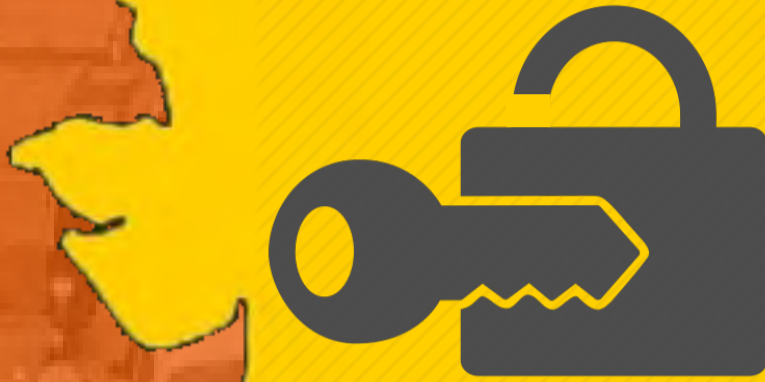


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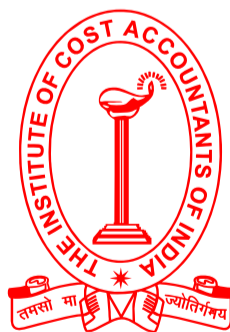
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CMA Student E - Bulletin

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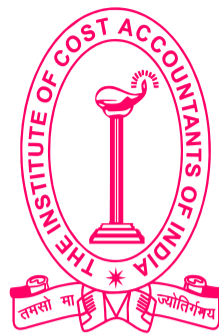
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Behind every successful business decision, there is always a **CMA**

Message from The Chairman

CMA Biswarup Basu

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



MESSAGE FROM THE CHAIRMAN

Dear Students,

Greetings!!

"You must not lose faith in humanity. Humanity is an ocean; if a few drops of the ocean are dirty, the ocean does not become dirty" - M.K. Gandhi

Always hope for the best! Long drawn lockdown has bogged down the level of pollution everywhere. Now it is the duty for us to nourish the greenery and environment, and help mother earth to rejuvenate for the days to come. COVID 19 is still in growth stage. Stay safe and ensure everyone around you are staying safe. The world needs people with high values to make it a better place to live in. We always prefer to see that our students are contributing positively towards the development of a new and refreshed environment with the accomplishment of requisite knowledge.

The Directorate of Studies is always there to provide the students with all possible supports and guidance. Live Webinars are being conducted for the benefit of the students; recorded webinars are kept in the e-library. Answers to the Mock Test Papers (MTPs), updated Work Books and monthly E-bulletins are also being uploaded in our website as per the schedule. Eminent academicians and industry personalities are contributing regularly for the knowledge development of our students. Being the Chairman of Training & Education Facilities and Placement Committee, I am really thankful to all of them. Hence, I am requesting you to carry on with your revisions and try to grab the various academic inputs offered by the Directorate of Studies.

"Students' Connect" section has been made live this month for the convenience of all our students to view and download various online services under one umbrella offered to them.
[\[https://icmai.in/studentswebsite/Students-E-Services.php\]](https://icmai.in/studentswebsite/Students-E-Services.php)

Always keep in mind that, **"A small body of determined spirits fired by an unquenchable faith in their mission can alter the course of history"**.

Best wishes as always,

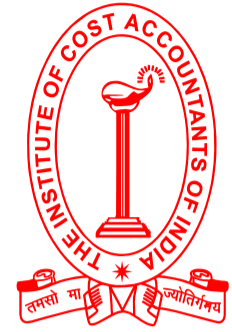
CMA Biswarup Basu
Chairman, Training & Education Facilities and Placement Committee

Be a CMA, be a Proud Indian

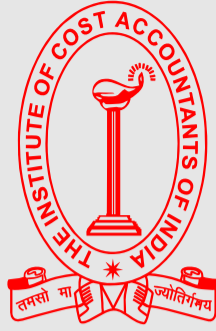
**Stay Home
Stay Safe**



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KNOWLEDGE Update



**STAY HOME
STAY SAFE**

#stayhome #staysafe

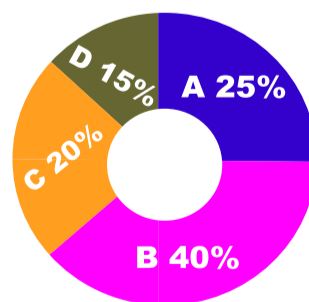
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.



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

Dear students, you are now at the threshold of your CMA intermediate examination. I really expect that you have prepared yourselves well enough to face it. In the examination hall, the most important factor is time management. Let me share one story.

Once a professor had given a small task to his students. The job is to fill up a basket with three items - some pieces of stone chips, a heap of sand kept in another small basket and some pieces of broken pieces of bricks. A student came and found it easy to pour the sand from one basket to another. He did it first followed by putting the chips. However he found it very difficult to put the broken pieces due to lack of space. Professor had a smile and he asked the boy to start with the bricks first followed by chips and at last the sands so that small particles of sands will manage the space. Surprisingly the boy became successful then.

I will also suggest you start with the big sums carrying more marks (bricks), followed by the medium level sums (chips) and lastly the multiple objectives (sands). This strategy may help you because the time limit is only three hours (the size of the basket) which is fixed. If you scan your syllabus you will see the weight assigned to various topics are in the following manner. Follow the table given below and proceed as advised. Hope this will be helpful to all for revision.

Unit	Marks	Topics	Remarks	Advice
Unit 1 and 2	25 marks	Basic concept, bills of exchange, consignment, joint venture, insurance claim	Easy and allotment of marks are moderate.	Cover every area as far as possible for concept building and score as well
Unit 3, 4, 5 and 6	40 marks	Bad debt, final accounts, single entry, NPO, Partnership	Low weight, easy but high allotment of marks	Put more time on it.
Unit 7, 8, 9, 10	20 marks	Self balancing, royalty, HP, Branch, departmental	Heavy weight topic with small allotment of marks	All chapters are very big. So revise these at last because only 20 marks are allotted.
Unit 11 and 12	15 marks	Computerized accounting and AS	Very easy and concept based theoretical analysis	Just read and memorise. Very easy questions are asked.
Total	100 marks			

Take good care of it. Keep in mind all the important formulae and don't take unnecessary pressure. In this issue, I will not provide any study material, but some revisionary sums. Solve these carefully. Hope these will help you. Wish you good luck.

Q.1 A of Mumbai consigned 100 boxes of tea to B of Kolkata at an invoice price of 500 per box which was cost plus 25%. As per agreement B will get a general commission of 10% on gross sales. Besides, B will get a special commission of 25% on excess of sale proceeds less general commission over the invoice price. A made the following expenses for sending the goods:

Freight 1,000, Insurance 500, Other expenses 300.

The expenses incurred by B were:

Carriage 200; Godown rent 600; Insurance 300; 200. Clearing charges 400 Miscellaneous selling expenses 200. It was found that 10 boxes were lost in transit and another 10 boxes were still in transit. 3,500 was received from the insurance company for the lost goods. B sold 50 boxes for 35,000 and sent a bank draft to A to settle his account. You are required to show necessary ledger accounts in the books of A (working notes are to be shown).

Q.2 Modern transporter purchased a truck on Hire Purchase from Hindustan Motors for Rs.56,000. The truck was purchased on 01.01.2016. Payment is to be made Rs.15,000 cash as down payment and three installments of Rs.15,000 each at the end of each year. Rate of interest charged is 5% p.a. buyer depreciates assets @ 10% p.a. on WDV method. Due to financial difficulties Modern transporter after having paid the down cash and the first installment at the end of the first year, could not pay the second installment and Hindustan Motors took possession of the truck. Prepare Truck a/c and Seller a/c in the books of the buyer assuming the year ends on 31st December.

Q.3 The trial balance of a business is given below:

ITEM	DR	CR	ITEM	DR	CR
Returns	25900	10900	Purchase	340000	
Disc. received		5200	Reserve		75000
Sales		612700	Wages	65800	
Commission		11500	Discount allowed	6500	
Bills receivable	60000		Sundry debtors	85800	
Carriage inward	14900		Freight	12400	
Plant & machinery	85600		Bills payable		44800
Investments	22400		Furniture	48600	
Sundry creditors		40000	Carriage outward	15200	
Salaries	15500		Opening stock	35900	
Freehold premises	105000		Cash at bank	24700	
Drawings	5300				
Capital		150000	Cash in hand	1600	
6% Bank Loan		20000	Prov. For D/D		1000
				971100	971100

Prepare Trading Account and Profit and Loss Account for the year ended 31.12.2017 and a balance sheet as on that date after taking into account the following adjustments:

- The market price of the closing stock is Rs. 100000 which includes a profit margin of Rs. 15000.
- Outstanding liabilities for salaries Rs.4500 and for wages Rs. 9800
- Depreciate Furniture by 15 % and Plant and Machinery by 20 %
- Sundry Debtors include Rs. 1800 as bad which is to be written off.
- Create a provision for bad debt @ 5 % on sundry debtors.
- Goods distributed as free sample Rs. 500.
- Goods lost by fire Rs. 20800 and insurance claim admitted for Rs. 16000.
- Goods drawn for personal use Rs. 2100.
- Commission received Rs. 1500 is yet to be earned.

Q.4 Anil and Mukesh enter into a venture to take a job for Rs.240000. they provide the following information regarding the expenditure incurred by them:

	ANIL	MUKESH
MATERIALS	68000	50000
CEMENT	13000	17000
WAGES		27000
ARCHITECTS FEES	10000	
LICENSE FEES		5000
PLANT		20000

Plant was valued at Rs.10000 at the end of the contract and Mukesh agreed to take it at that value. Contract amount was received by Anil. Show necessary accounts.

Q.5 P Q AND R ARE PARTNERS SHARING PROFITS AND LOSSES IN THE RATIO 2:2:1. THEIR BALANCE SHEET AS ON 31.03.2018 IS AS FOLLOWS:

BALANCE SHEET

CAPITAL:		PLANT AND MACHINERY	108000
P	120000	FIXTURES	24000
Q	48000	STOCK	60000
R	24000	DEBTORS	48000
RESERVE FUND	60000	CASH	60000
CREDITORS	48000		

	300000		300000
--	--------	--	--------

THEY DECIDED TO DISOLVE THE FIRM. FOLLOWING ARE THE AMOUNTS REALISED FROM THE ASSETS:

PLANT AND MACHINERY 102000, FIXTURES 18000, STOCK 84000, DEBTORS 44400

CREDITORS ALLOWED A DISCOUNT OF 5 % AND REALISATION EXPENSES AMOUNTED TO Rs.1500/-. A BILL OF RS.4200 DUE FOR SALES TAX WAS RECEIVED DURING THE COURSE OF REALISATION AND THIS WAS ALSO PAID.

PREPARE REALISATION ACCOUNT, CASH ACCOUNT AND CAPITAL ACCOUNTS.

Q.6 A, B, C and D are partners in a firm sharing profits and losses in the ratio of 3:3:2:2. The following is their balance sheet as on 30.06.2018.

BALANCE SHEET

LIABILITIES	RS	ASSETS	RS
CAPITAL: A	20000	FIXTURES	4000
B	15000	TRADE MARK	7000
C		STOCK	10000
D		DEBTORS	15500
A's Loan	10000	CASH	2000
CREDITORS	15500	CAPITAL: C	16000
		D	6000
	60500		60500

The firm was dissolved as on the above date. B being appointed to realize the assets and pay off liabilities, he is entitled to receive 5 % as his remuneration on the amounts finally paid to other partners towards their capital. The expenses of realization were to be borne by B.

The assets realized as follows:

Debtors Rs.11000, stock Rs.8000, fixture Rs.1000, trademarks Rs.4000.

Creditors were paid off in full including a contingent liability of 2500 in respect of bills discounted materialized. Expenses of realization amounting to Rs.500 were paid by the firm. As C was insolvent, Rs.3700 would be recovered from his private estate. Close the books of the firm applying the rule of Garner Vs Murray.

Q.7 Mr X purchased on 01.04.2015 a machinery from credit ltd. On hire purchase basis. It was agreed to pay the amount as below:

On signing the agreement Rs. 50000

First installment on 31.03.2016 Rs.29000

Second installment on 31.03.2017 Rs. 14500

Third installment on 31.03.2018 Rs. 13500.

The above installments include interests @ 8 % pa. X ltd paid all the installments within the due date.

Pass the necessary journal entries in the books of credit ltd (Hire Vendor).

Q.8 P Q AND R ARE PARTNERS SHARING PROFITS AND LOSSES IN THE RATIO 2:2:1. THEIR BALANCE SHEET AS ON 31.03.2018 IS AS FOLLOWS:

BALANCE SHEET

CAPITAL:		PLANT AND MACHINERY	108000
P	120000	FIXTURES	24000
Q	48000	STOCK	60000
R	24000	DEBTORS	48000
RESERVE FUND		CASH	60000
CREDITORS	48000		
	300000		300000

THEY DECIDED TO DISOLVE THE FIRM. FOLLOWING ARE THE AMOUNTS REALISED FROM THE ASSETS:

PLANT AND MACHINERY 102000, FIXTURES 18000, STOCK 84000, DEBTORS 44400

CREDITORS ALLOWED A DISCOUNT OF 5 % AND REALISATION EXPENSES AMOUNTED TO Rs.1500/-. A BILL OF RS.4200 DUE FOR SALES TAX WAS RECEIVED DURING THE COURSE OF REALISATION AND THIS WAS ALSO PAID.

PREPARE REALISATION ACCOUNT, CASH ACCOUNT AND CAPITAL ACCOUNTS.

Q.9 A fire occurred in the warehouse of Dev and co on 15.05.2017 causing a destruction of a large part of stock. The firm had a fire policy of Rs. 547200 to cover the loss of stock. From the following particulars calculate the amount of claim.

	Rs.
Purchase for the year 2017	3001600
Sales for the year 2017	3712000
Purchase from 1.1.2017 to 15.05.2017	582400
Sales from 1.1.2017 to 15.05.2017	768000
Stock on 1.1.2017	460800
Stock on 31.12.2017	774400
Wages paid during 2017	320000
Wages from 1.1.2017 to 15.05.2017	57600
Stock salvaged	89600

In 2017 some goods were destroyed by fire. The cost of such goods was Rs. 160000. These goods were not covered by insurance policy.

In valuing the stock of 31.12.2017 stock costing Rs. 34000 were found to be of poor selling line and Rs. 6000 in relation to such stock were written off. A portion of such goods (original cost Rs. 5000) were sold in April 2018 at a loss of Rs. 1000 on original cost. Remainder of the stock are now estimated to be worth the original cost. Subject to the above exception gross profit has remained at a uniform rate throughout.

Q.10. A Ltd. provides for doubtful debts @ 5% and for discount on debtors @ 2%. From the following details you are required to show the journal entries in the books of A Ltd.

Debtors as on 31.12.16 were 25600 including bad debts of 600. . Debts written off during the year excluding this was 1,330. Discount allowed during the year 400. Provision for doubtful debts and that for discount on 1.1.16 were 2,740 and 380 respectively.

Q.11. From the following particulars extracted from the books of Mr. Z, prepare general ledger adjustment account in the debtors ledger:

1.1.16 Debtors ledger balance 2,74,000.

Transactions during the year :

Credit sales 139000 Cash received from customers 154000 Returns from customers 4000 Bad debts written off 14400
Acceptances received from customers 51000 Cash sales 100000 Sundry charges debited to customers 1000 Discount allowed to customers 2600 Bills receivable dishonoured 4200 Bills receivable discounted 6000 Transfer from bought ledger to sales ledger 3000.

Q.12 Prepare from the following list of balances extracted from the books of M/s. Ramjee in, a trial balance, a trading and profit and loss account for the year ended 31st December, 2016 and a balance sheet as on that date :

Cash in hand 500 Overdraft at Central Bank 22400 Sundry debtors 100000 Sundry creditors 66000 Stock-in-trade (on 1.1.16) 50000 Loan (Cr.) 20000 Wages 10000 Discounts (Cr.) 2500 Salaries 5000 Drawings 8000

Machinery 20000 Buildings 80000 Interest paid on loan 600 Sundry expenses 3400 Advertisement 6000 Purchases 45000 Sales 120000 Goodwill 15000, Rent 1500 bad debt provision 3500

Additional information :

(a) During the year expenditure on erection of new buildings amounting to 5,000, has been included in equal proportions under wages and purchases.

(b) Debts amounting to 5,000 are to be written off and a provision of 10% on sundry debtors is to be provided for bad and doubtful debts. Also create a provision of 4% for discount on debtors and 27% for discounts on creditors.

(c) Rates paid in advance 500

(d) Interest on loan at 6% p.a. due for six months.

(e) depreciate machinery by 15% and buildings by 10%. Write off 5,000 against goodwill and 1,000 against advertisements.

(f) Bank overdraft is secured against hypothecation of stock-in-trade. The outstanding amount of overdraft on 31st December, 2016 represents 70% of the drawing power. The drawing power is determined by deducting a margin of 20% from the value of stock-in-trade.

TAKE GOOD CARE OF YOUR HEALTH AND GO WITHOUT ANY STRESS.

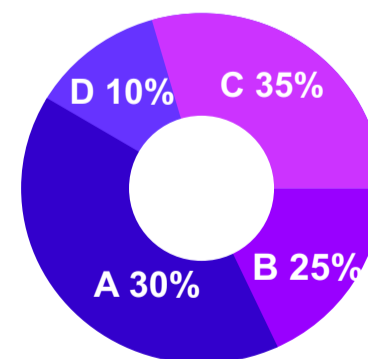




GROUP: I, PAPER: 6
LAWS & ETHICS
(LNE)

CA Partha Ray
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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.

LAW & ETHICS

It is hoped that you - the students , who are getting ready for the exams soon, are now focusing on revising. Please prepare a time-table with time allotted for each subject and read, write , revise and recapitulate all that you keep on reading. **I hope that you have noticed that the important points in my articles are generally highlighted. I suggest that while revising, please focus on those highlighted points and keep those in mind..** *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 respect of such papers , the students are reminded that they must study the relevant Sections of the Act , write what the question wants and then attempt to elaborate by analyzing and commenting on the interpretations of the Act.*

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

Rule 6 of Companies (Share Capital and Debenture) Rules, 2014 is regarding Issue of renewed or duplicate share certificate. -

(1)(a) the certificate of any share or shares shall not be issued either in exchange for those which are sub-divided or consolidated or in replacement of those which are defaced, mutilated, torn or old, decrepit, worn out, or where the pages on the reverse for recording transfers have been duly utilised, unless the certificate in lieu of which it is issued is surrendered to the company

The company may charge such fee as the Board thinks fit, not exceeding fifty rupees per certificate issued

Replace all the existing certificates by new certificates - A company may replace all the existing certificates by new certificates upon sub-division or consolidation of shares or merger or demerger or any reconstitution without requiring old certificates to be surrendered subject to compliance with clause (a) of sub-rule (1) rule 5, sub-rule (2) of rule 5 and sub-rule (3) of rule 5.

Sec 46(5) deals with punishment : If a company with intent to defraud issues a duplicate certificate of shares, the company shall be punishable with fine which shall not be less than five times the face value of the shares involved in the issue of the duplicate certificate but which may extend to ten times the face value of such shares or rupees ten crores whichever is higher and every officer of the company who is in default shall be liable for action under section 447.

Rule 6(3) of Companies (Share Capital and Debenture) Rules, 2014 provides that :

(a) The particulars of every share certificate issued in accordance with sub-rules (1) and (2) shall be entered forthwith in a Register of Renewed and Duplicate Share

Certificates maintained in Form No.SH.2 indicating against the name(s) of the person(s) to whom the certificate is issued, the number and date of issue of the share certificate in lieu of which the new certificate is issued, and the necessary changes indicated in the Register of Members by suitable cross-references in the "Remarks" column.

(b) **The register shall be kept at the registered office of the company** or at such other place where the Register of Members is kept and it shall be preserved permanently and shall be kept in the custody of the company secretary of the company or any other person authorized by the Board for the purpose.

(c) **All entries made in the Register of Renewed and Duplicate Share Certificates shall be authenticated by the company secretary** or such other person as may be authorised by the Board for the purposes of sealing and signing the share certificate under the provisions of sub-rule (3) of rule 5.

Rule 8(2) Explanatory Statement to be annexed to the notice of the general meeting

Rule 8(2) provides that the explanatory statement to be annexed to the notice of the general meeting pursuant to section 102 shall contain the following particulars, namely:-

- ❖ **the date of the Board meeting** at which the proposal for issue of sweat equity shares was approved;
- ❖ **the reasons** or justification for the issue;
- ❖ **the class of shares under which sweat equity shares are intended to be issued;**
- ❖ **the total number of shares to be issued as sweat equity;**
- ❖ **the class or classes of directors or employees** to whom such equity shares are to be issued;
- ❖ **the principal terms and conditions** on which sweat equity shares are to be issued, including basis of valuation ;
- ❖ **the time period of association** of such person with the company;
- ❖ **the names of the directors or employees** to whom the sweat equity shares will be issued and **their relationship with the promoter** or/and key managerial personnel;
- ❖ **the price at which the sweat equity shares are proposed to be issued;**
- ❖ **the consideration including consideration other than cash**, if any to be received for the sweat equity;
- ❖ **the ceiling on managerial remuneration**, if any, be breached by issuance of such sweat equity and how it is

proposed to be dealt with;

- ❖ a statement to the effect that the company shall conform to the applicable accounting standards; and
- ❖ diluted Earning Per Share pursuant to the issue of sweat equity shares, calculated in accordance with the applicable accounting standards.

Let us understand what is Sweat Equity Shares. Please refer Section 2(88) which defines Sweat Equity Share read with Sec.54 of the Companies Act,2013 and Rule 8 of the Companies (Share Capital and Debenture) Rules,2014 -

Sweat Equity Shares are shares :

- ❖ Which are issued to Directors or Employees
- ❖ Shares are issued at a discount or for consideration, other than cash;
- ❖ Shares are issued to those Directors or Employees for providing their know-how or for making available Rights in the nature of Intellectual Property Rights (IPR) or Value Additions.

Issue of Bonus Share - Sec.63

63 (1) provides that - A company may issue fully paid-up bonus shares to its members, in any manner whatsoever, out of—

- (i) its free reserves;
- (ii) the securities premium account; Or
- (iii) the capital redemption reserve account:

Provided that no issue of bonus shares shall be made by capitalising reserves created by the revaluation of assets.

63(2) provides that no company shall capitalise its profits or reserves for the purpose of issuing fully paid-up bonus shares under sub-section (1), unless—

- (a) it is authorised by its articles;
- (b) it has, on the recommendation of the Board, been authorised in the general meeting of the company;
- (c) it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;
- (d) it has not defaulted in respect of the payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus;
- (e) the partly paid-up shares, if any outstanding on the date of allotment, are made fully paid-up;
- (f) it complies with such conditions as may be prescribed.

(3) The bonus shares shall not be issued in lieu of dividend.

Issue of Employees' Stock Option

Let us have our concept clear about Employees' Stock Option Plan (ESOP).

What is ESOP? The answer is simple. ESOP is an incentive issued

generally by Start-up organizations in order to motivate the employees to join the company with a smaller pay packet but get an opportunity to share in the prosperity of the company. It is actually a Compensation Deal.

The advantage of ESOP is that such employees start getting rewarded for their performance as the company grows and prospers. Such employees devote themselves in the company with a Long Term Commitment, to improve and share the fruits of increased profits.

It may be kept in mind that *ESOP is not an obligation but it is a Right of the Employee to Purchase certain amount of share of the company at a Pre-determined Price.*

The following can be some of the advantages derived from ESOP :-

1. The employee develops a sense of belonging to the organizations
2. The employee takes more interest in the organization's growth
3. The employee gets rewarded as the profitability rises
4. The company is able to retain the employees ;
5. The company grows faster with improved profitability.

Section 2(37) of The Companies Act,2013 defines "Employees Stock Option". This section has to be read with Rule 12 of the Companies (Share Capital and Debentures) Rules,2014

The following points about Eligibility for ESOP may be remembered:

1. Private Companies have to offer ESOP after approval of shareholders by way of Ordinary Resolution ;
2. For Listed Companies, Rule 12(11) provides that the ESOP shall be issued as per SEBI Regulations ;
3. For Unlisted Companies, an Approval of the Shareholders by way of Special Resolution is required u/s 62(1) (b) of the Companies Act,2013 read with Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014.

Definition of Employee

For the purpose of the Section 62(1)(b) and Rule 12, "Employee" means -

- a. A permanent employee of the company who has been working in India or outside India; or
- b. A director of the company, whether a whole time director or not but excluding an independent director; or
- c. An employee as defined in clause (a) or (b) of a subsidiary, in India or outside India, or of a holding company of the company or of an associate company, but does not include-
 - i. An employee who is a promoter or a person belonging to the promoter group; or
 - ii. A director who either himself or through his relative or through any corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the company.

It may be pointed out that, in order to promote startups, the Ministry of Corporate Affairs vide Notification dated

19.07.2016 issued the Companies (Share Capital and Debentures) Third Amendment Rules, 2016 wherein it was provided that Startups may issue the shares under ESOP to their promoters and directors who hold more than 10% for the first 5 years from the date of their incorporation. The restriction on issuing shares under ESOP to promoters and such directors continues for companies which does not fall under the category of startups.

Rule 12(3) Exercising Pricing provides that the companies granting option to its employees pursuant to Employees Stock Option Scheme will have the freedom to determine the exercise price in conformity with the applicable accounting policies, if any.

Rule 12(4) Special Resolution : The approval of shareholders by way of **separate resolution** shall be obtained by the company in case of:

- ✓ grant of option to employees of subsidiary or holding company; or
- ✓ grant of option to identified employees, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant of option.

Rule 12(5) covers about Variation of terms of ESOP

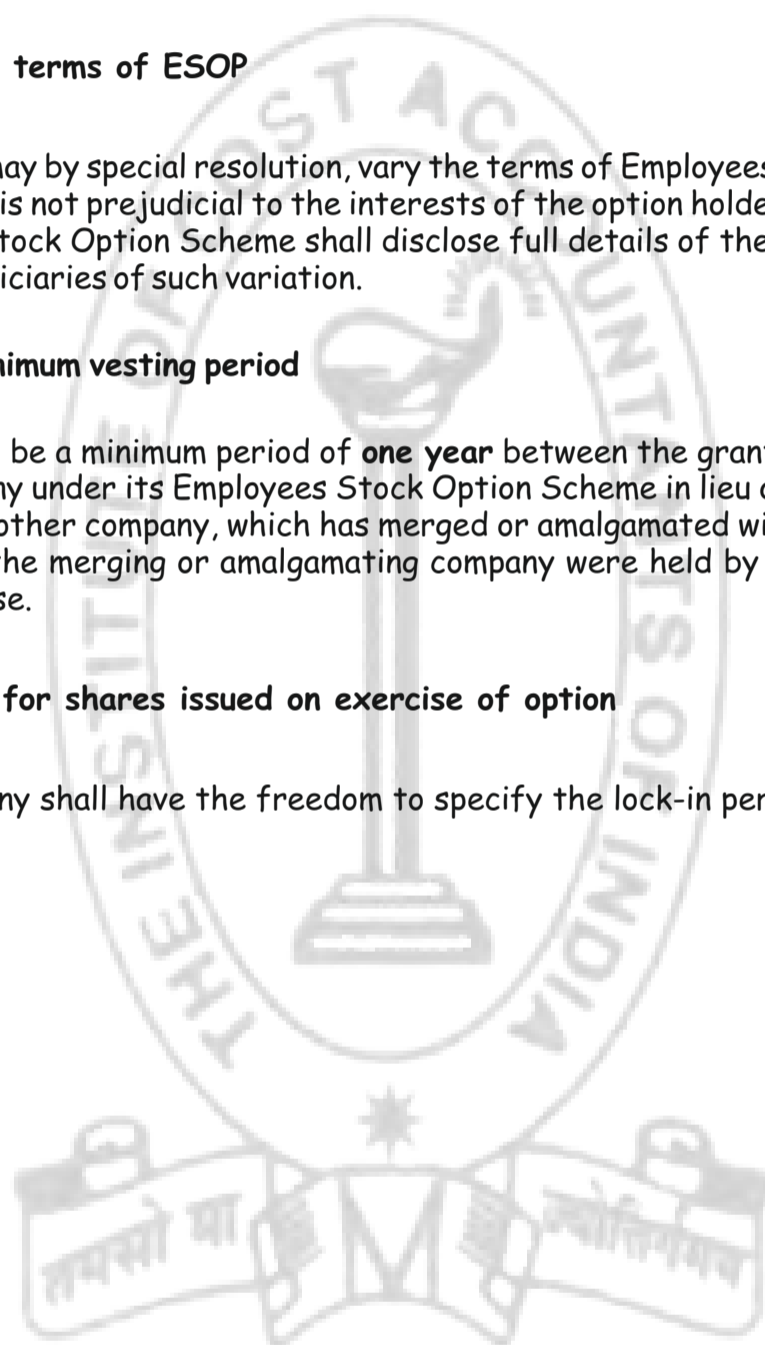
Rule 12(5) provides that the company may by special resolution, vary the terms of Employees Stock Option Scheme not yet exercised by the employees provided such variation is not prejudicial to the interests of the option holders. The notice for passing special resolution for variation of terms of Employees Stock Option Scheme shall disclose full details of the variation, the rationale therefore, and the details of the employees who are beneficiaries of such variation.

Rule 12(6)(a) covers Period Gap or Minimum vesting period

Rule 12(6)(a) provides that there shall be a minimum period of **one year** between the grant of options and vesting of option. In a case where options are granted by a company under its Employees Stock Option Scheme in lieu of options held by the same person under an Employees Stock Option Scheme in another company, which has merged or amalgamated with the first mentioned company, the period during which the options granted by the merging or amalgamating company were held by him shall be adjusted against the minimum vesting period required under this clause.

Rule 12(6)(b) covers Lock-in-period for shares issued on exercise of option

Rule 12(6)(b) provides that the company shall have the freedom to specify the lock-in period for the shares issued pursuant to exercise of option.



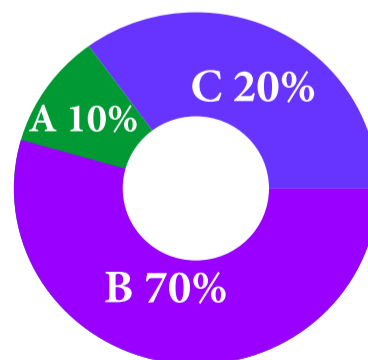


GROUP: I, PAPER: 7

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.

GIFT [Sec. 56(2)(x)]

Following receipts by any person shall be considered as his income:

Category	Nature of Receipt	Conditions to be satisfied for considering income	Extent of Income	Remarks
A	Any sum of money	a. During the previous year, such person has received any sum of money (cash, cheque, draft, etc.) from one or more persons b. Such sum is received without consideration c. The aggregate value of such receipt during the previous year exceeds ₹ 50,000	The whole of the aggregate value of such sum shall be considered as income of that previous year.	Aggregate amount of cash gift received during the period shall be considered.
B	Any immovable property	a. During the previous year, such person has received immovable property b. Such immovable property is received without consideration. c. The stamp duty value of such property exceeds ₹ 50,000 d. Such asset is a capital asset in hands of recipient.	The stamp duty value of such property shall be considered as income of that previous year.	The limit of ₹ 50,000/- is applicable per incidence
C	Any immovable property	a. During the previous year, such person has received immovable property b. Such immovable property is received for a consideration c. Stamp duty value of such property exceeds such consideration d. Such excess is more than the higher of the following: -₹ 50,000; or -5% of the consideration Note: Where the date of the agreement fixing the amount of consideration for the transfer of immovable property and the date of registration are not the same, the stamp duty value on the date of the agreement may be taken. This benefit is available only in a case where the amount of consideration or a part thereof, has been paid by of an account payee cheque or an account payee bank draft or by use of electronic clearing system through a bank account or through other prescribed electronic modes, on or before the date of the agreement for the transfer of such immovable property.	The stamp duty value of such property <i>Less</i> consideration paid, shall be considered as income of the previous year.	The limit (₹ 50,000/- or 5%) is applicable per incidence.

D	Any movable property	<ul style="list-style-type: none"> a. During the previous year, such person has received movable property from one or more persons b. Such movable property is received without consideration c. The aggregate fair market value of such receipts during the previous year exceeds ₹ 50,000 d. Such asset is a capital asset in hands of recipient. 	The whole of the aggregate fair market value of such property shall be considered as income of the previous year.	Aggregate amount of gift received during the period shall be considered.
E	Any movable property	<ul style="list-style-type: none"> a. During the previous year, such person has received movable property from one or more persons b. Such movable property is received for a consideration. c. Such consideration is less than the aggregate fair market value of the property by an amount exceeding ₹ 50,000 d. Such asset is a capital asset in hands of recipient. 	The aggregate fair market value of such property <i>Less</i> consideration paid, shall be considered as income of the previous year.	Aggregate amount of gift received during the period shall be considered.

Taxpoint:

The limit of ₹ 50,000/- is also for per category. In other words, one may receive cash gift of ₹ 35,000 and gift in kind of ₹ 36,000 without attracting any tax.

Exceptions

This section shall not apply to any sum of money or any property received

1. from any relative[#].
Relative here means—

In case of an individual

- i. spouse of the individual;
- ii. brother or sister of the individual;
- iii. brother or sister of the spouse of the individual;
- iv. brother or sister of either of the parents of the individual;
- v. any lineal ascendant or descendant of the individual;
- vi. any lineal ascendant or descendant of the spouse of the individual;
- vii. spouse of the person referred to in clauses (ii) to (vi).

In case of HUF: Any member thereof

2. on the occasion of the marriage of the individual (whether gift is received from relative or outsiders).
3. under a will or by way of inheritance.
4. in contemplation of death of the payer or donor.
5. from local authority
6. from or by any fund or foundation or university or other educational institutions or hospital or other medical institutions or any trust or institution referred u/s 10(23C).
7. from or by any trust or institution registered u/s 12A or 12AA.
8. from an individual by a trust created or established solely for the benefit of relative of the individual.
9. by way of distribution at the time of total or partial partition covered u/s 47(i)

10. by way of transactions in the nature of amalgamation or demerger covered u/s 47(iv) or (v) or (vi) or (via) or (vial) or (vib) or (vic) or (vica) or (vicb) or (vid) or (vii).

11. from such class of persons and subject to such conditions, as may be prescribed.

Other Points

1. Fair market value of a property, other than an immovable property, means the value determined in accordance with the method as may be prescribed;

2. Property means the following capital asset of the assessee, namely

a. Immovable property being land or building or both	b. Shares & securities
c. Archaeological collections	d. Paintings
e. Jewellery	f. Drawings
g. Sculptures	h. Any work of art
i. Bullion	

Taxpoint:

➤ Property does not include furniture, clothes, etc. (provided it does not fall in the definition of Jewellery).

➤ If an assessee receives aforesaid assets without consideration (or against inadequate consideration in some cases) as stock in trade, the provision of this section shall not apply.

3. Stamp duty value means the value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property.

Examples

Case	Consequences
Cash Gift	
1. Mr. Anand received cash gift of ₹ 1,00,000 from his friend Mr. Lathi as on 10-10-2019	₹ 1,00,000 shall be considered as income of Mr. Anand for A.Y. 2020-21
2. Mr. Mohak received cash gift from his following friends during the previous year: - Yash: ₹ 18,000 - Devnika: ₹ 25,000	Since aggregate amount of gift received during the year does not exceed ₹ 50,000. Hence, nothing shall be taxable in hands of Mohak u/s 56(2)(x).
3. During the previous year, Mrs. Vinita received ₹ 1,00,000 from her brother as gift.	Since the amount is received from relative of the recipient hence the provision of sec. 56(2)(x) is not applicable though the amount exceeds ₹ 50,000
4. During the previous year, Mr. Roshan receives following cash gift: - Mr. Ashok (father of Roshan): ₹ 58,000 - Ramesh (brother in law): ₹ 18,000 - Prapti (friend): ₹ 25,000 - Aziz (friend): ₹ 27,000	Gift received from relatives (in the instant case gift from father and brother in law) is not taxable u/s 56(2)(x). Aggregate amount of cash gift received from non-relatives (in the instant case gift from Prapti and Aziz) is ₹ 52,000/- Since cash gift from non-relatives exceeds ₹ 50,000/- hence entire amount (₹ 52,000/-) received from non-relatives is taxable u/s 56(2)(x) in hands of Mr. Roshan
5. During the marriage ceremony of Mr. Mohak, he receives cash gift of ₹ 11,000/- each from 5 of his friends.	Gift received on the occasion of the marriage of the individual (whether gift is received from relative or outsiders) is not taxable. Hence nothing shall be taxable u/s 56(2)(x)
6. During the celebration of 25 th marriage anniversary, Mrs. Sonam receives cash gift of ₹ 11,000/- each from 5 of her friends.	Since aggregate amount of gift received during the year exceeds ₹ 50,000. Hence, ₹ 55,000/- shall be taxable in hands of Mrs. Sonam u/s 56(2)(x). Gift received on the occasion of marriage ceremony of the assessee is exempt but marriage anniversary is not covered under exemption.

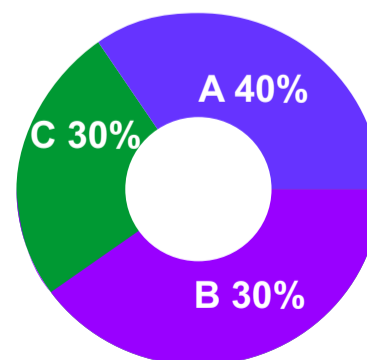
7. During the marriage ceremony of Mr. Vikram, Mr. Mohak (nephew of Mr. Vikram) receives cash gift of ₹ 15,000/- each from 5 of his friends.	Since aggregate amount of gift received during the year exceeds ₹ 50,000. Hence, ₹ 75,000/- shall be taxable in hands of Mr. Mohak u/s 56(2)(x). Gift received on the occasion of marriage ceremony of the assessee is exempt but marriage ceremony of a relative is not covered under exemption.
Gift of immovable property	
1. As on 10-01-2020, Mr. Pati received a piece of land (stamp duty value is ₹ 75,000) from his friend Mr. Raja without any consideration. Such land was acquired by Raja in 2001-02 for ₹ 10,000.	Consequence of such gift in hands of Mr. Pati Since stamp duty value of the property exceeds ₹ 50,000, hence ₹ 75,000 shall be considered as income of Mr. Pati u/s 56(2)(x) for A.Y. 2020-21. Consequence of such gift in hands of Mr. Raja Mr. Raja has transferred the capital asset by way of gift, which is not considered as transfer (sec. 47), hence no tax is required to be paid by him.
Acquisition of immovable property at concessional amount	
1. As on 10-01-2020, Tipu purchased a piece of land (stamp duty value is ₹ 75,000) from his friend Mr. Uday against consideration of ₹ 30,000. Mr. Uday has acquired such land for ₹ 25,000 in F.Y. 2006-07. On 10-04-2021, Tipu sold such land for ₹ 1,75,000 (stamp duty value ₹ 1,60,000/-).	Consequences in hands of Mr. Tipu Applicability of sec. 56(2)(x): Since the difference between stamp duty value of the land (as on 10-01-2020) and actual consideration does not exceed ₹ 50,000, hence, the provision of sec. 56(2)(x) is not applicable.
2. As on 10-02-2020, Mundhra Services Pvt Ltd purchased a piece of land (stamp duty value is ₹ 7,50,000) from one of the friend, Mita, of the Director, against consideration of ₹ 3,90,000. Mita has acquired such land for ₹ 25,000 in 2000 (Fair Market Value as on 1-4-2001 was ₹ 32,000). On 10-04-2021, the company has sold such land for ₹ 10,75,000 (stamp duty value ₹ 12,00,000/-).	Consequences in hands of Mundhra Services Pvt Ltd Applicability of sec. 56(2)(x): Since the difference between stamp duty value of the land (as on 10-02-2020) and actual consideration exceeds ₹ 50,000, hence, the provision of sec. 56(2)(x) is applicable. Consequently, ₹ 3,60,000/- shall be considered as 'Income from Other Sources' in hands of the company in the A.Y. 2020-21.
3. On 10-10-2019, Sonam purchased a piece of land from her friend Shweta (stamp duty value ₹ 12,54,000) for ₹ 12,00,000.	Consequences in hands of Sonam Applicability of sec. 56(2)(x): Since the difference between actual consideration and stamp duty value does not exceed 5% of actual consideration (being ₹ 60,000 i.e., 5% of ₹ 12,00,000), hence nothing shall be taxable u/s 56(2)(x) even though the difference between actual consideration and stamp duty value exceeds ₹ 50,000.
4. On 10-10-2019, Priya purchased a piece of land from her friend Monica (stamp duty value ₹ 8,45,000) for ₹ 8,00,000.	Consequences in hands of Priya Applicability of sec. 56(2)(x): Nothing shall be taxable as the difference between stamp duty value of property and actual consideration does not exceed ₹ 50,000/-.
Gift of movable property	
1. As on 10-01-2020, Narendra received gold necklace (fair value is ₹ 1,85,000) from Vivek without any consideration.	Consequences in hands of Narendra Applicability of sec. 56(2)(x): Since fair market value of gift exceeds ₹ 50,000, hence the provision is applicable and consequently ₹ 1,85,000 shall be taxable as income from other sources in A.Y. 2020-21. Consequences in hands of Vivek Gift is not considered as transfer, hence nothing shall be taxable in his hands.
Acquisition of movable property at concessional amount	
1. On 10-10-2019, Kamal purchased jewellery from Kishore (fair value ₹ 46,000) for ₹ 30,000. Kishore has acquired such jewellery in 10-04-2019 for ₹ 25,000	Consequences in hands of Kamal Applicability of sec. 56(2)(x): Since fair market value of jewellery does not exceed ₹ 50,000, hence the provision is not applicable.



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

The World of Cost Accounting is vast and varied. The earth is now facing the problem of scarcity of resources. Optimum utilization of resources is the urgent need of the day. Cost Accountants play a vital role all over the world. The concept of cost is so critical that truly speaking it covers every aspect of human life and business. Cost Accounting is a subject that provides knowledge to take effective and efficient decision for cost control, ascertainment of profitability and internal and external reporting. The main purpose of our study Paper-8 (i.e. Cost Accounting) are-

- Understanding the concept of cost
- Determining the Cost of product or service
- Understanding standard cost
- Applying the concept of Marginal Costing
- Formulation of business strategy and operational planning

As it's a professional examination, students should careful on following aspects-

- Go through the theoretical part very carefully and try to relate the knowledge for solving different practical problems.
- In every examination one or more theoretical or problem oriented questions have been set from each chapter. The students should remain too much careful in solving the problems.
- Make sure that you understand each term clearly and try to explain with suitable illustrations.
- There should be a problem containing number of short notes. Any student can secure more marks by answering this type of theoretical questions.
- Ambiguity in application of different formulae should be avoided.
- Reader should clear about the distinction between - material control and inventory control; normal loss and abnormal loss. They should also study different elements of cost and ascertainment of costs very carefully.
- Controlling of labour cost is the most important function of administration. Regarding 'group bonus schemes' sometimes the student feel difficulty to find out the clue to solve the problem. In this situation lead should be given in the language of the problem.
- Overhead comprise those costs which the cost accountant is either unable or unwilling to allocate to a particular product, job or process. Difference between primary distribution and secondary distribution should be properly understood. The student should understand the clues given to them. At least one question either for overhead apportionment or for computation of M.H.R. is set.
- The students should also note the difference between Job/Batch/Contract Costing. Readers should very much careful in determining the profit of an incomplete contract. They should remember that for Escalation clause both changed quantity and price is to be considered.
- In order to bring uniformity and consistency in classification, measurement and assignment of costs CAS- 1 to 24 should read carefully. Questions are generally set from any one or two standards.
- Students need to have a clear conception about the integrated and non-integrated system of accounts. CLC Control A/Cs is prepared to make cost ledger self-balancing. Questions are sometimes set to journalise the transactions.
- Budget is a financial statement of income and expenditure of a certain period. You should first learn how to prepare functional budgets then Master Budget, Flexible Budget, etc. Almost every year a question is set from this chapter.
- In Operating/Service Costing calculation of composite unit is very much important for solving the problem. Here suitable cost unit to be used for cost ascertainment purpose. Generally it is used by transport companies, hospital, lodges etc.
- In Marginal Costing the students should note that the BEP Analysis is the most important area of study. Considering the effect on P/V Ratio is an important part of this chapter. As questions may set, you should know also in details about the Margin of safety and Angle of incidence.
- For solving any problem on Standard Costing, different variances, like material, labour, overhead, sales and sales margin should be worked out. Calculation of Mix-Variations is necessary only when there are more than one type of components that are needed for

producing an article.

Service costing is usually applied to transport services, utility services and distribution services. A problem relating to service costing can be solved in the following manner:-

Problem

A chemical factory runs its boiler on furnace. Oil obtained from Indian Oil and Bharat Petroleum, whose depots are situated at a distance of 12 km and 8 km from the factory site. Transportation of furnace oil is made only on full load and the lorries return empty. The filling-in-time takes an average 40 minutes for Indian Oil and 30 minutes for Bharat Petroleum. But the emptying time in the factory is only 40 minutes for all. From the records available, it is seen that the average speed of the company's lorries works out to 24 km per hour. The varying operating charges average 60 paise per km covered and fixed charges given an incidence of ₹7.50 per hour operation. Calculate the cost per tonne-km from each source.

Solution

Books of Chemical Factory
Statement showing calculation of Total Time taken for carrying Fuel per

Particulars	Indian Oil	Bharat Petroleum
1. Distance of the depot from chemical factory.	12 km	8 km
2. Total distance to be covered in each trip (own and return journeys of 12 km/8 km each for Indian Oil and Bharat Petroleum respectively).	24 km	16 km
3. Average speed of the lorries per hour.	24 km	24 km
4. Time required in each trip (2/3x60 minutes)	60 minutes	40 minutes
5. Filling-in-time per trip.	40 minutes	30 minutes
6. Empty time per trip.	40 minutes	40 minutes
7. Total time taken for carrying fuel per trip (4+5+6)	140 minutes	110 minutes

Operating Cost Statement of Carrying Furnace Oil from Depots

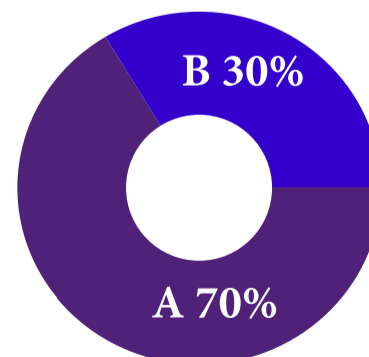
Particulars	Indian Oil ₹	Bharat Petroleum ₹
Variable operating charges @ 60 per km (60x24 km) (60x16 km)	14.40	9.60
Fixed charges @ 7.50 per hour (7.50x140/60) (7.50x110/60)	17.50	13.75
Total operating cost per trip (V.Cost + F.Cost)	31.90	23.35
Material carried per trip	5 tons	5 tons
Total ton-km for each trip (5 tons x 12 kms) (5 tons x 8 kms)	60 ton-km	40 ton-km
Operating cost per ton-km (31.90/60) (23.35/40)	0.53	0.58



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 we will discuss some special features on Assignment problems with illustrations

Some special types of assignment problems are----

Unbalanced:

When no of columns \neq no of rows

Treatment same as in case of transportation problem. i.e. A dummy column(s)/row(s) whichever is smaller in number are inserted with zeros as the cost element. After the introduction of dummy the problem is solved in the usual manner

Constrained Assignment problems:

In some cases because of some reasons a job or machine may not be possible to be assigned to a particular worker or center. In that case that particular cell is assigned with a prohibitory cost element M ---a very large value and the problem is solved in the usual manner

Unique vs Multiple Optimal solutions:

In the process of making assignments, it was stated earlier that we select a row/column with only a single zero to make an assignment. However a situation may arise wherein the various rows and columns where assignments are yet to be done, have all multiple zeros. As stated, we do the assignments here arbitrarily. In such cases the solution will not be unique. There will be multiple optimal solutions

Maximisation Case:

Find out the largest value in the matrix. All the elements, including the largest element, in the matrix are subtracted from this largest element. Then proceed in the same way as done in case of minimisation problem

In addition to this knowledge on special features of assignment problems, we will now discuss few assignment problems below applying HAM to find out basic feasible solutions.

In the following problems in the final tables Green coloured boxes are the assigned boxes

Q1.

Using the following cost matrix, determine the optimal job assignment and the cost of assignment

Machinist	Jobs				
	1	2	3	4	5
A	10	3	3	2	8
B	9	7	8	2	7
C	7	5	6	2	4
D	3	5	8	2	4
E	9	10	9	6	10

Ans:

Row:

Machinist	Jobs				
	1	2	3	4	5
A	8	1	1	0	6

B	7	5	6	0	5
C	5	3	4	0	2
D	1	3	6	0	2
E	3	4	3	0	4

Column:

Machinist	Jobs				
	1	2	3	4	5
A	7	0	0	0	4
B	6	4	5	0	3
C	4	2	3	0	0
D	0	2	5	0	0
E	2	3	2	0	2

Machinist	Jobs				
	1	2	3	4	5
A	7	0	0	0	4
B	6	4	5	0	3
C	4	2	3	0	0
D	0	2	5	0	0
E	2	3	2	0	2

No of striking lines < n, so non-optimal

Machinist	Jobs				
	1	2	3	4	5
A	7	0	0	2	4
B	4	2	3	0	1
C	4	2	3	2	0
D	0	2	5	2	0
E	0	1	0	0	0

No of striking lines = n, optimality reached. Assignments

Machinist	Jobs				
	1	2	3	4	5
A	7	0	0	2	4
B	4	2	3	0	1
C	4	2	3	2	0

D	0	2	5	2	0
E	0	1	0	0	0

Cost: $A2 = 3 + B4 = 2 + C5 = 4 + D1 = 3 + E3 = 9: 21$

Q2.
To stimulate interest and provide an atmosphere for intellectual discussion, the finance faculty in a management school decides to hold special seminars on four contemporary topics- leasing, portfolio management, private mutual funds, swaps and options. Such seminars should be held once per week in the afternoons. However, scheduling these seminars (one for each topic and not more than one seminar per afternoon) has to be done carefully so that the number of students unable to attend is kept to minimum. A careful study indicates that the number of students who cannot attend a particular seminar on a special day is as follows:

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options
Monday	50	40	60	20
Tuesday	40	30	40	30
Wednesday	60	20	30	20
Thursday	30	30	20	30
Friday	10	20	10	30

Find an optimal solution of the seminars. Also find out the total number of students who will be missing at least one seminar

Ans:

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options	Dummy
Monday	50	40	60	20	0
Tuesday	40	30	40	30	0
Wednesday	60	20	30	20	0
Thursday	30	30	20	30	0
Friday	10	20	10	30	0

Unbalanced as no of rows is not equal to no of columns. So a dummy column is taken

Row:

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options	Dummy
Monday	50	40	60	20	0
Tuesday	40	30	40	30	0
Wednesday	60	20	30	20	0
Thursday	30	30	20	30	0
Friday	10	20	10	30	0

Column:

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options	Dummy
Monday	40	20	50	0	0
Tuesday	30	10	30	10	0
Wednesday	50	0	20	0	0
Thursday	20	10	10	10	0
Friday	0	0	0	10	0

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options	Dummy
Monday	40	20	50	0	0
Tuesday	30	10	30	10	0
Wednesday	50	0	20	0	0
Thursday	20	10	10	10	0
Friday	0	0	0	10	0

Non-optimal as no of striking lines is not equal to m/n

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options	Dummy
Monday	40	20	50	0	10
Tuesday	20	0	20	0	0
Wednesday	50	0	20	0	10
Thursday	10	0	0	0	0
Friday	0	0	0	10	10

Assignments:

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options	Dummy
Monday	40	20	50	0	10
Tuesday	20	0	20	0	0
Wednesday	50	0	20	0	10
Thursday	10	0	0	0	0
Friday	0	0	0	10	10

Q3.

Convert the following LPP into an assignment problem and then solve

$$\text{Minimise } Z = 8x_{11} + 5x_{12} + 6x_{13} + 6x_{21} + 9x_{22} + 4x_{23} + 5x_{31} + 7x_{32} + 7x_{33}$$

Subject to

$$x_{11} + x_{12} + x_{13} = 1$$

$$x_{21} + x_{22} + x_{23} = 1$$

$$x_{31} + x_{32} + x_{33} = 1$$

$$\text{All } x_{ij} = 0,1$$

$$x_{11} + x_{21} + x_{31} = 1$$

$$x_{12} + x_{22} + x_{32} = 1$$

$$x_{13} + x_{23} + x_{33} = 1$$

Worker	Job		
	1	2	3
A	8	5	6
B	6	9	4
C	5	7	7

Row

Worker	Job		
	1	2	3
A	3	0	1
B	2	5	0
C	0	2	2

Column:

Worker	Job		
	1	2	3
A	3	0	1
B	2	5	0
C	0	2	2

Worker	Job		
	1	2	3
A	3	0	1
B	2	5	0
C	0	2	2

As no of striking lines = m=n, optimality reached

Assignments:

Worker	Job		
	1	2	3
A	3	0	1
B	2	5	0
C	0	2	2

Total cost = 5 + 4 + 5 = 14

Q4. ABC Company is engaged in manufacturing 5 brands of packed snacks. It is having five manufacturing setups, each capable of manufacturing any of its brands one at a time. The cost to make a brand on these setups vary according to the table below:

	S1	S2	S3	S4	S5
B1	4	6	7	5	11
B2	7	3	6	9	5
B3	8	5	4	6	9
B4	9	12	7	11	10
B5	7	5	9	8	11

Assuming five setups are S1, S2, S3, S4, & S5 and five brands are B1, B2, B3, B4 & B5. Find the optimal assignment of products on these setups resulting in the minimum cost

Ans:

	S1	S2	S3	S4	S5
B1	4	6	7	5	11
B2	7	3	6	9	5
B3	8	5	4	6	9
B4	9	12	7	11	10
B5	7	5	9	8	11

Balanced as $m = n$

Row:

	S1	S2	S3	S4	S5
B1	0	2	3	1	7
B2	4	0	3	6	2
B3	4	1	0	2	5
B4	2	5	0	4	3
B5	2	0	4	3	6

Column:

	S1	S2	S3	S4	S5
B1	0	2	3	0	5
B2	4	0	3	5	0
B3	4	1	0	1	3
B4	2	5	0	3	1
B5	2	0	4	2	4

	S1	S2	S3	S4	S5
B1	0	2	3	0	5
B2	4	0	3	5	0
B3	4	1	0	1	3
B4	2	5	0	3	1
B5	2	0	4	2	4

As no of striking lines $< m = n$, optimality not reached

	S1	S2	S3	S4	S5
B1	0	2	4	0	5
B2	4	0	4	5	0
B3	3	0	0	0	2
B4	1	4	0	2	0
B5	2	0	5	2	4

As no of striking lines $= m = n$, optimality reached

	S1	S2	S3	S4	S5
B1	0	2	4	0	5
B2	4	0	4	5	0
B3	3	0	0	0	2
B4	1	4	0	2	0
B5	2	0	5	2	4

Minimum cost = $4+5+6+7+5 = 27$

Q5. XYZ electronics supplies television components to various television manufacturers. The past records indicate that a certain number of components assembled by the workers were returned because of product defects. The average number of defects produced by each worker per month is 82. Various component production of defective jobs is given in the following table

Workers	Jobs					
	1	2	3	4	5	6
A	23	29	15	31	21	14
B	31	25	17	27	31	23
C	15	23	19	24	22	31
D	19	17	26	15	13	23
E	26	19	15	17	17	29
F	24	25	11	15	29	21

Determine the optimal assignments of the workers to various jobs to minimise the total number of defects

Ans:
Row

Workers	Jobs					
	1	2	3	4	5	6
A	9	15	1	17	7	0
B	14	8	0	10	14	6
C	0	8	4	9	7	16
D	6	4	13	2	0	10
E	11	4	0	2	2	14
F	13	14	0	4	18	10

Column:

Workers	Jobs					
	1	2	3	4	5	6
A	9	11	1	15	7	0
B	14	4	0	8	14	6
C	0	4	4	7	7	16
D	6	0	13	0	0	10
E	11	0	0	0	2	14
F	13	10	0	2	18	10

Workers	Jobs					
	1	2	3	4	5	6
A	9	11	1	15	7	0
B	14	4	0	8	14	6
C	0	4	4	7	7	16
D	6	0	13	0	0	10
E	11	0	0	0	2	14
F	13	10	0	2	18	10

Optimality did not reach as no of striking lines < n = m

Workers	Jobs					
	1	2	3	4	5	6
A	9	9	1	13	5	0
B	14	2	0	6	12	6
C	0	2	4	5	5	16
D	8	0	15	0	0	12
E	13	0	2	0	2	16
F	13	8	0	0	16	10

Workers	Jobs					
	1	2	3	4	5	6
A	9	9	1	13	5	0
B	14	2	0	6	12	6
C	0	2	4	5	5	16
D	8	0	15	0	0	12
E	13	0	2	0	2	16
F	13	8	0	0	16	10

Assignments:

Workers	Jobs					
	1	2	3	4	5	6
A	9	9	1	13	5	0
B	14	2	0	6	12	6
C	0	2	4	5	5	16
D	8	0	15	0	0	12
E	13	0	2	0	2	16
F	13	8	0	0	16	10

Total no of defects = 14 + 17 + 15 + 13 + 19 + 15 = 93

Q6. A fast food chain wants to build four stores. In the past, the chain has used six different construction companies and having been

satisfied with each, has invited each to bid on each job. The final bids (in lakhs of rupees) were as shown in the following table

	Construction Companies					
	1	2	3	4	5	6
Store 1	85.3	88.6	87.5	82.4	89.1	86.7
Store 2	78.9	77.4	77.4	76.5	79.3	78.3
Store 3	82	81.3	82.4	80.6	83.5	81.7
Store 4	84.3	84.6	86.2	83.3	84.4	85.5

Since the fast-food chain wants to have each of the new stores ready as quickly as possible, it will award at most one job to one company. What assignment results in minimum total cost to the fast food chain?

Ans:
Un-balanced problem so we consider dummy rows

	Construction Companies					
	1	2	3	4	5	6
Store 1	85.3	88.6	87.5	82.4	89.1	86.7
Store 2	78.9	77.4	77.4	76.5	79.3	78.3
Store 3	82	81.3	82.4	80.6	83.5	81.7
Store 4	84.3	84.6	86.2	83.3	84.4	85.5
Dummy 1	0	0	0	0	0	0
Dummy 2	0	0	0	0	0	0

Row:

	Construction Companies					
	1	2	3	4	5	6
Store 1	2.9	6.2	5.1	0	6.7	4.3
Store 2	2.4	0.9	0.9	0	2.8	1.8
Store 3	1.4	0.7	1.8	0	2.9	1.1
Store 4	1	1.3	2.9	0	1.1	2.2
Dummy 1	0	0	0	0	0	0
Dummy 2	0	0	0	0	0	0

Column

	Construction Companies					
	1	2	3	4	5	6
Store 1	2.9	6.2	5.1	0	6.7	4.3
Store 2	2.4	0.9	0.9	0	2.8	1.8
Store 3	1.4	0.7	1.8	0	2.9	1.1
Store 4	1	1.3	2.9	0	1.1	2.2
Dummy 1	0	0	0	0	0	0
Dummy 2	0	0	0	0	0	0

	Construction Companies					
	1	2	3	4	5	6
Store 1	2.9	6.2	5.1	0	6.7	4.3
Store 2	2.4	0.9	0.9	0	2.8	1.8
Store 3	1.4	0.7	1.8	0	2.9	1.1
Store 4	1	1.3	2.9	0	1.1	2.2
Dummy 1	0	0	0	0	0	0
Dummy 2	0	0	0	0	0	0

Optimality not reached

	Construction Companies					
	1	2	3	4	5	6
Store 1	2.2	5.5	4.4	0	6	3.6
Store 2	1.7	0.2	0.2	0	2.1	1.1
Store 3	0.7	0	1.1	0	2.2	0.4
Store 4	0.3	0.6	2.3	0	0.4	1.5
Dummy 1	0	0	0	0.7	0	0
Dummy 2	0	0	0	0.7	0	0

Optimality not reached

	Construction Companies					
	1	2	3	4	5	6
Store 1	2	5.3	4.2	0	5.8	3.4
Store 2	1.5	0	0	0	1.9	0.9
Store 3	0.7	0	1.1	0.2	2.2	0.4
Store 4	0.1	0.4	2.1	0	0.2	1.3
Dummy 1	0	0	0	0.9	0	0
Dummy 2	0	0	0	0.9	0	0

Optimality not reached

	Construction Companies					
	1	2	3	4	5	6
Store 1	1.9	5.3	4.1	0	5.7	3.3
Store 2	1.5	0.1	0	0.1	1.9	0.9
Store 3	0.6	0	1	0.2	2.1	0.3
Store 4	0	0.4	2	0	0.1	1.2
Dummy 1	0	0.1	0	1	0	0
Dummy 2	0	0.1	0	1	0	0

Optimality reached. Assignments

	Construction Companies					
	1	2	3	4	5	6
Store 1	1.9	5.3	4.1	0	5.7	3.3
Store 2	1.5	0.1	0	0.1	1.9	0.9
Store 3	0.6	0	1	0.2	2.1	0.3
Store 4	0	0.4	2	0	0.1	1.2
Dummy 1	0	0.1	0	1	0	0
Dummy 2	0	0.1	0	1	0	0

Total Cost: $82.4 + 77.4 + 81.3 + 84.3 = 325.4$

Q7.
A company solicits bids on each of four projects from five contractors. Only one project may be assigned to any contractor. The bids received (in thousands of rupees) are given in the accompanying table. Contractor D feels unable to carry out project 3 and therefore submits no bid

Project	Contractor				
	A	B	C	D	E
1	18	25	22	26	25
2	26	29	26	27	24
3	28	31	30	-	31
4	26	28	27	26	29

Solve this assignment problem
Ans:

Project	Contractor				
	A	B	C	D	E
1	18	25	22	26	25
2	26	29	26	27	24
3	28	31	30	-	31
4	26	28	27	26	29

Unbalanced as no of rows < no of columns. So we use Dummy rows. And put Big M against 3D, as contractor D could not take project 3

Project	Contractor				
	A	B	C	D	E
1	18	25	22	26	25
2	26	29	26	27	24
3	28	31	30	M	31
4	26	28	27	26	29
Dummy	0	0	0	0	0

Row:

Project	Contractor				
	A	B	C	D	E
1	0	7	4	8	7
2	2	5	2	3	0
3	0	3	2	M	3
4	0	2	1	0	3
Dummy	0	0	0	0	0

Column:

Project	Contractor				
	A	B	C	D	E
1	0	7	4	8	7
2	2	5	2	3	0
3	0	3	2	M	3
4	0	2	1	0	3
Dummy	0	0	0	0	0

Project	Contractor				
	A	B	C	D	E
1	0	7	4	8	7
2	2	5	2	3	0
3	0	3	2	M	3
4	0	2	1	0	3
Dummy	0	0	0	0	0

Optimality not reached

Project	Contractor				
	A	B	C	D	E
1	0	6	3	8	7
2	2	4	1	3	0
3	0	2	1	M	3
4	0	1	0	0	3
Dummy	1	0	0	1	1

Optimality not reached as no of striking lines is < no of rows

Project	Contractor				
	A	B	C	D	E
1	0	5	2	7	7
2	2	3	0	2	0
3	0	1	0	M	3

4		1	0	0	4
Dummy	4	0	0	1	2

Now optimality reached

Project	Contractor				
	A	B	C	D	E
1	0	5	2	7	7
2	2	3	0	2	0
3	0	1	0	M	3
4	1	1	0	0	4
Dummy	2	0	0	1	2

Minimum total cost = 18 + 30 + 26 + 24 = 98 thousand

Q8. MCS Inc is a software Company which has three projects of AI with the departments of health, education and housing of union governments. Based on the background and experience of the project leaders, they differ in terms of their performance at various projects. The performance score matrix is given below:

Project Leaders	Projects		
	Health	Education	Housing
P1	20	26	42
P2	24	32	50
P3	32	34	44

Help the management by determining the optimal assignment which maximises the total performance score

Ans:

Maximisation problem. So we are making it a minimisation problem by subtracting each element in the matrix from the highest element in the matrix and the result is

Project Leaders	Projects		
	Health	Education	Housing
P1	30	24	8
P2	26	18	0
P3	18	16	6

Row:

Project Leaders	Projects		
	Health	Education	Housing
P1	22	16	0
P2	26	18	0
P3	12	10	0

Column

Project Leaders	Projects		
	Health	Education	Housing
P1	10	6	0
P2	14	8	0
P3	0	0	0

Project Leaders	Projects		
	Health	Education	Housing
P1	10	6	0
P2	14	8	0
P3	0	0	0

Optimality not reached, so

Project Leaders	Projects		
	Health	Education	Housing
P1	4	0	0
P2	8	2	0
P3	0	0	0

Optimality reached. So

Project Leaders	Projects		
	Health	Education	Housing
P1	4	0	0
P2	8	2	0
P3	0	0	6

Total performance score: 26 + 50 + 32 = 108

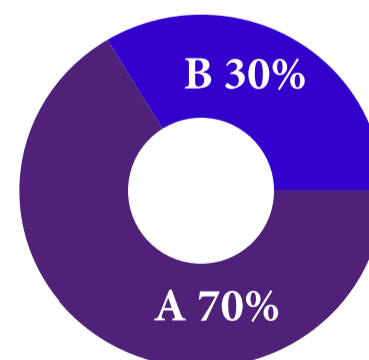
Suggestions:
 This lesson is prepared purely from teachings imparted by the Guide book issued by Institute. The study guide on Operations Management issued by Institute is to be studied thoroughly to understand HAM method along with the process of arriving the optimality when no of striking lines are not becoming equal to no of rows/columns. For supplementary readings one can refer Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson.



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

Strategic Management is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organization. An organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

Strategic management can also be defined as a bundle of decisions and acts which a manager undertakes and which decides the result of the firm's performance. The manager must have a thorough knowledge and analysis of the general and competitive organizational environment so as to take right decisions. They should conduct a SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats), i.e., they should make best possible utilization of strengths, minimize the organizational weaknesses, make use of arising opportunities from the business environment and shouldn't ignore the threats.

Strategic management is a continuous process that evaluates and controls the business and the industries in which an organization is involved; evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then reevaluates strategies on a regular basis to determine how it has been implemented and whether it was successful or does it needs replacement.

Strategic Management gives a broader perspective to the employees of an organization and they can better understand how their job fits into the entire organizational plan and how it is co-related to other organizational members. It is nothing but the art of managing employees in a manner which maximizes the ability of achieving business objectives. The employees become more trustworthy, more committed and more satisfied as they can co-relate themselves very well with each organizational task. They can understand the reaction of environmental changes on the organization and the probable response of the organization with the help of strategic management. Thus the employees can judge the impact of such changes on their own job and can effectively face the changes. The managers and employees must do appropriate things in appropriate manner. They need to be both effective as well as efficient.

Features of Strategy:

- ❖ Strategy is Significant because it is not possible to foresee the future. Without a perfect foresight, the firms must be ready to deal with the uncertain events which constitute the business environment.
- ❖ Strategy deals with long term developments rather than routine operations, i.e. it deals with probability of innovations or new products, new methods of productions, or new markets to be developed in future.
- ❖ Strategy is created to take into account the probable behavior of customers and competitors. Strategies dealing with employees will predict the employee behavior.
- ❖ Strategy is a well-defined roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization's strengths and to minimize the strengths of the competitors.
- ❖ Strategy, in short, bridges the gap between "where we are" and "where we want to be".

Strategy Evaluation is as significant as strategy formulation because it throws light on the efficiency and effectiveness of the comprehensive plans in achieving the desired results. The managers can also assess the appropriateness of the current strategy in today's dynamic world with socio-economic, political and technological innovations. Strategic Evaluation is the final phase of strategic management.

The significance of strategy evaluation lies in its capacity to co-ordinate the task performed by managers, groups, departments etc., through control of performance. Strategic Evaluation is significant because of various factors such as - developing inputs for new strategic planning, the urge for feedback, appraisal and reward, development of the strategic management process, judging the validity of strategic choice etc.

The process of Strategy Evaluation consists of following steps-

Fixing benchmark of performance - While fixing the benchmark, strategists encounter questions such as - what benchmarks to set, how to set them and how to express them. In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task. The performance indicator that best identify and express the special requirements might then be determined to be used for evaluation. The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria include determination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc. Among the Qualitative factors are subjective evaluation of factors such as - skills and competencies, risk taking potential, flexibility etc.

Measurement of performance - The standard performance is a bench mark with which the actual performance is to be compared. The reporting and communication system help in measuring the performance. If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier. But various factors such as manager's contribution are difficult to measure. Similarly, divisional performance is sometimes difficult to measure as compared to individual performance. Thus, variable objectives must be created against which measurement of performance can be done. The measurement

must be done at right time else evaluation will not meet its purpose. For measuring the performance, financial statements like - balance sheet, profit and loss account must be prepared on an annual basis.

Analyzing Variance - While measuring the actual performance and comparing it with standard performance there may be variances which must be analyzed. The strategists must mention the degree of tolerance limits between which the variance between actual and standard performance may be accepted. The positive deviation indicates a better performance but it is quite unusual exceeding the target always. The negative deviation is an issue of concern because it indicates a shortfall in performance. Thus in this case the strategists must discover the causes of deviation and must take corrective action to overcome it.

Taking Corrective Action - Once the deviation in performance is identified, it is essential to plan for a corrective action. If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of the factors responsible for such performance. If the strategists discover that the organizational potential does not match with the performance requirements, then the standards must be lowered. Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process.

Characteristics/Features of Strategic Decisions:

- I. Strategic decisions have major resource propositions for an organization. These decisions may be concerned with possessing new resources, organizing others or reallocating others.
- II. Strategic decisions deal with harmonizing organizational resource capabilities with the threats and opportunities.
- III. Strategic decisions deal with the range of organizational activities. It is all about what they want the organization to be like and to be about.
- IV. Strategic decisions involve a change of major kind since an organization operates in ever-changing environment.
- V. Strategic decisions are complex in nature.
- VI. Strategic decisions are at the top most level, are uncertain as they deal with the future, and involve a lot of risk.
- VII. Strategic decisions are different from administrative and operational decisions. Administrative decisions are routine decisions which help or rather facilitate strategic decisions or operational decisions. Operational decisions are technical decisions which help execution of strategic decisions. To reduce cost is a strategic decision which is achieved through operational decision of reducing the number of employees and how we carry out these reductions will be administrative decision.

The differences between Strategic, Administrative and Operational decisions can be summarized as follows-

Strategic Decisions	Administrative Decisions	Operational Decisions
---------------------	--------------------------	-----------------------

Strategic decisions are long-term decisions. Administrative decisions are taken daily. Operational decisions are not frequently taken.

These are considered where The future planning is concerned. These are short-term based Decisions. These are medium-period based decisions.

Strategic decisions are taken in Accordance with organizational mission and vision. These are taken according to strategic and operational Decisions. These are taken in accordance with strategic and administrative decision.

These are related to overall Counter planning of all Organization. These are related to working of employees in an Organization. These are related to production.

These deal with organizational Growth. These are in welfare of employees working in an organization. These are related to production and factory growth.





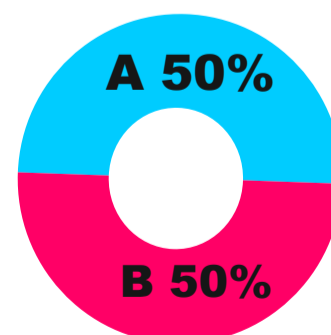
GROUP: II, PAPER:10

COST & MANAGEMENT

ACCOUNTING AND FINANCIAL
MANAGEMENT(CMFM)

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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.

AN IDEA OF UNIFORM COSTING AND INTER-FIRM COMPARISON.

A) UNIFORM COSTING**Meaning of Uniform Costing**

Uniform costing is neither a costing method like job costing or process costing, nor it is a costing system like standard or marginal costing, but a particular system which may combine any of the costing methods and any one or more system of costing. It is the application of same costing principles and procedures and techniques by several undertakings. It means and involves that different concerns should adopt a common method of costing and apply uniformly the principles and techniques, so as to enable to make for better comparison.

Need for Uniform Costing

The need for uniform costing arises because the cost structure and procedures, practices and principles of costing differ from firm to firm, business to business and industry to industry. Such differences is bound to arise because of difference in size of business, nature of business and product differentiation etc.

Objectives of Uniform Costing

The technique of uniform costing may be introduced with one or more of the following objectives.

- 1) **To avoid competition:**
It eliminates cut-throat competition by fixing common prices on the basis of uniform costing procedures which help bring stability in the prices.
- 2) **Cost comparisons:**
It enables different firms to compare the cost because such cost is based on same principles. Thus, their profitability can also be compared.
- 3) **Measurement of efficiency:**
Comparison of cost and profitability helps in measurement of efficiency. Member participants are able to use the system as yardstick of their performances and achievements.
- 4) **Reliable prices:**
The confidence is reposed in the public where prices fixed are based on sound and uniform costing principles. This will result in better and cordial relations between members adopting the system and their customers.
- 5) **Cost control:**
Effective cost control is facilitated. The uniform cost serves as the standard cost and helps in controlling the off-standard performances.
- 6) **Better exchange of information:**
Members having technical knowledge provide the benefit of their experiences to others. Free exchange of information leads to reduction in cost and improvement in the quality of product.

Pre-Requisites for success of Uniform Costing System.

- a) **Organisation/Association:**
A uniform costing system needs to be designed by the Trade Association for the benefit of its members. A group of manufacturers (Trade Association/Organisation) lay down a set of uniform principles and procedures of costing to be adopted.

- b) **Co-operation and understanding:**
There should be mutual co-operation and understanding among the members who participate in the uniform costing system.
- c) **Confidence and trust:**
Mutual confidence and trust is necessary for exchange of ideas and information among members.
- d) **Absence of rivalry and jealousy:**
Complete harmony in ideas should be maintained, avoiding inner rivalries.
- e) **Common terminology:**
Participating members should adopt a common terminology along with common principles and procedures.
- f) **Free exchange of information:**
Vital information relating to 3M i.e., Men, Machine and Materials should be freely exchanged among members so that comparison can be made.
- g) **Common interest:**
All the members should have a common interest which may be selling of goods at uniform prices, or making inter-firm comparisons, or controlling cost and so on.
- h) **Flexibility:**
The participating members should not have rigidity in their attitudes. Flexibility of approach is essential so that changes may be introduced whenever required.

Application of Uniform Costing

This may be applied advantageously in the following situations.

- 1) In a single enterprise which may have a number of separate manufacturing units.
- 2) In a number of concerns in the same industry bound through a Trade Association or otherwise.
- 3) In industries which are similar in nature such as Gas and Electricity, various types of Transport and Cotton/Jute/Woolen textiles etc.

B) INTER-FIRM COMPARISON

It is imperative to know as to why inter-firm comparison is needed.

Progressive management, the world over, has always asked itself the question -how is my company performing in comparison to that of the others? The published trading & profit and loss account and the balance sheet along with annual reports provide scanty data for purposeful study and assessment of the performance of a company. The figures available from these reports just indicate, in a general way, the profitability, stability, solvency and growth of an organization; but they do not throw light on whether a company has really made the optimum use of all the available resources in men, machines, materials, etc.

The answer, however, depends fully on the availability of more detailed data, and the possibility of comparison with the competitive units in the same line of manufacture.

It is the Inter-firm comparison that provides the management with a vivid comparative picture of how its operating performance, financial results and product cost structure compare with those of other firms of similar size, nature, industry or trade.

Briefly speaking, Inter-firm comparison is the technique which studies the performances, efficiencies, costs and profits of various concerns in an industry with the help of exchange of information, in order to have a relative comparison.

Requisites of an Inter-firm Comparison

The following are the pre-requisites for installing a scheme of Inter-firm comparison.

- I. **Adaption of Uniform Costing:**
There must be a sound system of Uniform Costing in the firm where Inter-firm comparison scheme is to be implemented. A uniform manual should also be prepared and distributed among the member units to enable efficient functioning of the system.
- II. **Setting up of an Organization:**
An organization must be established to run the system efficiently. Firms of different sizes in an industry should become member of the organization for achieving better result.

Development Authority, the Bureau of Industrial Costs and Pricing, The Tariff Commission have undertaken, though in a limited way, the task of Inter-firm comparison. In some cases, Trade Association, Holding Company or Parent Organization are also doing this work.

III. Collection of relevant information:

The nature of information to be collected from the participating firms depends upon the needs of management, comparative importance of the information and the efficiency of the central body responsible for collection of the information.

Information is generally collected relating to costs and cost structure, labour/machine efficiency and utilization, raw material consumption, wastage, inventory, ROC, liquidity, reserves and appropriation of profit, method of production, creditors and debtors, technical aspects etc.

IV. Method of Collection and presentation of Information:

The time and the form in which information is to be submitted by the member units must be decided in advance.

The various statistical tools for the purpose of collection of data, its editing, classification, presentation, drawing conclusions and inferences can be used.

Ratio analysis for measuring profitability, efficiency and productivity etc can also be used.

C) THE DIFFERENCE BETWEEN UNIFORM COSTING AND INTER-FIRM COMPARISON -

Uniform Costing is the foundation stone over which the structure of Inter-firm comparison is developed and adopted in a large scale, whereas Inter-firm comparison is the technique of evaluating the relative performance, efficiency, costs and profits of a firm in a given industry.



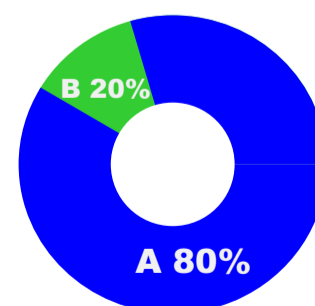


GROUP: II, PAPER:11

INDIRECT TAXATION (ITX)

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

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

Applicability of GST on Hotel Services**1. Introduction**

Hospitality industries and Indian tourism are one of the most competitive and steadily growing industries in the country. And With the motto "Atithi Devo Bhava" ('the guest is equivalent to God') Indian tourism industry was expected to reap great benefits under the GST regime. As per research study called "India 2019 Annual Research", which shows that travel and tourism in India contributed 9.2% of the GDP and provided 42.7 million jobs or 8.00% of the total employment.

Total contribution by travel and tourism sector to India GDP is expected to increase to US\$ 275.2 billion in 2025. Travel and tourism is the third largest foreign exchange earner for India. (Source Equitymaster.com)

But, due to recent pandemic of COVID-19, one of the worst affected industries is hospitality business i.e. hotel and restaurant business.

We will look at the effects of the GST on the hospitality and tourism industry.

2. Provision Under GST LAW.

- As per sub-clause (a) of Entry no 5 of Schedule II of CGST Act, 2017, "renting of immovable property" hotel accommodation Supply is considered as supply of service.
- Supply of food is treated as composite supply of service, as per sub Para (b) of Entry No 6 of Schedule II of CGST Act, 2017, "supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration."
- As per Notification 11/2017-Central Tax (Rate) dated 28/06/2017, of Sr. no 7 under heading 9963, as amended by notification 20/2019-Centran Tax (Rate) dated 30/09/2019, prescribed rate of tax on accommodation, food and beverage service, which can be summarized as under:

GST Rates for Hotels based on Tariff (w.e.f. 01/10/2019)

S.no.	Tariff per Night	GST Rate
1	Up to Rs. 1,000	Nil
2	Between Rs. 1001 to Rs. 7500	12%
3	Rs. 7501 and above	18%

GST Rates for Restaurant Service

Particulars	Condition
	Restaurant is part of Specified premises Entry no 7(vi)
Services	Specified premises Entry no 7(ii)

GST Rates for Outdoor Catering Services

Particulars	Condition
Restaurant is part of Specified premises Entry no 7(vi)	18% with Input Tax Credit
Restaurant is not part of Specified premises Entry no 7(iv) and (v)	5% without Input Tax Credit

"Restaurant service" means supply, by way of or as part of any service, of goods, being food or any other article for human consumption or any drink, provided by a restaurant, eating joint including mess, canteen, whether for consumption on or away from the premises where such food or any other article for human consumption or drink is supplied.

"Outdoor catering" means supply, by way of or as part of any service, of goods, being food or any other article for human consumption or any drink, at Exhibition Halls, Events, Conferences, Marriage Halls and other outdoor or indoor functions that are event based and occasional in nature.

"Declared tariff" means charges for all amenities provided in the unit of accommodation (given on rent for stay) like furniture, air conditioner, refrigerators or any other amenities, but without excluding any discount offered on the published charges for such unit.

"Specified premises" means premises providing "hotel accommodation" services having declared tariff of any unit of accommodation above seven thousand five hundred rupees per unit per day or equivalent. "Hotel accommodation" means supply, by way of accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes including the supply of time share usage rights by way of accommodation.

1. Input Tax Credit

Whether for a restaurant services provider other than specified premises, is it compulsory to charge 5% tax or they can opt or they can opt to pay GST @ 18% tax and claim Input Tax Credit?

As held in the case of coffee Day Global Ltd. AAR No: KAR ADRG 21/2018 dated 21/08/2018 that, "The Applicant is not entitled to pay the GST @ 18% with input tax credit as the services being offered by the Applicant are classified under a heading attracting GST @ 5%, without input tax credit."

ITC on car for passenger transfer:

If the hotel has purchased a car for pick up and drop of their guest from airport or railway station, whether Input Tax Credit can be claimed on such car?

As per blocked credit section 17(5)(a), Input Tax Credit is allowed, which read as under: Section (17)(5)(a) motor vehicles for the transport of person having approved seating capacity of not more than thirteen persons (including the driver), except when they are used for making the following taxable supplies, namely: -

1. XXXXXX
2. Transportation of passengers; or
3. XXXXXXX

From the above, it is very much clear that, ITC on car used for transportation of passenger will be available, if the same is passed under commercial use or to say, taxi passing.

4. Relevant issues on Hotel Room Tariff: -

Q. Will GST be charged on actual tariff or declared tariff for accommodation services?

A. Declared or published Tariff is relevant only for determining of the Tax Rate Slab. GST will be payable on actual amount charged (transaction value).

Q. What will be the GST rate if cost goes up (more than declared tariff) owing to additional bed?

A. GST Rate would be determined according to declared tariff for the room, and GST at the rate so determined would be levied on the entire amount charged from the customer. For example, if the declared tariff is Rs. 7000/- per unit per day but the amount charged from the customer on account of extra bed Rs. 8000/-. GST Shall be charged @ 18% on Rs. 8000/-.

Q. Where will the declared tariff be published?

A. Tariff declared anywhere, say on the website through which business is being procured or printed on tariff card or displayed at the reception will be declared tariff. In case different tariff is declared at different places, highest of such declared tariff shall be the

declared tariff for the purpose of levy of GST.

- Q. Same room may have different room tariff at different times depending on season or flow of tourist as per dynamic pricing. Which rate to be used then?**
- A. In case of different tariff is declared for different seasons or periods of the year, the tariff declared for the season in which the service of accommodation is provided shall apply.
- Q. If Tariff Changes between booking and actual usage, which rate will be used?**
- A. Declared Tariff at the time of supply of the service would apply.
- Q. GST at what rate would be levied if an upgrade is provided to the customers as a lower rate?**
- A. If declared tariff of the accommodation provided by way of upgrade is Rs. 10000/-, but the amount charged is Rs. 7000/-, then GST would be levied @18% on Rs. 7000/-

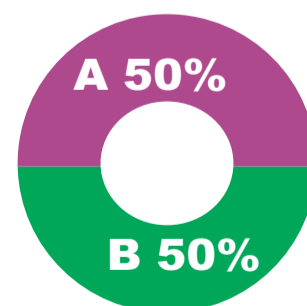




GROUP: II, PAPER:12
COMPANY
ACCOUNTS & AUDIT (CAA)

Dr. Malay Kr. Nayak
Associate Professor,
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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

Today we are to discuss verification and valuation of assets

Verification of assets implies an enquiry into the value, ownership and title, existence and possession, the presence of any charges on the asset.

In the arena of verification of assets the auditor has to examine whether:

- The assets in reality exist at the date of balance sheet
- They have been acquired for the business and clearly stated in the BALANCE SHEET
- Values of the assts shown in the BALANCE SHEET are correctly and properly ascertained
- Ownership in the assets lies with the concern
- The assets are free from any charge or lien

Special care is to take for the verification of current assets which are continually changing. The auditor has to carry on verification with extreme caution so that fraudulent manipulation may be avoided or detected. Students are to study how the various assets of a business concern can be verified.

VALUATION OF ASSETS

It implies the critical examination and testing of the determined value of assets by the auditor on the basis of generally accepted conventions and accounting principles.

The auditor has to take the following steps:

- Obtain all the information available in this respect
- Examine and analyse all the figures critically
- Test the values of various assets which have been already determined
- Ascertain that the values have been determined on the basis of generally accepted conventions
- Ascertain that the basis of valuation has been constantly followed from year to year
- Seek assistance from technical personnel
- Form opinion with regard to the accuracy of the value of assets

Difference between verification and valuation of assets-

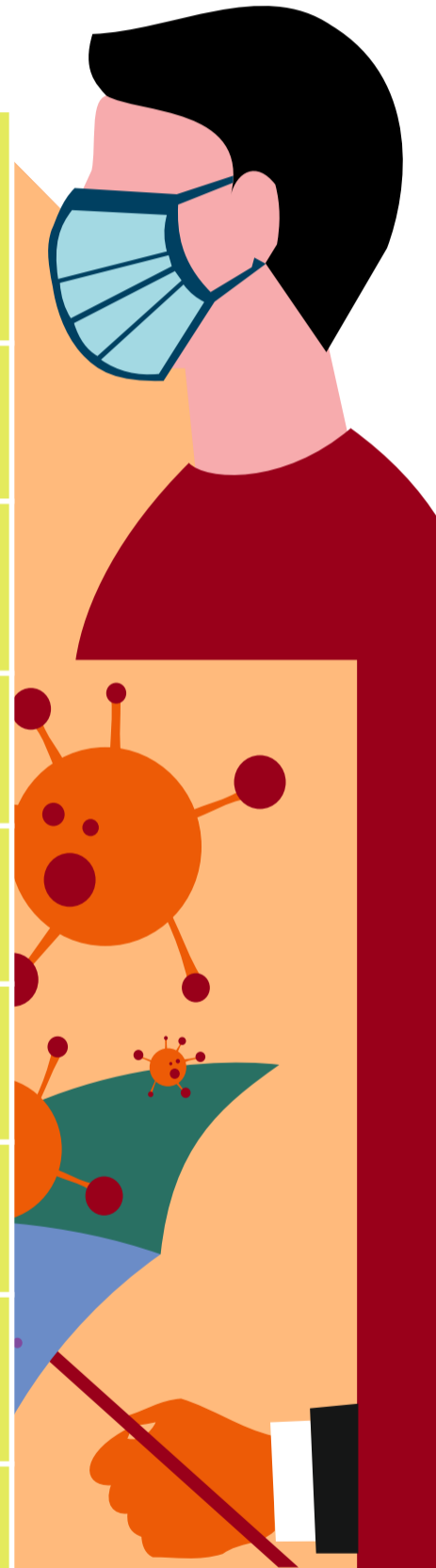
Verification has broader implication; in fact valuation is a part of verification.

Students are to take note that valuation of assets with mathematical precision is not possible in many cases. The values at which most of the assets appear in the BALANCE SHEET are to be estimated and the estimated values need not be the correct values.

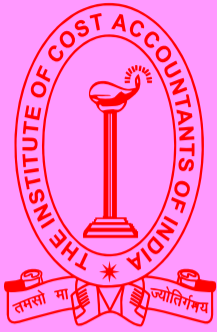


Examination RESCHEDULED TIME TABLE

Day & Date	Intermediate Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
20 th July, 2020 (Monday)	Financial Accounting (Paper 05) (Group - I)
21st July, 2020 (Tuesday)	Operations Management & Strategic Management (Paper 09) (Group - II)
22nd July, 2020 (Wednesday)	Laws & Ethics (Paper 06) (Group - I)
23rd July, 2020 (Thursday)	Cost & Management Accounting and Financial Management (Paper 10) (Group - II)
24th July, 2020 (Friday)	Direct Taxation (Paper 07) (Group - I)
25th July, 2020 (Saturday)	Indirect Taxation (Paper 11) (Group -II)
26th July, 2020 (Sunday)	Cost Accounting (Paper 08) (Group - I)
27th July, 2020 (Monday)	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

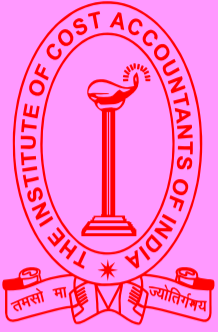
03

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 at request option.

Dear Students,

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

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

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

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

Cracking the CMA



CMA Saumya Jhunjunwala
B.Com, LLB, ACMA, CS(Exe.)
HOD (Costing) Clair Engineers Pvt Ltd, Hyd
Email id: saumyajhunjunwala@gmail.com

I believe you are in full motion of your preparation for the upcoming CMA examination in June. Indeed, one needs to prepare for the tests with sincerity and determination to achieve success. Most students do think that CMA exams are challenging. I do agree to some extent, but it isn't that difficult if we face them with adequate preparation, which isn't the case with just examinations, but it is the case with any significant issues in life.

Set your goals, plan your activities, and work harder to conquer. Success has no reservations for those who dream of it and work for it. There is no substitute for hard work. In the words of Mahatma Gandhi, "The future depends on what that we do in the present." Due to the lockdown, we all are going through unprecedented times, but you should utilize this time to prepare well and get successful in the exams.

Planning is the cornerstone of success

Yes, a good plan implies a good beginning, but a goal without a plan is just a wish. Translate that wish into an actionable plan to succeed. There is no magic mantra for success without smart work. It is imperative to plan your studies focusing on your examination. You are required to ensure a systematic study plan to qualify the so-called difficult examination. Planning should include your schedule, hours of study, topics to be covered, strategy for retrieval, and finally, how to make an impressive presentation in your answer book. I am reminded of the words of Benjamin Franklin, "If you fail to plan, you are planning to fail." Preferably, you should plan to win. It is better late than never.

Prepare from Study Material

The Cardinal principle for success in the CMA exam is to study from the study material and is crucial, which is why the institute provides you with excellent quality material. Don't get carried away by private coaching notes, which necessarily may not cover the whole of the study material. Unless you practice intensely, you may not gain the required speed and expertise to face the examination confidently, especially in the case of non-theory papers. If you can solve all the problems in the study material and past ten years' question papers, without the aid of the answer key, your success in the exam is assured. Before the crucial exam day, do practice a few mock exams at your home. Set your questions, and try to answer it under exam conditions,

do a self-evaluation, and find out where you stand. One of the significant deficiencies among today's students is that they lack writing skills and also the patience for sitting through the exam conditions for 3 hours. Command over the English language is lacking. And to overcome these deficiencies, the institute provides the students with MTP and RTP. But unfortunately, it is a matter of great concern that only a handful of students utilize this facility to assess them of the preparedness. I strongly recommend all of you to make use of this golden opportunity.

Strategize the Subject

Strategize your studies is equally important when considering the voluminous syllabus. Your approach to study can make a lot of difference. One should be conscious of the following three things

1. What to study

The syllabus, weightage of marks, the trend in past question papers and study materials will give an overall idea about what to study.

2. How to study

It is advisable to allocate your available time into three buckets. First revision covering 50% of your study time, second revision should target 30%, third revision, and final covering to target the balance 20% of your time. For the first revision, you should complete the reading of your study material cover to cover. While doing so, do highlight the essential contents of each chapter. When you take a non-theory paper, you should carefully understand the concepts, and based on that, solve all illustrations. For the second revision, you should be able to prepare your study notes out of the segregated contents. One should complete all problems in the Practice manual without referring the solution in the case of subjects other than theory, identify only those problems where you got stuck for your final revision. Do not waste your time on a problem which you could solve in the first instance. The final round should help you to reproduce your understanding of any topic that you will be examined. Constant practice is the only mechanism to make you perfect. When you prepare for your examination by writing notes or jotting down hints, it helps you acquire this ability besides improving legibility. You should solve illustrations and exercises repeatedly, instead of merely reading the problems in the subject. You must attempt several problems to have complete control over the topics.

3. How to deliver

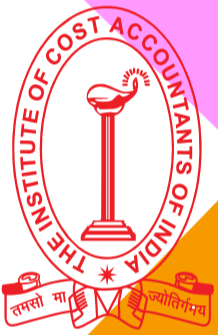
How to write an examination is nothing but the Art of Writing Examination
It is of the supreme importance of how you write the test or how you present your answers. You must keep calm during the exam and utilize every minute of the allocated time. How effectively you use the **3 hours and 15 minutes** in answering the questions determines your result. Remember, **Your Answer Sheet is your deliverable**. Once the exam starts, the initial **15 minutes**, you should read the questions and instructions carefully to decide the questions you will attempt. The order (**Starting from the question you know the best to the question you are least confident about**) and the time to be allocated to each question (**Commensurate**

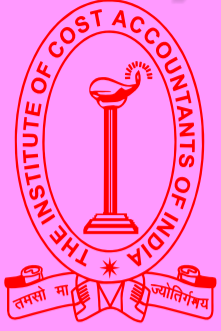
with the marks/weightage assigned to the question). Make sure to conserve some time for a revision at the end. It is pertinent to reinforce that utilizing your time effectively, especially during the examination is crucial for your success. You must present your answers carefully and neatly to maximize your score. **Remember, you will be marked on what you write rather than what you know.** You must allot your time prudently according to the weightage and complexity of the question, utilizing some time in planning and structuring your answers. Enumerate the points to enhance the readability of your response. Write neatly and legibly, explaining the concept with clarity, precision, and coherence, highlighting important terms and keywords. Incorporate illustrations and examples wherever necessary. You may answer the theoretical questions in points sequentially, citing examples and section numbers wherever necessary. For practical questions, you could mention underlying case law/standard and give working notes. If a particular question requires making an assumption, you must clearly state that in your answer. Do not spend much more than the allocated time on a single question. Attempt all the subparts of a question together. Highlight the critical points by underlining them. Always adhere to the time limits. Attach all your supplementary sheets in the right sequence and ensure details are written legibly on the front page. The presentation of the answers should be perfect, and there should not be many cancellations or strikethroughs, handwriting should be legible, the delivery of your answers should be tidy. In short, the examiner should be delighted to read through your answers.

ALWAYS KEEP IN MIND WHAT YOU ARE EXPECTED TO STUDY IN 18 MONTHS IS GOING TO BE EXAMINED IN 3 HOURS AND WILL BE EVALUATED IN LESS THAN AN HOUR.

I wish you all the very best

Stay Home, Stay safe
CMA Saumya Jhunhunwala
B.Com, LLB, ACMA, CS(Exe.)
HOD(Costing) Clair Engineers Pvt Ltd, Hyd
Member of Editorial Board





Message from Directorate of Studies

Dear Students,

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!

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

Statutory Body under an Act of Parliament

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



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www.icmai.in

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of the same Calendar Year

December Exam
31st July
of the same Calendar Year

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Students

75,000⁺
Members

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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.

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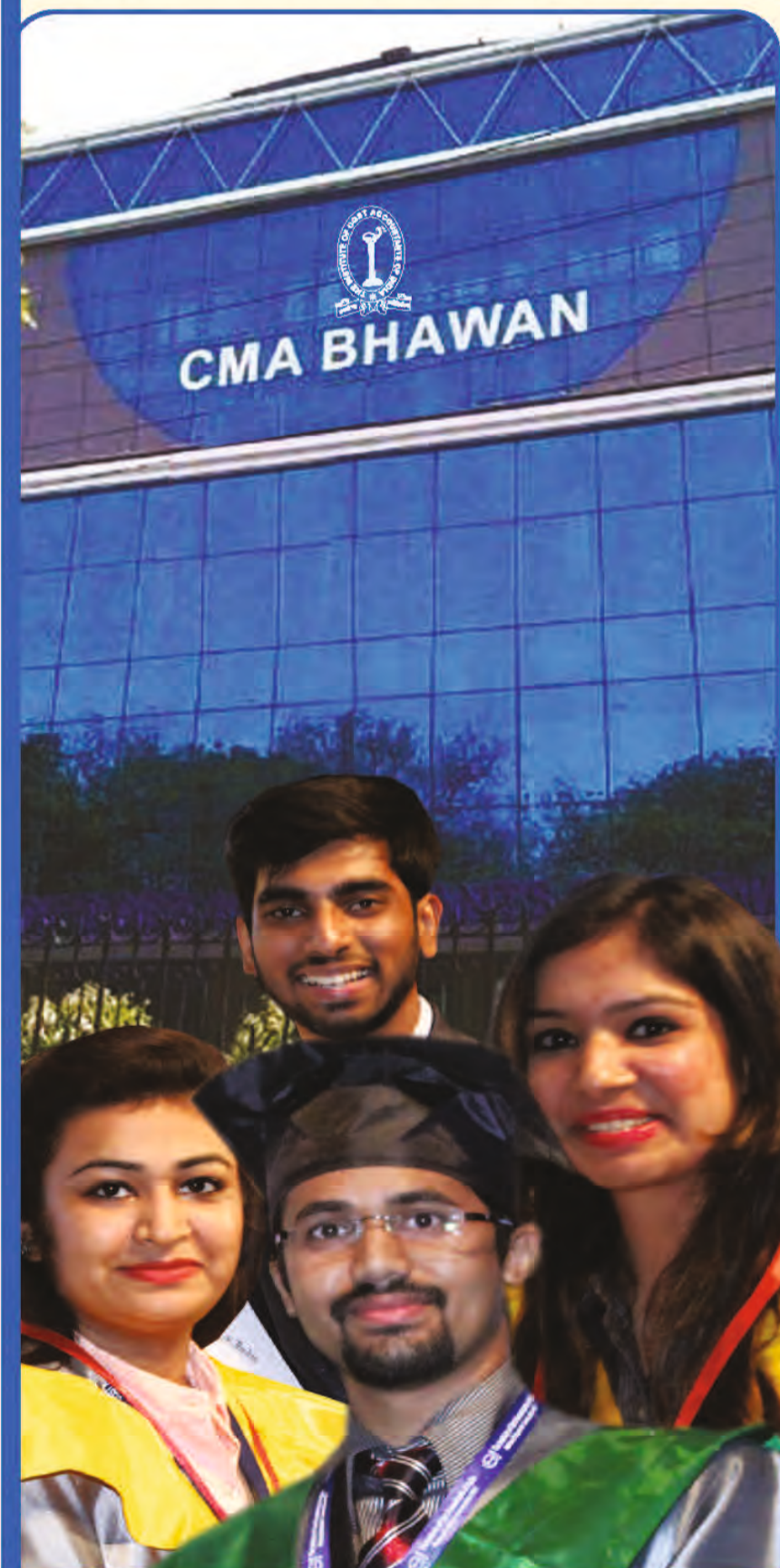
Few of Our Proud Recruiters



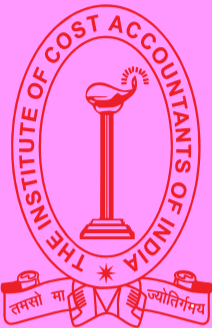
✉ placement@icmai.in / cpt@icmai.in

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

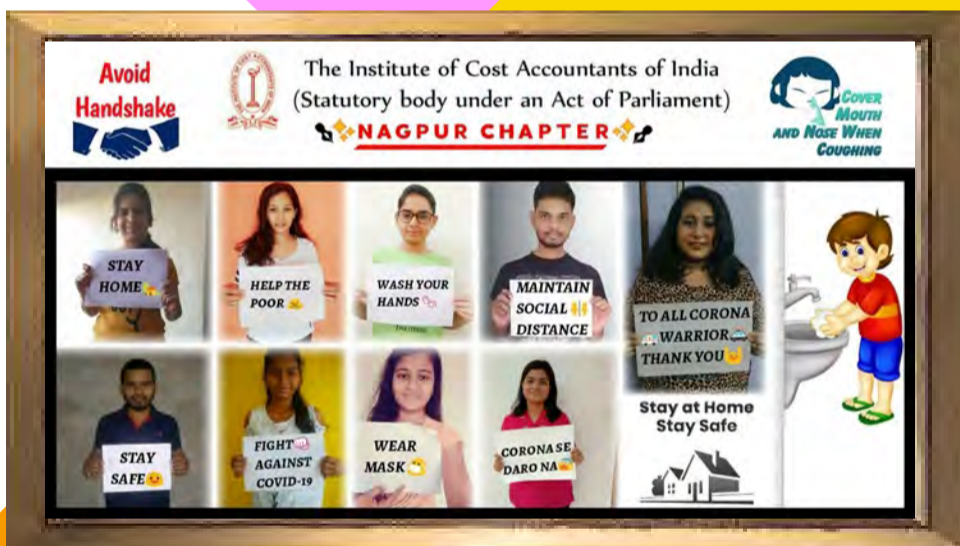


Few Snapshots



The Institute of Cost Accountants of India - Streamline Academy - ROCC - S-187 - Thrissur

Message on COVID-19 from Students of ROCC Streamline Academy Thrissur



Nagpur Chapter initiative on COVID-19



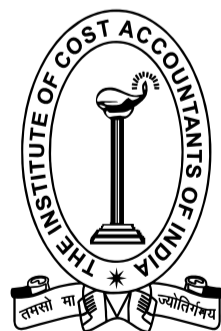
Message on COVID-19 from Eastern India Region Student Fraternity.



Message on COVID-19 from Patiala Chapter of the Institute



Message on COVID-19 from Students, Staff, Members of Nellore Chapter.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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