b) Rs.63,000   | 26) (d) Rs.80,000   | 27) (b) Rs.600 A    | 28) (a) Rs.17,000 A |
| 29) (d) 6360        | 30) (b) 6400        | 31) (b) Rs.600 A    | 32) (a) Rs.400 A    |
| 33) (c) Rs.16,000 A |                     |                     |                     |

**Solution with Working Notes :**

**STATEMENT OF EQUIVALENT UNITS**

Particulars	D. Material		D. Labour		Overhead	
Units Completed	100%	6,000	100%	6,000	100%	6,000
Closing W/P	100%	600	50%	300	50%	300
Equivalent Units		<b>6,600</b>		<b>6,300</b>		<b>6,300</b>

**Working Note - 1**

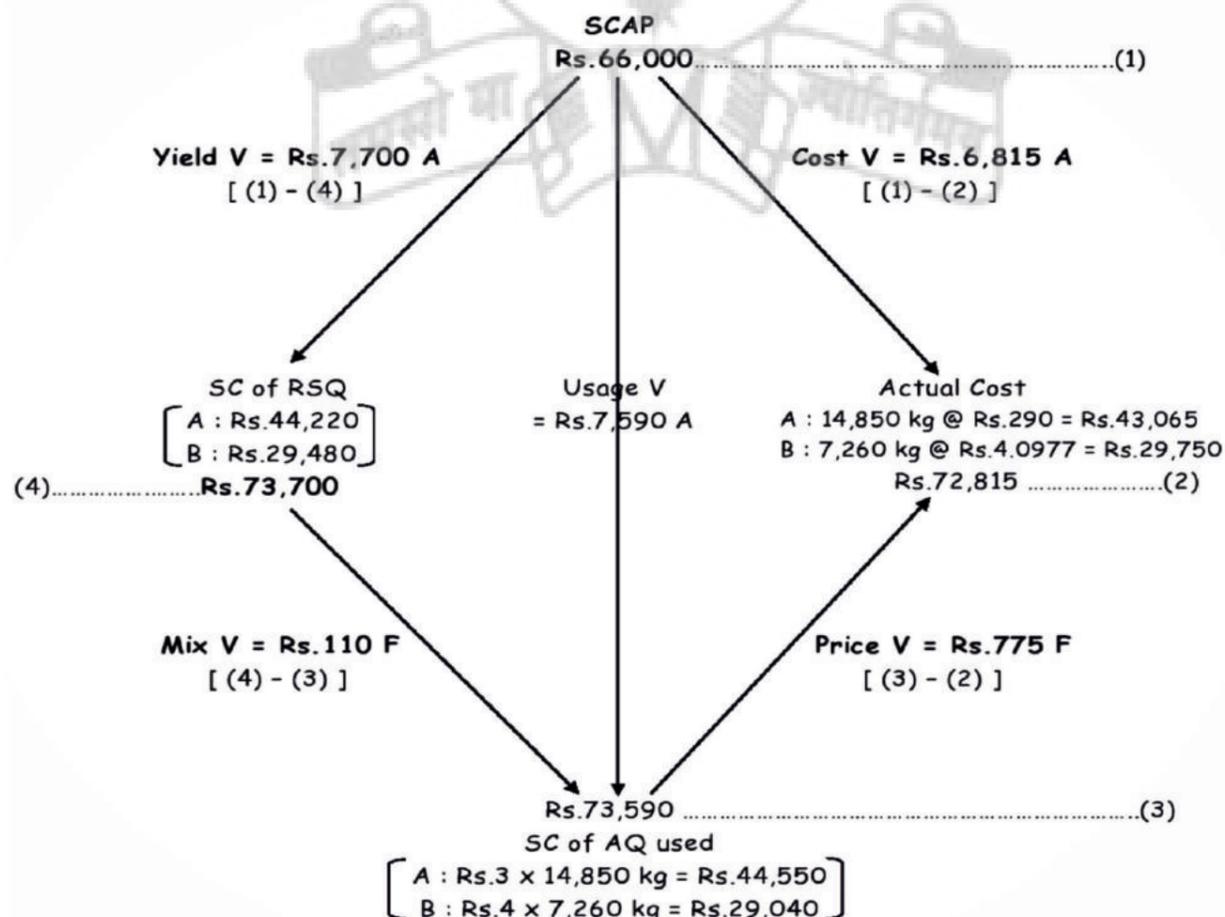
**DIRECT MATERIAL**

Basic data : Actual Production (AP) = 6,600 units

A : Rs.3 x 2 kg x 6,600 units = Rs.39,600 [Std Qty 13200 kg]

B : Rs.4 x 1 kg x 6,600 units = Rs.26,400 [Std Qty 6600 kg]

Rs.66,000



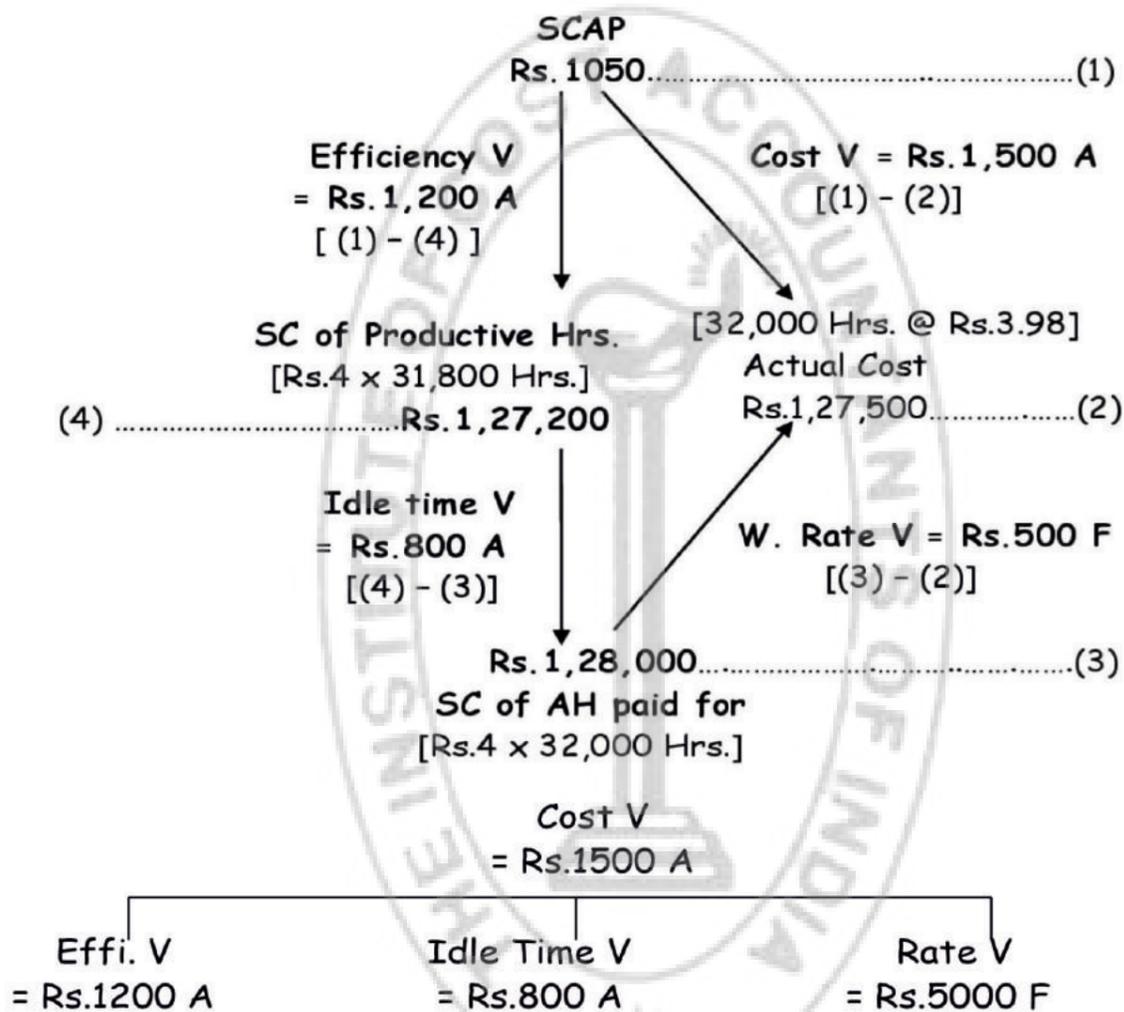
SC of RSQ				
Material	AQ in Std proportion	RSQ (Kg)	SR (Rs.)	Amt. (Rs.)
A	22,110 × 2/3	14740	3	44220
B	22,110 × 1/3	7370	4	29480
Total				Rs.73700

**Working Note - 2**

**DIRECT LABOUR**

Basic Data : Actual Production (AP) = 6,300 units

[ Rs.4 × 5 Hr × 6,300 units ] [31500 Std Hrs]

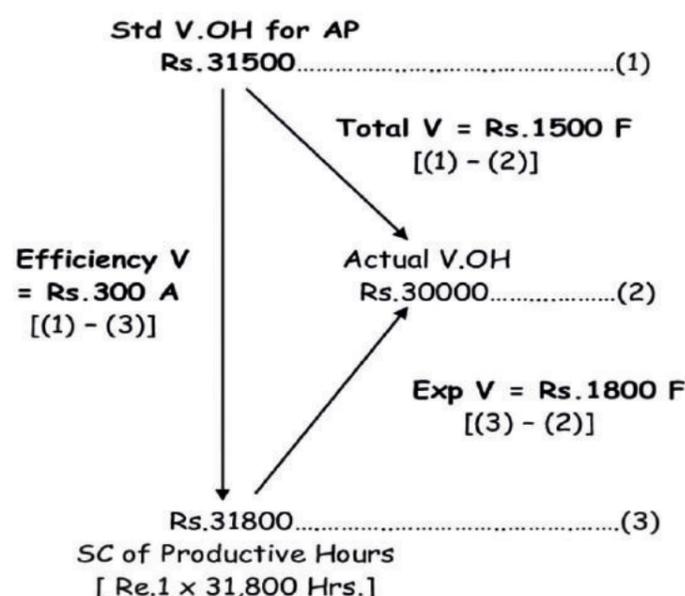


Check : Idle time V = Rs.4 × 200 Hrs. = Rs.800

**Working Note - 3**

**VARIABLE OVERHEAD**

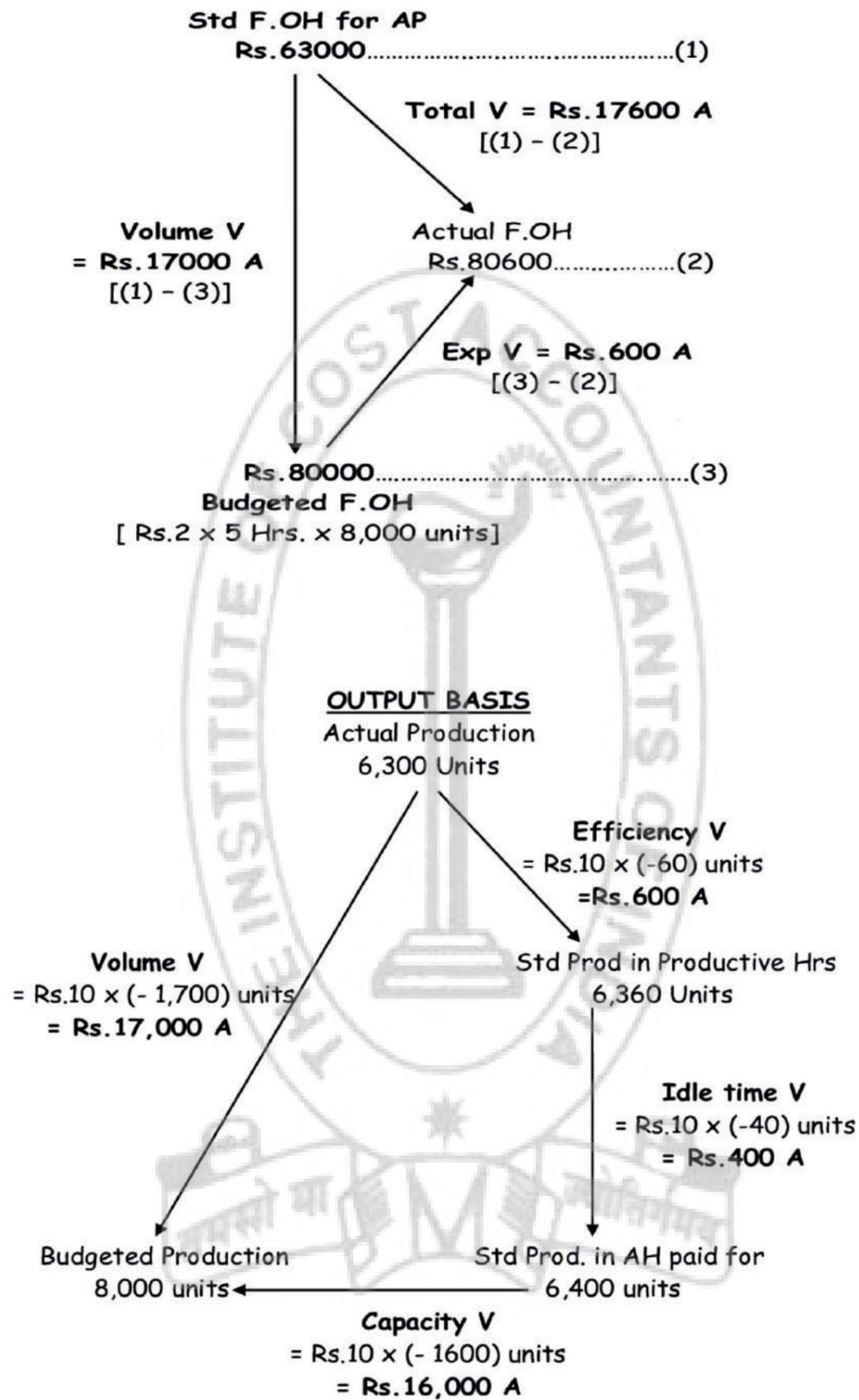
[ Re.1 × 5 Hrs × 6,300 units ] [31500 Std Hrs]



Working Note - 4

FIXED OVERHEAD

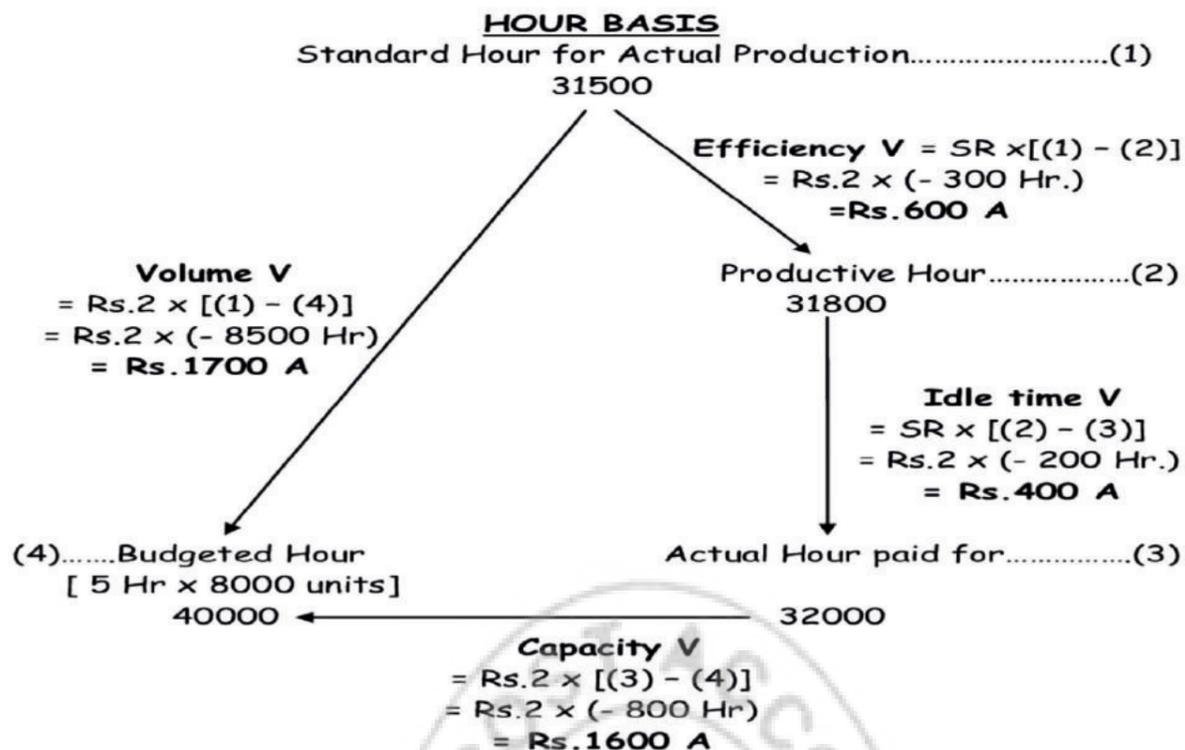
[ Rs.2 x 5 Hrs x 6,300 units ] [31500 Std Hrs]



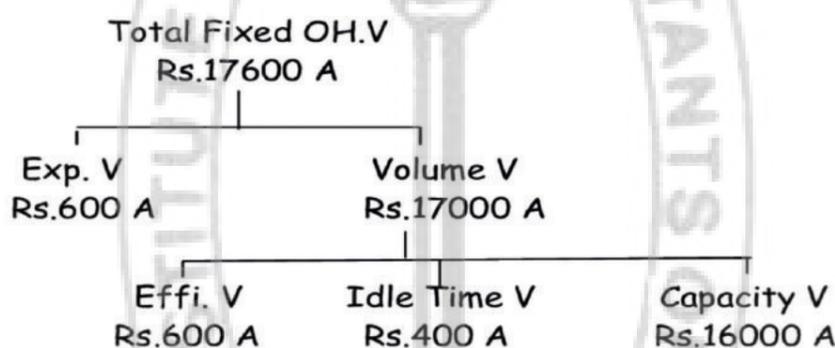
Standard Production Units in Production Hour and Actual Hour

	Hours	Production Units
Standard	5	1
Productive Hr	31800	6360

Actual Hrs. paid for      32000                  6400

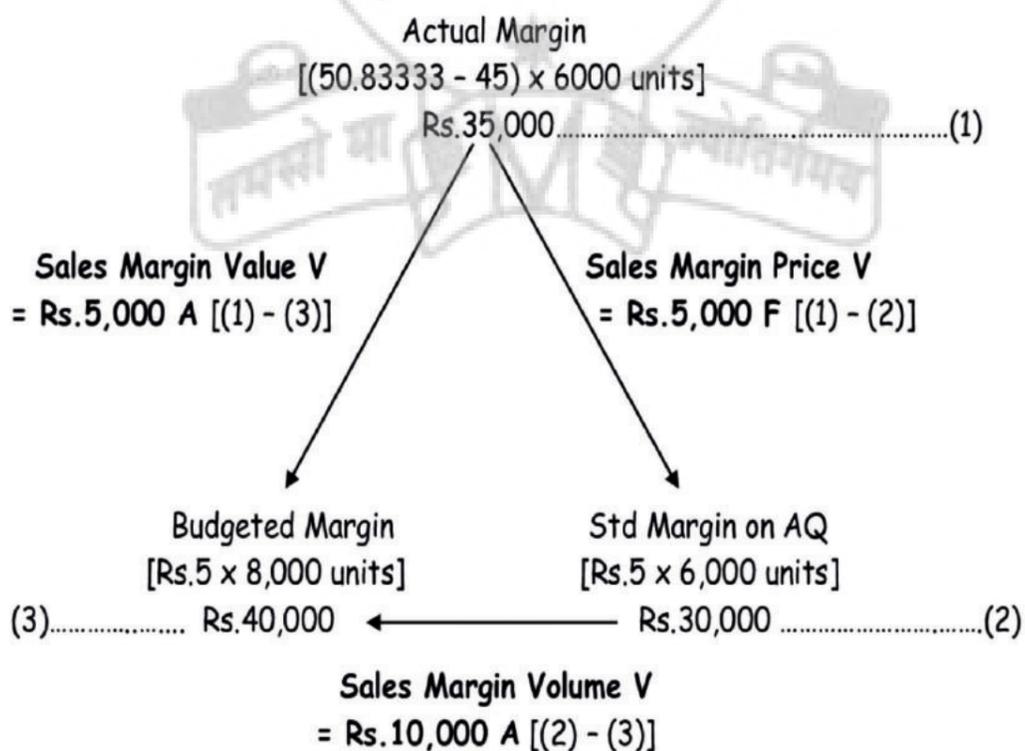


**RECONCILIATION**



**Working Note - 5**

[Actual Sales Price per Unit = Rs.3,05,000/6000 Units = Rs.50.83333]



**Note :** Sales Margin Value V = Sales Margin Volume V + Sales Margin Price Variance  
In addition, the following computation is given for understanding.

Operating Statement showing the Reconciliation of Budgeted and Actual Profit for July 2021

		(Amt. in Rupees)									
W.N.	Budgeted Profit (Rs.5 x 8,000 units)	40000									
5	Sales Margin Variance	5000 A									
	<table style="border: none;"> <tr> <td style="padding-right: 10px;">Price V</td> <td style="padding-right: 10px;">5000 F</td> <td rowspan="2" style="font-size: 2em; vertical-align: middle;">}</td> </tr> <tr> <td>Volume V</td> <td>10000 A</td> </tr> </table>	Price V	5000 F	}	Volume V	10000 A	35000				
Price V	5000 F	}									
Volume V	10000 A										
<b>Cost Variances</b>											
1	<b>Material</b>	6815 A									
	<table style="border: none;"> <tr> <td style="padding-right: 10px;">Price V</td> <td style="padding-right: 10px;">775 F</td> <td rowspan="3" style="font-size: 2em; vertical-align: middle;">}</td> </tr> <tr> <td>Yield V</td> <td>7700 A</td> </tr> <tr> <td>Mix V</td> <td>110 F</td> </tr> </table>	Price V	775 F	}	Yield V	7700 A	Mix V	110 F			
Price V	775 F	}									
Yield V	7700 A										
Mix V	110 F										
2	<b>Labour</b>	1500 A									
	<table style="border: none;"> <tr> <td style="padding-right: 10px;">Rate V</td> <td style="padding-right: 10px;">500 F</td> <td rowspan="3" style="font-size: 2em; vertical-align: middle;">}</td> </tr> <tr> <td>Effi. V</td> <td>1200 A</td> </tr> <tr> <td>Idle time V</td> <td>800 A</td> </tr> </table>	Rate V	500 F	}	Effi. V	1200 A	Idle time V	800 A			
Rate V	500 F	}									
Effi. V	1200 A										
Idle time V	800 A										
3	<b>V. Overhead</b>	1500 F									
	<table style="border: none;"> <tr> <td style="padding-right: 10px;">Expenses V</td> <td style="padding-right: 10px;">1800 F</td> <td rowspan="2" style="font-size: 2em; vertical-align: middle;">}</td> </tr> <tr> <td>Efficiency V</td> <td>300 A</td> </tr> </table>	Expenses V	1800 F	}	Efficiency V	300 A					
Expenses V	1800 F	}									
Efficiency V	300 A										
4	<b>F. Overhead</b>	17600 A									
	<table style="border: none;"> <tr> <td style="padding-right: 10px;">Expense V</td> <td style="padding-right: 10px;">600 A</td> <td rowspan="4" style="font-size: 2em; vertical-align: middle;">}</td> </tr> <tr> <td>Efficiency V</td> <td>600 A</td> </tr> <tr> <td>Idle time V</td> <td>400 A</td> </tr> <tr> <td>Capacity V</td> <td>16000 A</td> </tr> </table>	Expense V	600 A	}	Efficiency V	600 A	Idle time V	400 A	Capacity V	16000 A	24415 A
Expense V	600 A	}									
Efficiency V	600 A										
Idle time V	400 A										
Capacity V	16000 A										
	<b>Actual Profit</b>	<b>Rs.10585</b>									

Steps for Solution (for both Question 1 and 2) :

- 1) Draw separate diagrams as required for each item (i.e. Material / Labour / V. Overheads / F. Overheads / Sales etc.) as shown below.
- 2) Put the given data as well as data derived from Working Notes in the appropriate places of the diagrams as specified.
- 3) Start connecting the same in the way embodied therein.
- 4) The requisite Variances will emerge automatically
- 5) In case of any difficulty, please have a look to the **Solutions through diagrams** hereunder.

Solution through diagrams

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

- 1) Rs.52 - Rs.48 = (+) Rs.4 = Rs.4 Favourable Variance, shown as Rs.4 (F)

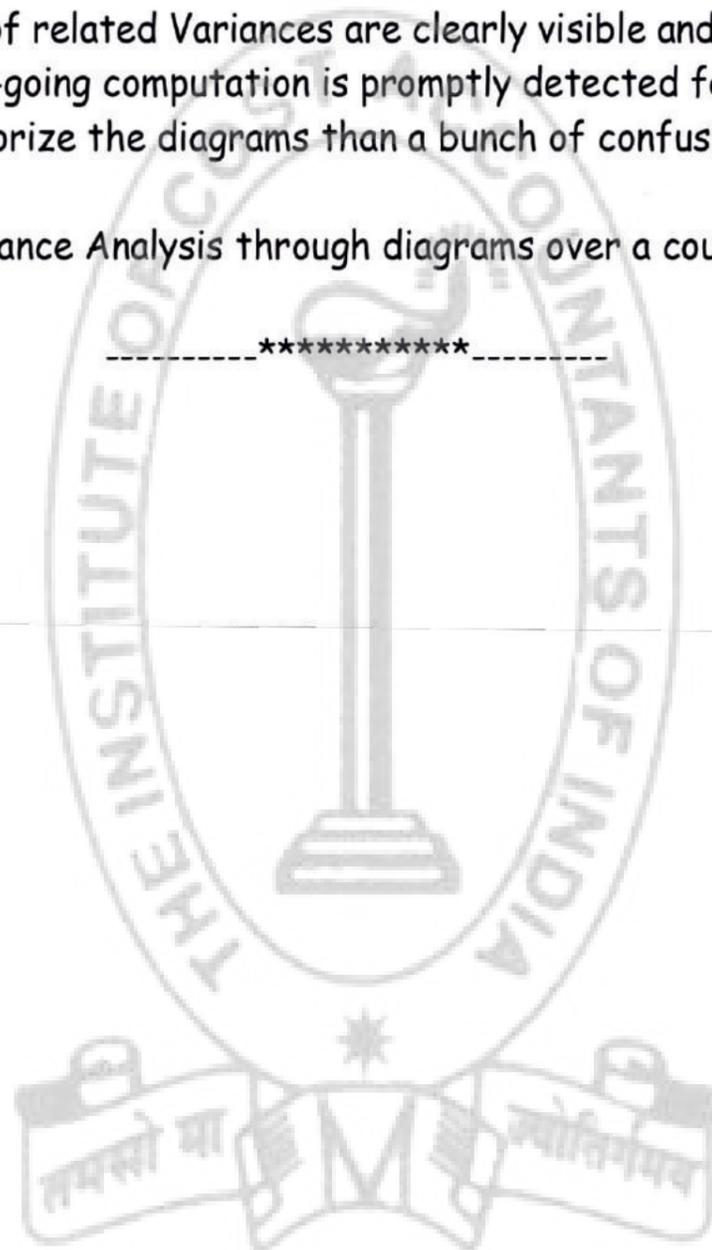
2)  $\text{Rs.52} - \text{Rs.61} = (-) \text{Rs.9} = \text{Rs.9 Adverse or Unfavourable Variance, shown as Rs.9 (A)}$

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

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

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

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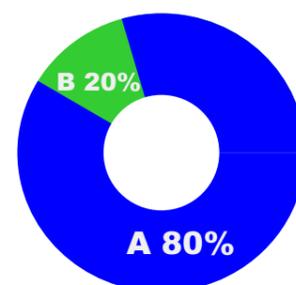


GROUP: II, PAPER:11

# INDIRECT TAXATION (ITX)

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## Your Preparation Quick Takes



### Syllabus Structure

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

**Learning objectives:**

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

**GST**

- 1. What is the time of supply of service in case of reverse charge mechanism ?**
  - a. Date of payment as entered in the books of account of the recipient
  - b. Date of immediately following 60 days from the date of issue of invoice
  - c. Date of invoice
  - d. Earlier of (a) or (b).
- 2. There was increase in tax rate from 20% to 24% w.e.f. 01.09.2019. which of the following rate is applicable when services are provided after change in rate of tax in September, 2019 but invoice issued and payment received, both in August, 2019 :**
  - a. 20% as it is lower of the two
  - b. 24% as it is higher of the two
  - c. 20% as invoice and payment were received prior to rate change.
  - d. 24% as the supply was completed after rate change.
- 3. Which of the following is an inter-state supply ?**
  - a. Supplier of goods located in Delhi and place of supply of goods I to an SEZ located in Delhi.
  - b. Supplier of goods located in Delhi and place of supply of goods in Jaipur.
  - c. Supplier of goods located in Delhi and place of supply of goods is to an SEZ located in Chandigarh.
  - d. All the above
- 4. \_\_\_\_\_ is levied on inter-state supply of goods and services.**
  - a) CGST
  - b) SGST
  - c) IGST
  - d) Both (a) and (b)
- 5. IGST means:**
  - a) Inter-state GST
  - b) Integrated GST
  - c) Import GST
  - d) International GST
- 6. Place of supply of goods, other than supply of goods imported into, or exported from India, when supply involves movement of goods, is the**
  - a. Location of the goods at the time at which the movement terminates for delivery.
  - b. Location of the goods at the time at which the movement starts for delivery
  - c. Location of the principal place or business of the recipient
  - d. Location of the principal place of business of the supplier.
- 7. Where will be the place of supply when the goods are supplied on the direction of the third party ?**
  - a) Location of the supplier
  - b) Location of the recipient
  - c) Location of the third party
  - d) Any of the above.
- 8. Where will be the place of supply of goods supplied in a train which is heading towards Delhi from Chennai, if the goods are taken on board at Coimbatore ?**
  - a) Delhi
  - b) Chennai
  - c) Coimbatore
  - d) None of the above.
- 9. Real estate agent in Delhi charges brokerage fee to Company A located in Chandigarh for assistance in getting a commercial property in Kolkata. Which is the place of supply in this case ?**
  - a) Delhi
  - b) Chandigarh
  - c) Kolkata

d) None of the above.

10. The default rule of place of supply of services made to a registered person shall be The: -

- a) Location of the registered person
- b) Location of the service provider
- c) Location of the recipient
- d) Any of the above

11. The place of supply of services on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle shall be the

- a) Location of the supplier of service
- b) Place where the passenger embarks on the conveyance for a continuous journey.
- c) Location of the first scheduled point of departure of that conveyance for the journey
- d) Any of the above.

12. Value of supply of goods and services shall be the

- a) Transaction value
- b) MRP
- c) Market Value
- d) None of above

13. The value of supply should include

- a) Any non-GST taxes, duties, cesses, fees charged by supplier separately.
- b) Interest, late fee or penalty for delayed payment of any consideration for any supply of goods or services.
- c) Subsidies directly linked to the price except subsidies provided by the Central and State Government
- d) All of the above.

14. Which of the following shall not be included in value of supply ?

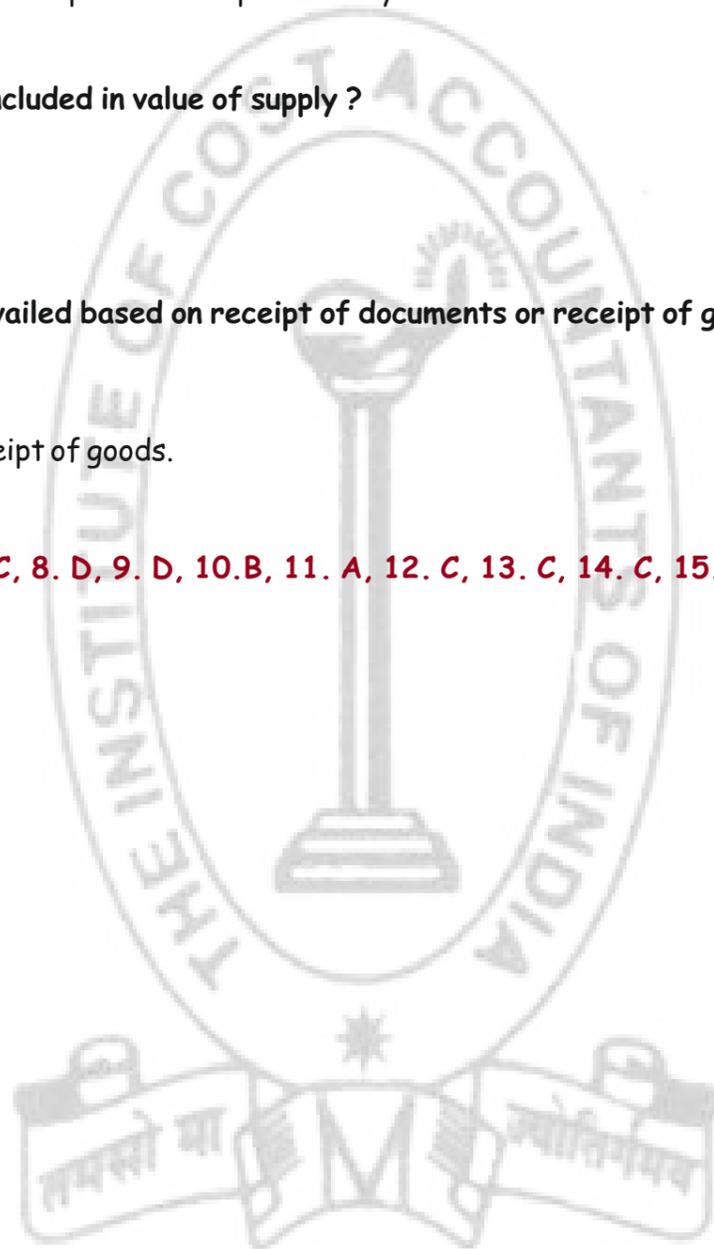
- a) GST
- b) Interest
- c) Late fee
- d) Commission

15. Whether credit on inputs should be availed based on receipt of documents or receipt of goods

- a) Receipt of goods
- b) Receipt of Documents
- c) Both
- d) Either receipt of documents or receipt of goods.

#### ANSWERS

1. D, 2. D, 3. C, 4. A, 5. A, 6. D, 7. C, 8. D, 9. D, 10. B, 11. A, 12. C, 13. C, 14. C, 15. A.

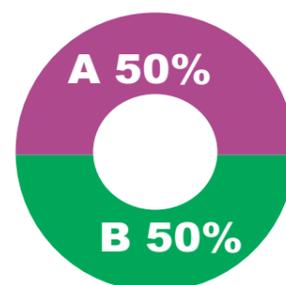




**GROUP: II, PAPER:12**  
**COMPANY**  
**ACCOUNTS & AUDIT (CAA)**

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# Your Preparation Quick Takes



## Syllabus Structure

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

**Learning Objectives:**

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

**Company Accounts & Audit****Q. State four salient advantages of audit?**

A. The chief advantages of audit are:

It ensures the correctness of accounts

It enables the detection and prevention of fraud.

It makes the staff alert and vigilant.

It instills confidence in the minds of large number of investors.

**Q. State the chief limitation of audit?**

A. The audit does not give any guarantee as to the correctness of financial accounts.

The auditing does not reveal complete picture as it has to depend on facts shown in the books of accounts.

It is post mortem examination. It is less helpful for the past.

The auditor has to rely upon the certificates submitted by officials.

**Q. What are the different types of errors?**

A. Error of omission- when any transaction is omitted wholly or partially from being recorded in the books-

Error of commission occurs because of incorrect records in the books of account.

Error of duplication occurs if the same transactions has been recorded twice in the books of original entry.

Compensating error may arise when errors counteract each other.

Error of principle arises when the transactions are not recorded in the books of account according to the fundamental and accepted principles of accountancy.

**Q. What is the auditor's duty in detection of errors?**

A. The detection of errors is an important part of an auditor's duties since it involves the accuracy of the accounts and the statements. He has always to be very careful about the errors.

Although the auditor's duty is confined to careful and intelligent enquiries only, yet he must exercise reasonable care and skill in connection with the detection of errors.

In case he has exercised reasonable care and skill in examining the accounting records, he can not be held liable for the detection of errors and frauds.

It was clearly stated in the judgment of KINGSTON COTTON MILL case that "an auditor is a watchdog and not a bloodhound"

**Q. What is FRAUD?**

Fraud is illegal alteration of financial statements of a concern to manipulate its financial health or to hide profit/loss.

Fraud occurs when deliberate misstatements are made like overstatement of assets.

**Q. What is the duty of auditor in regard to fraud?**

A. The detection of fraud by the auditors is also of considerable importance and is more difficult than the detection of errors. He has to take pain to detect it.

The discovery of fraud is no longer the principal object of the annual audit, but it does not mean that the auditor should be negligent.

**Q. What is audit in depth?**

A. Audit in depth means the examination of system applied within a business entraining the tracing of certain transactions from their origin to the conclusion.

An auditing in depth would definitely bring about greater accuracy and reliability of accounting records.

**Q What is audit committee?**

A. An audit committee is a committee of an organisation's board of directors which is responsible for oversight of the financial reporting process, selection of independent auditor and receipt of audit results both internal and external.

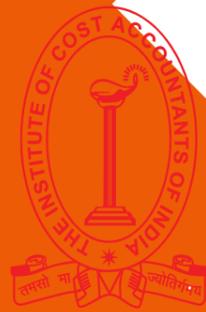
Q. What is the provision of audit committee in companies' act 2013?

A. Sec 177 of the companies act 2013 state that the board of directors of every listed companies and the specified classes of companies as per Rule 6 of companies meetings of Board and its power rules 2014 shall constitute an audit committee. The audit committee shall consist of 3 directors with independent director forming a majority.

Q. What are the main functions of audit committee?

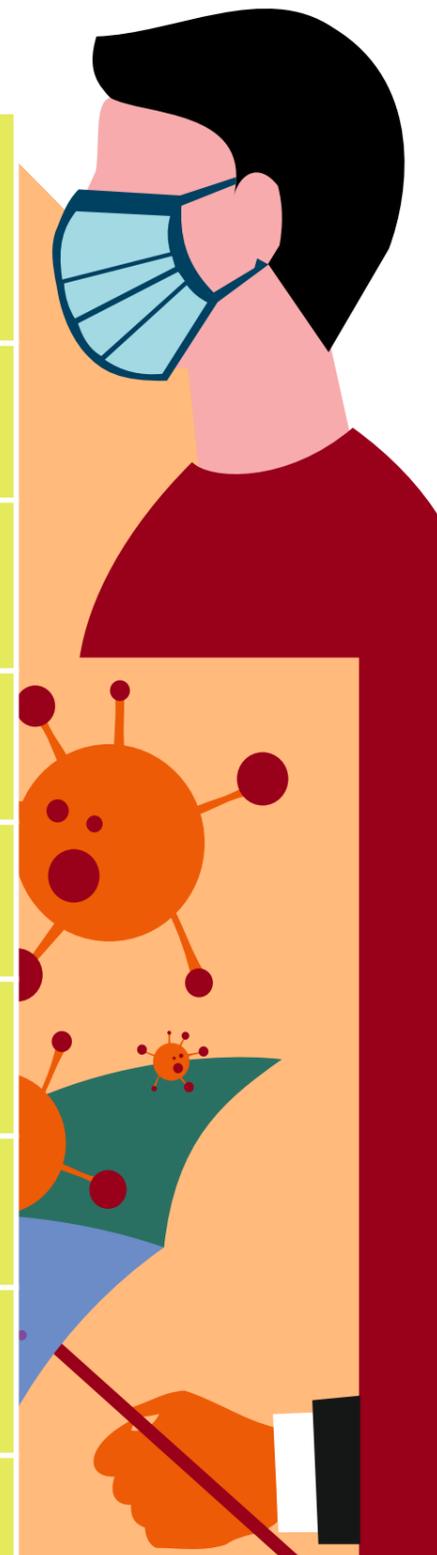
A. Audit committee shall act in the areas which include-  
The recommendation of appointment, remuneration and terms of appointment of auditors  
Review and monitor auditor's performance  
Examination of financial statements auditor's report etc



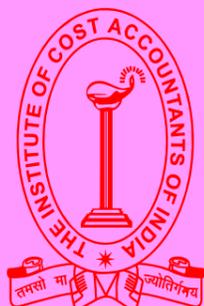


# Examination TIME TABLE

Day & Date	Intermediate Examination Syllabus-2016 Time 10.00 a.m. to 1.00 p.m.
21 st October, 2021 (Thursday)	Financial Accounting (Paper 05) (Group - I)
22 nd October, 2021 (Friday)	Operations Management & Strategic Management (Paper 09) (Group - II)
23 rd October, 2021 (Saturday)	Laws & Ethics (Paper 06) (Group - I)
24 th October, 2021 (Sunday)	Cost & Management Accounting and Financial Management (Paper 10) (Group - II)
25 th October, 2021 (Monday)	Direct Taxation (Paper 07) (Group - I)
26 th October, 2021 (Tuesday)	Indirect Taxation (Paper 11) (Group -II)
27 th October, 2021 (Wednesday)	Cost Accounting (Paper 08) (Group - I)
28 th October, 2021 (Thursday)	Company Accounts & Audit (Paper 12) (Group - II)



**STAY HOME STAY SAFE**



# PRACTICAL Advice

## ABOUT YOUR STUDIES - INTERMEDIATE COURSE

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

START

01

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

**Solve Exercises  
given in Study Note**

02

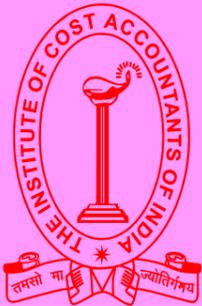
03

**Assess Yourself**

**Appear For Examination**

04

FINISHED



# SUBMISSIONS



## Update of E-Mail Address/Mobile:

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

Dear Students,

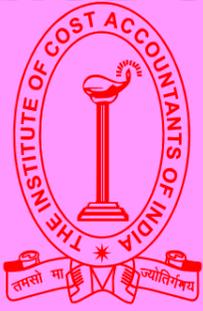
We are very much delighted to receive responses from all of you; for whom our effort is!

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

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

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,

Passing the exam is a happy event. Congratulations on all that you have accomplished! There is no secret of success. It is the result of preparation, hard work and learning from failure. Well done! It is clear that the future holds great opportunities for you.

Those who could not pass, failing in an exam does not mean failing in life. All of us face failure at one time or another. Try to focus your attention on the importance of perseverance and mind it that dedication and determination plays the lead role in shaping a person's life.

We from the Directorate of studies know your expectations from us and accordingly we are trying to deliver 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 Books, MCQs and we have conducted Webinar sessions.

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 link mentioned below :**

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

- Don't give up
- Don't give in
- Don't give out
- You can win!

**The Institute is pleased to inform that the University Grants Commission (UGC) Ministry of Education, Govt. of India has announced that CMA qualification be Considered equivalent to PG Degree.**

**GOOD LUCK**

**Be Prepared and Get Success;**

**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

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



Statutory Body under an Act of Parliament

### 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

✉ [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.**

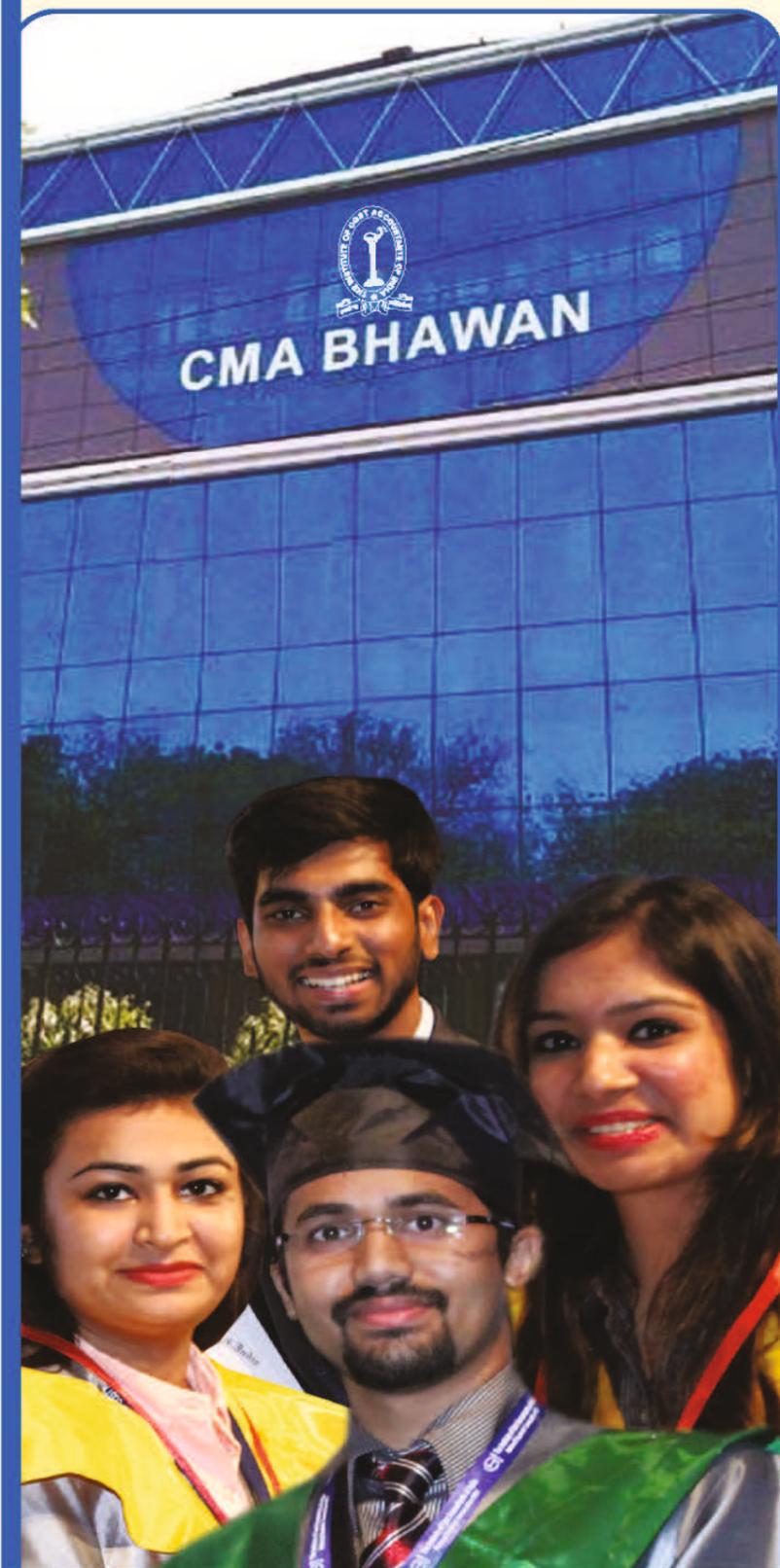
### Few of Our Proud Recruiters



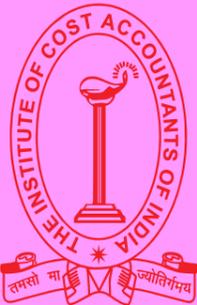
✉ [placement@icmai.in](mailto:placement@icmai.in) / [cpt@icmai.in](mailto:cpt@icmai.in)

☎ + 91 33 40364770

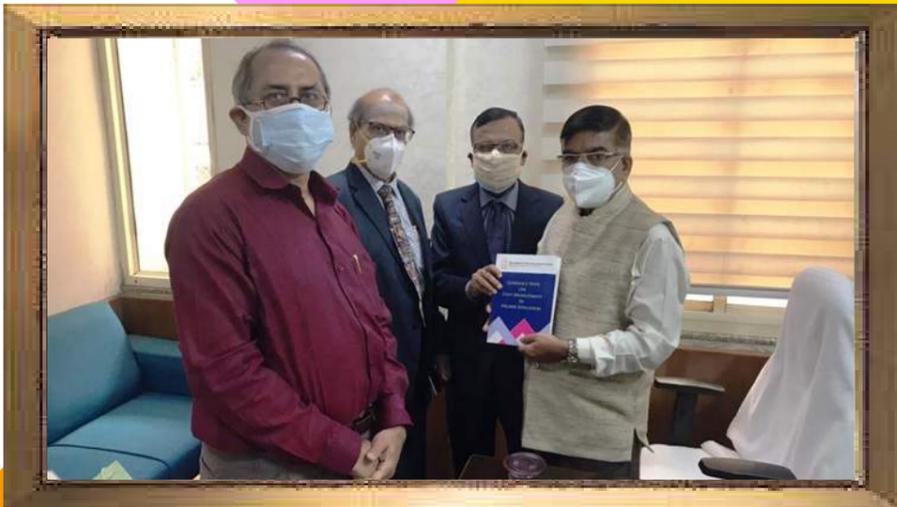
Behind every successful business decision, there is always a **CMA**



# Few Snapshots



Glimpses of 75th Independence Day Celebrations by the Institute



CMA Biswarup Basu, President of the Institute along with CMA P Raju Iyer, Vice President, CMA Chittaranjan Chattopadhyay, Chairman BFSI Board & Indirect Taxation Committee of the Institute and CMA B.B. Goyal, Advisor, ICWAI MARF & former Addl. Chief Adviser (Cost), Ministry of Finance, GoI had an opportunity to meet Dr. Subhas Sarkar, Hon'ble Union Minister of State for Education on 4th August, 2021 to discuss important matters related to the profession.



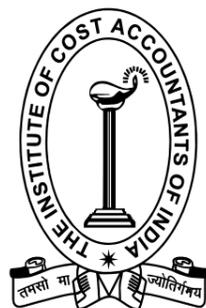
CMA P Raju Iyer Vice President handing over proposal of CAT & AAT Board ICAI to VC, Pondicherry Shri. Gurmeet Singh along with CMA H Padmanabhan, Chairman, CMA Dr K Ch A V S N Murthy, CMA Chittaranjan Chattopadhyay, CMA Rakesh Singh Former President and CMA Vijender Sharma, Chairman PD from Institute side while other Officials of University were witness



CMA (Dr.) Ashish P. Thatte, Chairman, Corporate Laws Committee extending greetings to Smt. Darshana Vikram Jardosh, Hon'ble Union Minister of State for Railways and Textiles on 29th July, 2021



Glimpses of the MOU signing ceremony between the Institute of Cost Accountants of India and ACCA, UK on 9th August, 2021.



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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

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