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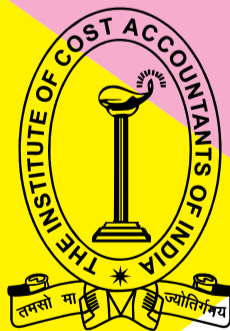
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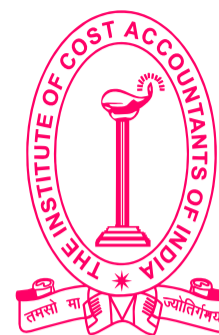
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Behind every successful business decision, there is always a **CMA**

Message from The Chairman

CMA Biswarup Basu

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



MESSAGE FROM THE CHAIRMAN

Dear Students,

Greetings!!

"An eye for eye only ends up making the whole world blind"-M.K. Gandhi

The need of the hour is to impart value based education. The stress should be on the values such as patience, honesty, tolerance, sympathy, and love for fellow citizens. The aim is for students not only to understand the values, but also to reflect them in their attitudes and behavior, and contribute to society through good citizenship and ethics. Once values become everyone's priority in life, all the negative aspects of life will automatically dwindle. The world direly needs people with high values to make it a better place to live in. A good set of values will enable a person to raise his or her self-esteem, make others hold him or her in high respect and give him or her the confidence he or she requires to lead a life based on principles and self-confidence.

The result for December, 2019 term is out and those who cleared it I would like to thank all those students. I would like to request you to continue your spirit in future as well to make yourself a successful professional. Students works with determination and sincerity becomes successful in every sphere of life. Those who could not clear it please remind that failure is a necessary part of life. Failure is never the end it is instead, a necessary part of the journey.

The Directorate of Studies is continuously trying to update your knowledge through various publications in soft versions like Mock Test Papers (MTPs), Work Books, monthly students E-bulletins etc. where eminent academicians and industrial personnel are contributing through their write up for your knowledge development. Being the Chairman of Training & Education Facilities and Placement Committee, I am really thankful to all of them.

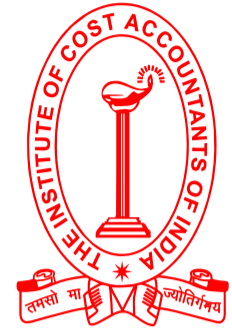
My appeal to all of you is try to shake the world in your own way so the future in line of the thinking of Mahatma Gandhi---"You must be the change you wish to see in the world".

Best wishes as always,

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

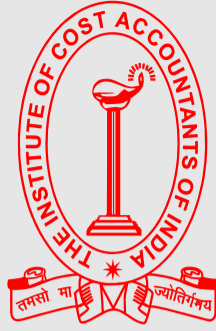


Be a CMA, be a Proud Indian



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KNOWLEDGE Update



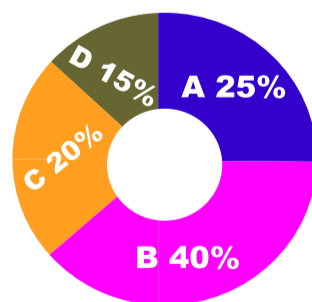
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.



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

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Your Preparation Quick Takes



Syllabus Structure

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

Learning Objective:

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

HIRE PURCHASE AND INSTALMENT PURCHASE SYSTEM**INTRODUCTION**

The hire purchase agreement was developed in the United Kingdom in the 19th century to allow customers with a cash shortage to make an expensive purchase they otherwise would have to delay or forgo. For example, in cases where a buyer cannot afford to pay the asked price for an item of property as a lump sum but can afford to pay a percentage as a deposit, a hire-purchase contract allows the buyer to hire the goods for a monthly rent. When a sum equal to the original full price plus interest has been paid in equal installments, the buyer may then exercise an option to buy the goods at a predetermined price (usually a nominal sum) or return the goods to the owner.

A **Hire Purchase (HP)** known as **Installment Plan** in North America, is an arrangement whereby a customer agrees to a contract to acquire an asset by paying an initial installment (e.g. 40% of the total) and repays the balance of the price of the asset plus interest over a period of time. Other analogous practices are described as closed-end leasing or rent to own.

If the buyer defaults in paying the installments, the owner may repossess the goods, a vendor protection not available with unsecured-consumer-credit systems. HP is frequently advantageous to consumers because it spreads the cost of expensive items over an extended time period. Business consumers may find the different balance sheet and taxation treatment of hire-purchased goods beneficial to their taxable income. The need for HP is reduced when consumers have collateral or other forms of credit readily available.

These contracts are most commonly used for items such as car and high value electrical goods where the purchasers are unable to pay for the goods directly.

COMPARISON BETWEEN HIRE PURCHASE AND INSTALMENT PAYMENT SYSTEM

It is an agreement of hiring.

The parties involved are called hire purchaser and hire vendor

The ownership of the goods passes to the buyer on payment of the final installment

In case of default in payment the hire vendor has the right to take back the possession of the goods

Now in contrast the features of installment payment system are :

It is an agreement to sell

The parties involved are called buyer and seller

The ownership of the goods passes to the buyer on signing the agreement

In case of default in payment the Seller cannot take back the goods but can only sue the hire purchaser

The parties involved in the hire purchase system are: hire purchaser and hire vendor. The buyer of the good in a hire purchase agreement is referred to as hire purchaser. The owner of the good who agrees to sell the goods under a hire purchase agreement referred to as hire vendor.

The important terms while making the accounting entries under this system are :

Cash price: That is the price to be paid by the buyer if the whole amount is paid in cash.

Hire purchase price: it is the price as per the agreement of the hire purchase system.

Down payment: that is the payment to be made at the time of booking.

Installment: it refers to the periodic payments that are required to be made with certain time intervals as per agreement

Interest: it is the financial charge which is charged by the hire vendor to the higher purchaser for selling the goods under hire purchase system.

Repossession: in case of hire purchase if the purchaser fails to pay the installment the hire vendor has the right to repossess the goods as per the agreement. The act of taking back the goods under his possession is called repossession.

ACCOUNTING TREATMENT

Now let us discuss the accounting of hire purchase system.
There are two methods :

1. Cash price method or full price method or credit purchase method
 2. Interest suspense method
- Now let us discuss the accounting of hire purchase system.

Let us now see the journal entries under the cash price method:

1. on purchase of asset
Fixed Asset A/c..... Dr.
 To Hire Vendor A/c
By the amount of cash price
2. for down payment
Hire Vendor A/cDr.
 To Bank Account
By the amount of down payment
3. for interest due
Interest A/c..... Dr.
 To Hire Vendor A/c
By the amount of interest due for the period.
4. Payment of installment
Hire Vendor A/c..... Dr.
 To Bank Account
By the amount of installment for the period
5. Depreciation of Asset
Depreciation A/c..... Dr.
 To Fixed Assets
By the amount of the depreciation for the period Calculated on cash price
6. Transfer entry
Profit and loss A/c..... Dr.
 To Interest A/c
 To Depreciation A/c

The journal entries for the interest suspense method will be as under:

1. On purchase of asset and recognition of total interest payable
Fixed Asset A/c.... Dr. : at cash price
Interest Suspense A/c.... Dr: Total interest payable
 To Hire Vendor: At Higher purchase price
2. For Down Payment
Hire vendor A/cDr.
 To Bank Account
By the amount of down payment
3. For interest due
Interest A/cDr.
 To Interest Suspense
By the amount of interest due for the period.
4. Payment of Installment
Hire Vendor A/c..... Dr.
 To Bank Account
By the amount of installment for the.
5. Depreciation of Asset
Depreciation A/c..... Dr.
 To Fixed Asset
By the amount of depreciation for the. Calculation calculated on cash price
6. Transfer entry
Profit and Loss A/cDr.
 To Interest A/c
 To Depreciation A/c

ILLUSTRATION

The following information relates to a particular hire purchase agreement.
Down payment 40% of cash price, the balance would be payable in 3 equal installment plus interest @ 12% per annum. The amount of last installment was Rupees 13440.

You are required to determine the cash price

Computation of cash price :	Rs.
Third installment	3,440
Interest included above	1,440
Therefore principal amount in third installment	12,000
Therefore principal amount in all three installment = 12,000 X3 = 36,000	

Here down payment= 40% of cash price

Therefore principal amount in all three installment= 60% of cash price

Now 60% of cash price= 36,000

Therefore cash price = 36,000 X 100/60= 60,000

Refer illustration 5 of the study material page number 395

ASSET ACCRUAL METHOD

Following will be the journal entries for such method:

- For purchase of asset:

Fixed Asset A/c Dr
To Hire vendor
By the amount of down payment.
- For down payment:

Hire Vendor A/c....
To Bank
By the amount of down payment
- For installment due:

Fixed Asset A/c....Dr (by the amount of cash price)
Interest A/cDr (by the amount of interest due)
To Hire Vendor
- Payment of installment:

Hire Vendor A/c....Dr
To Bank
- For depreciation of asset :

Depreciation A/c..... Dr
To Fixed Asset
- Transfer entry

Profit and Loss A/cDr
To Interest A/c
To Depreciation A/c

Illustration 1:

Mr X purchased machinery under hire purchase agreement from Mr. Y on 01.04.2015. The following are the particulars relating to the hire purchase:

Cash price Rs. 40,000

Payments Rs. 10,000 on signing of the agreement

Balance in three equal annual installments plus interest payable on March 31st every year.

Rate of interest @10% pa

Mr X charged depreciation @ 15 %pa under SLM P

Pass the necessary journal entries in the books of Mr X (the hire purchaser) under Asset Accrual Method.

Solution:

- For purchase of asset:

	Rs.	Rs.
Machinery A/c Dr	10000	
To Mr Y (Hire vendor)		10000
By the amount of down payment.		
- For down payment:

Mr. Y (Hire vendor) A/c....Dr	10000	
To Bank		10000
By the amount of down payment		
- For installment due:

Machinery A/c....Dr (cash price)	10000	
Interest A/cDr(interest due)	3000	
To Hire Vendor		13000

4. Payment of installment:	Rs.	Rs.
Hire vendor A/c....Dr	13000	
To Bank		13000
5. For depreciation of asset :		
Depreciation Ac..... Dr	6000	
To Fixed Asset		6000
6. Transfer entry		
Profit and Loss AcDr	9000	
To Interest A/c		3000
To Depreciation A/c		6000
7. For installment due:		
Machinery A/c....Dr (cash price)	10000	
Interest A/cDr (interest due)	2000	
To Hire Vendor		12000
8. Payment of installment:		
Hire vendor A/c....Dr	12000	
To Bank		12000
9. For depreciation of asset :		
Depreciation A/c..... Dr	6000	
To Fixed asset		6000
10. Transfer entry		
Profit and Loss A/cDr	8000	
To Interest A/c		2000
To Depreciation A/c		6000
11. For Installment due:		
Machinery A/c....Dr (cash price)	10000	
Interest A/cDr (interest due)	1000	
To Hire Vendor		11000
12. Payment of installment:		
Hire Vendor A/c....Dr	11000	
To Bank		11000
13. For Depreciation of Asset :		
Depreciation Ac..... Dr.	6000	
To Fixed Asset		6000
14. Transfer entry		
Profit and Loss A/cDr	7000	
To Interest A/c		1000
To Depreciation A/c		6000

Working notes:

Particulars	Amount (Rs)
Cash price	40000
Less down payment	10000
Balance to be paid in 3 installments i.e Rs.10000 each.	30000
Add interest @ 10% for one year on 30000	3000
	33000
Less payment (10000+3000)	13000
	20000
Add interest(@10% on 20000)	2000
	22000
Less payment (10000+2000)	12000
	10000
Add interest (@10% on 10000)	1000
	11000
Less payment of last installment	11000
Depreciation @15% on Rs.40000 under SLM	6000

Illustration 2:

Now in this illustration we will show how transactions are recorded in the books of hire vendor under Credit Purchase Method: 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. 50,000

First installment on 31.03.2016 Rs.29,000

Second installment on 31.03.2017 Rs. 14,500

Third installment on 31.03.2018 Rs. 13,500.

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).

Solution:

Working notes:

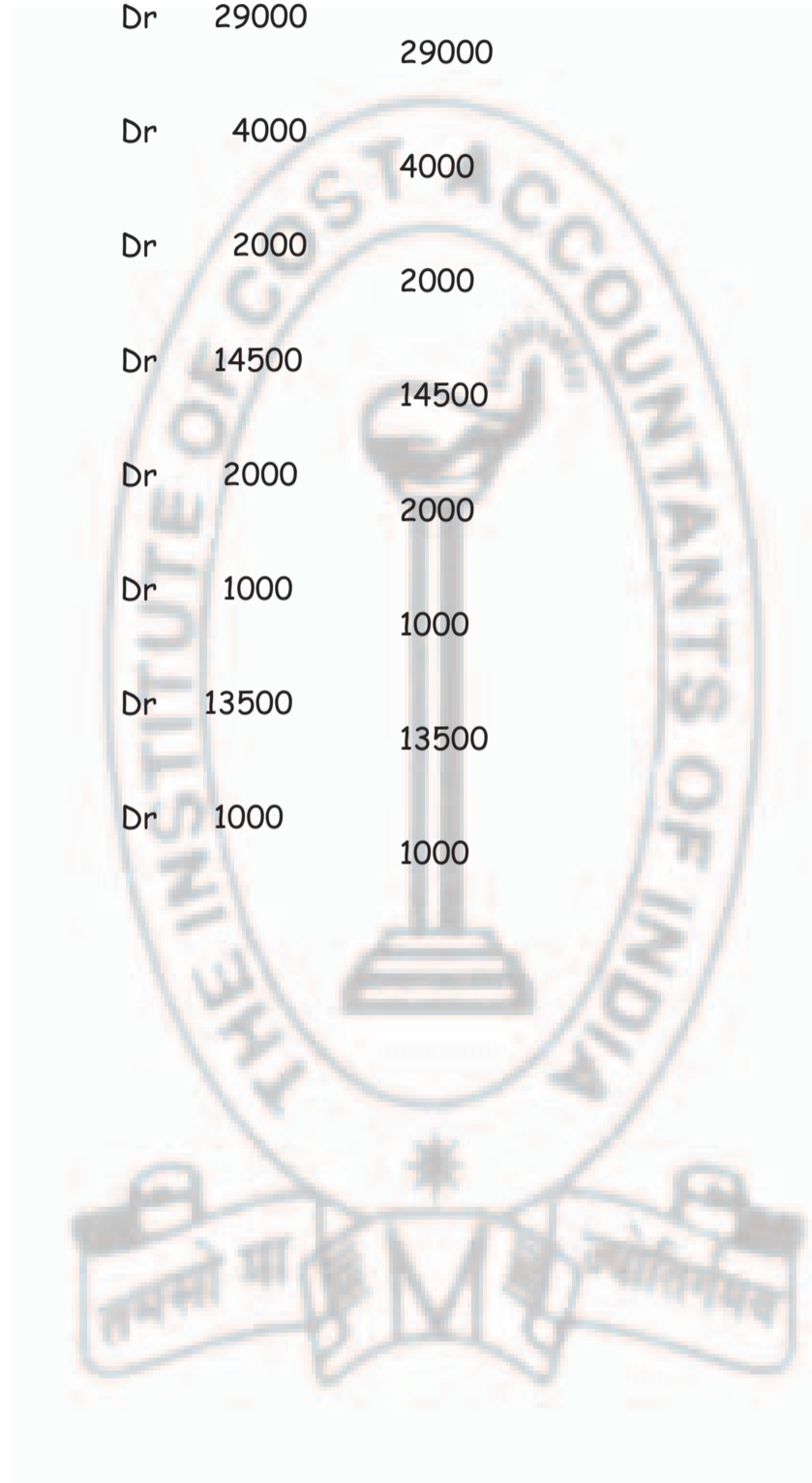
Particulars	Amount (Rs)
Third installment	13500
Less interest (13500x8/108)	1000
	12500
Add second installment	14500
	27000
Less interest (27000x8/108)	2000
	25000
Add first instalment	29000
	54000
Less interest (54000x8/108)	4000
	50000
Add down payment	50000
Cash price	100000
Total interest(1000+2000+4000)	7000

Without interest suspense:

	Rs.	Rs.
1. X Ltd. A/c..... To H P Sales For Sale of Goods	Dr 100000	100000
2. Bank A/c..... To X Ltd For Down Payment	Dr 50000	50000
3. X Ltd To Interest	Dr 4000	4000
4. Bank A/c To X Ltd	Dr 29000	29000
5. Interest A/c To P/L	Dr 4000	4000
6. X Ltd To Interest	Dr 2000	2000
7. Bank A/c To X Ltd	dr 14500	14500
8. Interest A/c To P/L	Dr 2000	2000
9. X Ltd To Interest	Dr 1000	1000
10. Bank A/c To X Ltd	Dr 13500	13500
11. Interest A/c To P/L	Dr 1000	1000

With interest suspense:

		Rs.	Rs.
1. X Ltd	Dr	107000	
To HP Sales			100000
To Interest Suspense			7000
2. Bank A/c.....	Dr	50000	
To X Ltd			50000
For Down Payment			
3. Interest Suspense	Dr	4000	
To Interest			4000
4. Bank A/c	Dr	29000	
To X Ltd			29000
5. Interest A/c	Dr	4000	
To P/L			4000
6. Interest Suspense	Dr	2000	
To Interest			2000
7. Bank A/c	Dr	14500	
To X Ltd			14500
8. Interest A/c	Dr	2000	
To P/L			2000
9. Interest suspense	Dr	1000	
To Interest			1000
10. Bank A/c	Dr	13500	
To X Ltd			13500
11. Interest A/c	Dr	1000	
To P/L			1000

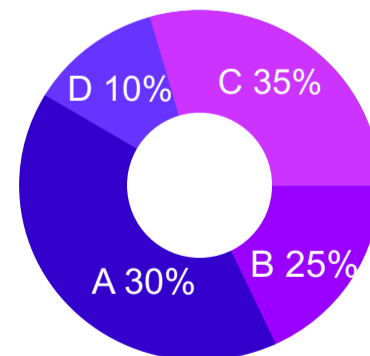




GROUP: I, PAPER: 6
LAWS & ETHICS
(LNE)

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Your Preparation Quick Takes



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

Learning Objectives:

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

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

LAW & ETHICS

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

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

38. Punishment for personating for acquisition, etc., of securities.

(1) Any person who—makes or abets (meaning to encourage or assist someone to do something wrong) making of an application to a company for acquiring, or subscribing for, its securities

- in a fictitious name; or
- in different names or in different combinations of his name or surname for acquiring or
- otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name,

shall be liable for action under section 447 which shall be **punishable with imprisonment** for a term which shall not be less than six months but which may extend to ten years **and shall also be liable to fine** which shall not be less than the amount involved in the fraud, but which may extend to three times the amount involved in the fraud

(2) The provisions of sub-section (1) shall be prominently reproduced in every prospectus issued by a company and in every form of application for securities.

(3) Where a person has been convicted under this section, the Court may also order disgorgement of gain, if any, made by, and seizure and disposal of the securities in possession of, such person.

(4) The amount received through disgorgement -(which means ordering wrongdoers to pay back illegal profits earned illegally or unethically. **Disgorgement** is a remedy and not a punishment) or disposal of securities under subsection (3) shall be credited to the Investor Education

and Protection Fund.

Allotment of securities by company - Section 39 states that -

(1) No allotment of any securities of a company offered to the public for subscription shall be made unless the amount stated in the prospectus as the minimum amount has been subscribed and the sums payable on application for the amount so stated have been paid to and received by the company by cheque or other instrument.

(2) The amount payable on application on every security shall not be less than **five per cent.** of the nominal amount of the security or such other percentage or amount, as may be specified by the Securities and Exchange Board (SEBI) by making regulations in this behalf.

(3) Refund of Application money :

If the stated minimum amount has not been subscribed and the sum payable on application is not received **within a period of thirty days** from the date of issue of the prospectus, or such other period as may be specified by the SEBI, the amount received under sub-section (1) **shall be returned** within such time and manner as may be prescribed.

(4) Annual Return :

Whenever a company having a share capital makes any allotment of securities, it shall file with the Registrar a return of allotment in such manner as may be prescribed and provide following detailed information:

1. List of allottees containing their Name, address, occupation and number of securities allotted to each of the allottees.
2. If securities are allotted for consideration other than cash then the company shall file copy of contract (duly stamped) pursuant to which securities have been allotted.
3. If a contract is not reduced to writing, the company shall furnish particulars of contract stamped with same stamp duty as would have been applicable if the contract had been reduced to writing.
4. In case consideration is received in kind, a report of registered valuer should be attached.

5. In case of issue of bonus shares, a copy of resolution passed in general meeting authorizing issue of such shares should be attached.

6. If shares are issued by a company other than listed company to such person which are authorized by a special resolution then the company is required to attach report of registered valuer along with form in **Form No. - PAS-3** which shall be attached along with the return.

(5) **Penalty** : In case of any default under sub-section (3) or sub-section (4), the company and its officer who is in default shall be liable to a penalty, for each default, of **one thousand rupees for each day** during which such default continues or Rupees one lakh, whichever is less.

Payment of Commission :

Section 40(6) provides that A company may pay commission to any person in connection with the subscription to its securities subject to such conditions as may be prescribed.

Rule 13 Chapter III Part I of the Companies (Prospectus and Allotment of Securities) Rules, 2014 provides that a company may pay commission to any person in connection with the subscription or procurement of subscription to its securities, whether absolute or conditional, subject to the following conditions, namely: -

- (a) the payment of such commission shall be authorized in the company's articles of association;
- (b) the commission may be paid out of proceeds of the issue or the profit of the company or both;
- (c) the rate of commission paid or agreed to be paid shall not exceed, in case of shares, five percent of the price at which the shares are issued or a rate authorised by the articles, whichever is less, and in case of debentures, shall not exceed two and a half per cent of the price at which the debentures are issued, or as specified in the company's articles, whichever is less;
- (d) the prospectus of the company shall disclose -
 - (i) the name of the underwriters;
 - (ii) the rate and amount of the commission payable to the underwriter; and
 - (iii) the number of securities which is to be underwritten or subscribed by the underwriter absolutely or conditionally.
- (e) there shall not be paid commission to any underwriter on securities which are not offered to the public for subscription;
- (f) a copy of the contract for the payment of commission is delivered to the Registrar at the time of delivery of the prospectus for registration.

Section 40 - Securities to be dealt with in stock exchanges.

Sec. 40(1) provides that every company making public offer shall,

before making such offer, make an application to one or more recognized stock exchange or exchanges and obtain permission for the securities to be dealt with in such stock exchange or exchanges.

Sec. 40(2) The Prospectus shall state the name or names of the Stock Exchange in which the securities shall be dealt with.

Application money to be deposited in bank :

Section 40(3) provides that all monies received on application from the public for subscription to the securities shall be kept in a separate bank account in a scheduled bank and shall not be utilised for any purpose other than—

- (a) for adjustment against allotment of securities where the securities have been permitted to be dealt with in the stock exchange or stock exchanges specified in the prospectus; or
- (b) for the repayment of monies within the time specified by the Securities and Exchange Board of India (SEBI), received from applicants in pursuance of the prospectus, where the company is for any other reason unable to allot securities.

Void Condition

Sec. 40(4) provides that any condition purporting to require or bind any applicant for securities to waive compliance with any of the requirements of this section shall be void.

Penalty :

Section 40(5) provides that if a default is made in complying with the provisions of this section, the company shall be punishable with a fine which shall not be less than Rupees five lakh but which may extend to Rupees fifty lakh and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than Rupees fifty thousand but which may extend to Rupees Three lakhs, or with both.

Private Placement [Explanation II to Sec. 42]

It may be mentioned that key changes were brought about Ministry of Corporate Affairs . Section 42 was amended along with its corresponding Rule No. 14 of the Companies Act, 2013 with effect from August 07, 2018.

The following are the major changes to be noted :

- a A company is no longer permitted to **utilize the share application money** received by it unless
 - (i) allotment is made; and
 - (ii) the return of allotment, in e-form PAS - 3, is filed with the Registrar of Companies.

- b **Time period for filing e-form PAS - 3:** is now within 15 days of allotment.
- c **Penal provisions for non-filing of e-form PAS - 3:** If a company fails to file e-form PAS - 3 within 15 days of allotment, the company, its promoters and directors shall be liable with a penalty INR 1,000/- per day but not exceeding INR 25,00,000/-.
- d **PAS 4 Form (Common private placement offer cum application form)** has been revised. The form now has a small section of application letter that needs to be filed in by the applicant. This application needs to be submitted by the applicant along with subscription money paid either by cheque, demand draft or other banking channel and not by cash.
- e **Fresh offer prior to allotment:** After the revision, where the number of persons to whom the offer is made does not exceed 200, the company may, at any time, make more than one issue of securities to such class of identified persons.
- f **Restriction on rights of renunciation:** The revised section specifically restricts any right of renunciation of the private placement offer that is been made by the issuer company.
- g **Revision of penalty amount:** The penal provision has been revised to - the amount involved in the offer or invitation or Rupees Two Crore, whichever is lower.



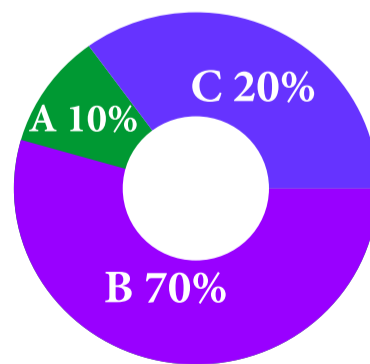


GROUP: I, PAPER: 7

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.

Income from House Property

1. Annual value of a property shall be taxable under the head "Income from house property" subject to fulfillment of the following conditions:

- There must be a property consisting of any building or land appurtenant thereto.
- Assessee is the owner (including deemed owner).
- Such property is not used in any assessable business or profession carried on by the assessee.

2. Annual value of a property is assessed to tax only in the hands of the owner. Income from sub-letting is taxable as business income or as income from other sources. Owner includes legal owner, beneficial owner and deemed owner.

Deemed Owner [Sec. 27]

- Transfer of property to spouse or minor child (not being a married daughter) without adequate consideration;
- The holder of an impartible estate;
- Property held by a member of a housing co-operative society, company, etc.;
- A person who acquired a property u/s 53A of the Transfer of Property Act against part performance of contract;
- Lessee of a building for more than 12 years u/s 269UA(f).

3. Co-owners are not taxable as an AOP provided their respective share is definite and ascertainable. Share of each co-owner shall be taxable in his hands.

4. Exempted Properties: Any one palace or part thereof of an ex-ruler (provided the same is not let out) a farm house; house property of a local authority, of an approved scientific research association, of an educational institution, of a hospital, of a person being resident of Ladakh, of a political party, of a trade union; house property held for charitable purpose.

5. Composite Rent: Composite Rent = Rent for building + Rent for assets / Charges for various services

Composite Rent				
Case	When rent is separable		When rent is not separable	
	Property is acceptable by tenant without amenities	Property is not acceptable by tenant without amenities	Property is acceptable by tenant without amenities	Property is not acceptable by tenant without amenities
Income shall be taxable under the head	Rent for Property: 'Income from house property' Rent for Amenities: 'Profits & gains of business or profession' or 'Income from other sources'.	'Profits & gains of business or profession' or 'Income from other sources'.	'Profits & gains of business or profession' or 'Income from other sources'.	

6. Property held as stock-in-trade

Where house property is held as stock-in-trade & not let out during any part of the previous year, then annual value of such property shall be computed as under:

Period	Annual Value
Up to 2 year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority	Annual value of such property shall be taken to be nil.
After the completion of aforesaid period	Annual value of such property shall be computed as per other provisions.

7. Let-Out House Property

Gross Annual Value (GAV)

Step 1: Calculate reasonable expected rent (RER) of the property, being higher of a) GMV or b) Fair rent.

Note: RER cannot exceed Standard Rent.

Step 2: Calculate Actual Rent Receivable (ARR) for the year less current year unrealised rent (UR).

Step 3: Compare the values calculated in step 1 and step 2 and take the higher one.

Step 4: Where there is vacancy and owing to such vacancy the 'ARR - UR' is less than the RER, then 'ARR - UR' computed in step 2 will be treated as GAV.

Municipal Tax including service taxes, water taxes and other taxes levied by local authority: Such taxes shall be computed as a % of Net Municipal Value and allowed as deduction if such taxes are actually paid during the previous year by the assessee.

Standard deduction: 30% of net annual value is allowed irrespective of the actual expenditure incurred.

Interest on borrowed capital: Interest payable on amount borrowed for the purpose of purchase, construction, renovation, repairing, extension, renewal or reconstruction of house property can be claimed as deduction on accrual basis. For this purpose, interest on loan is divided into 2 parts:

Interest for pre-construction period	Interest for post-construction period
The period starts from the day of commencement of construction or the day of borrowing whichever is later and ending on March 31 immediately prior to the year of completion of construction. Interest for pre-construction period will be accumulated and claimed as deduction over a period of 5 equal installments commencing from the year of completion of construction.	The period starts from the beginning of the year in which construction is completed and continues until the loan is repaid. Interest for such period is allowed in the respective year(s).

Note: Any interest chargeable under this Act which is payable outside India, is not allowed as deduction if on such interest, tax has not been deducted at source.

Self-occupied Property: The annual value of 2 self occupied properties or part thereof shall be nil. If an assessee occupies more than 2 house properties as self-occupied, he is allowed to treat only 2 houses as self-occupied at his option. The remaining self-occupied properties shall be treated as 'Deemed to be let out'. Interest on loan u/s 24(b) shall be allowed as under:

Conditions	Maximum Interest Allowed
Where loan is taken on or after 1/4/1999 for construction or acquisition provided construction or acquisition is completed within 5 years from the end of the financial year in which the capital was borrowed & certificate received from lender.	Rs. 2,00,000
In any other case	Rs. 30,000

9. Property not Occupied by the Owner / Unoccupied Property: Where an assessee has a residential house (kept for self-occupation) and it cannot actually be occupied by him owing to his employment, business or profession and he has to reside at a place not belonging to him, then such house shall be termed as unoccupied property. It shall be treated at par with self-occupied property.

10. Deemed to be let-out House Property: Where the assessee occupies more than two house property as self-occupied or has more than two unoccupied property, then for any two of them, benefit u/s 23(2) can be claimed (at the choice of the assessee) and remaining property or properties shall be treated as 'deemed to be let out' and shall be treated same as let out house property.

11. Partly Self-occupied and Partly Let-out

Case 1) Area wise Division: In this case, a house property consists of two or more independent units and one or more of which are self-occupied and remaining units are let out.

Treatment: Self-occupied portion & let out portion shall be treated as two separate house (i.e., Unit A & Unit B); Income of both units shall be computed accordingly.

Case 2) Time wise Division: In such case, the house property is self occupied by the assessee for a part of the year and let out for remaining part of the year.

Treatment: In such case assessee will not get deduction for the self-occupied period and income will be computed as if the property is let out throughout the year. Reasonable expected rent (RER) shall be taken for the full year but the actual rent receivable (ARR) shall be taken only for the let-out period.

Case 3) Area as well as Time wise Division: Merger of Case 1 and Case 2

12. Taxation of arrears of rent or recovery of unrealized rent in the year of receipt [Sec. 25A]

Taxable Amount = 70% * [Recovery of Arrear Rent + Recovery of Unrealized Rent]





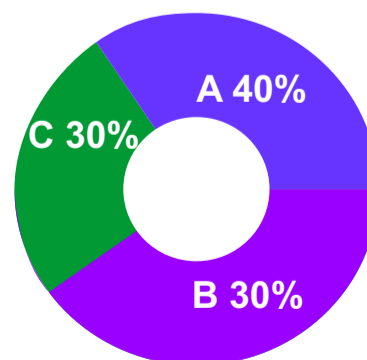
GROUP: I, PAPER: 8

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

Now a days we are living in a competitive world where there is also scarcity of natural resources. The urgent need of the day is to utilize the resources efficiently. The roll of Cost Accountants in this regard plays a vital role all over the world. Starting as a branch of Financial Accounting, Cost Accountancy has made a remarkable progress during the last few decades.

A critical study of theory as well as solving the practical problems is very much essential for securing good marks in the exam. The students are requested to go through the theoretical part first for easy understanding the topic and then try to solve the problems that are in exercise. Start from Chapter one and try to complete the other chapters serially as this will enable you to understand better the succeeding chapters. Always try to remember that in professional examinations, emphasis is given on testing comprehension, self expression, understanding and ability to apply knowledge in divergent situation. Success of these examinations mainly depends on student's perseverance, seriousness of study, regularity and through practice.

The following **suggestions** are given based on my long term experience -

1. A students should have a well defined plane for completing the syllabus as well as its revision.
2. Try to go through your Study Note and know the syllabus properly.
3. A plane should be developed for completing the syllabus within stipulated time.
4. Try to analyze the trends of setting questions.
5. Time schedule with specified activities, which will help you to avoid procrastination.
6. Clarity of concepts and self expression is essential for successful result.
7. Improve your speed by practice and revision to be able to attempt all questions in limited time.
8. Try to write down all the important terms in your own words and practice it regularly.
9. The student should remember that all objective type questions should be answered as it will carry 100% marks.
10. Try to develop a practice of reading the questions minutely, underlining and understanding the specific requirements.

The total syllabus is divided into **Six Chapters**. The first chapter deals with the basic concept of cost accounting, beside its other two branches viz, Financial Accounting and Management Accounting. The second chapter relates to the Elements of cost in details. We know the three major elements of costs are - Material, Labour and Overheads. Here the major elements of costs are discussed elaborately and analyzed element-wise with sufficient number of examples. Material consists of the major part of total cost of a product, hence it is necessary to control this cost very carefully. You should read the scope and objectives of different Cost Accounting Standards in details. It will help to grasp the concept of cost accounting easily.

The third chapter is associated with Cost book-keeping, which includes integrated accounting system also. This chapter is very easy to understand but the process is lengthy. In practice, different accounts are to be opened, but it is not necessary to give much effort to complete its solution.

This chapter deals with Contract Costing. This method of Costing viz., Job/Batch/Contract is very much essential and important for the purpose of Intermediate Examinations. Students often face difficulty in recommending the profits to be taken into account in case of incomplete contract. There are some standard norms for computation and recognition of profit /loss of incomplete contract. Students sometimes experience difficulty in recommending the amount of profit to be taken into account during a period for long-term contract. Make sure that you are familiar with various methods/formulas for different stage of completion and share of profit. Students are also advised to go through the topic " Profit on incomplete contracts based on SSAP-9. ". Problems on escalation clause are also very important for this chapter.

The next chapter is Operating Costing. Here we have to find out operating cost per unit of output. 'Transport Costing', 'Hospital Costing', 'Power House Costing', 'Hotel/ Hostel Costing' etc are also part of Operating Costing. Here it is very important to find out the "Composite Unit" in order to solved the problems.

The chapter Marginal Costing deals with the nature and behavior of cost and there effects on profitability of a concern. It relates to find out Cost-volume-profit relationships. The main thrust should be to follow the wording and determine the desired impact of cost on profitability. The basic part of the problem is to solve Brake -even-point. Sometimes a questions gives details of costs but not the split into fixed and variable elements. Students are advised to segregate total costs into fixed and variable elements using high-low method. For a product of different sales -mix, contribution per unit of key factor should be found out and then different options should be marked on the same basis, i.e. contribution per unit of key factor. For easy understanding you have to solve various types of problems.

The next chapter relates to 'Variance Analysis' which deals with creating responsibilities and identifying the areas of exceptions. The main purpose of variance analysis is to enable the management to improve the operation for effective utilization of resources and to increase the efficiency by reducing costs. Some students are afraid of this important chapter only because of different formulae for different analysis. Only careful study and realization of the requirement in the problem can eliminate such difficulties. Finally the step should be taken based on the causes of variance.

'Budget and budgetary Control' which requires preparation of 'Flexible Budget', Functional Budget, and 'Cash Budget' for taking necessary actions. A Budget can be defined as a financial as well as quantitative statement, prepared prior to a defined period of time, of the policy that should be pursued during a particular period for attaining a given objective.

Theoretical and problem oriented questions may be set from this chapter. The students can easily understand the problems, if theory remains clear. The students are also suggested to go through the theoretical parts-like, concept of Zero-based budgeting, behavior and classification of Budgets etc very carefully. All functional budgets are summarized into master budget consisting of a Budgeted Profit and Loss Account, a Balance Sheet and Cash Flow Statement. a common mistake is to incorrectly deduct closing stocks and opening stocks when preparing Production and Material Purchased Budget. The students should also go through the theory - like, concepts of Zero-Based Budgeting, Behavior and Classifications of Budgets etc.

The main purpose of Cost Accounting is to ascertain the Cost of a product and recorded the transactions related to cost only. Under this system it is possible to know the movement of different stocks through W.I.P. Control A/c, Finished Goods Control Account and cost of sales account. Hence, cost related to different departments as well as product units will be available separately when cost accounts are maintain properly. Integral Accounting system is a single set of accounts, which provides both financial and cost accounting information that is required for a management information system. From the following problem we can easily understand the system of Integral Accounting.

Problem :

Paul Enterprises operates an integral system of accounting. You are required to pass the Journal Entries for the following transactions that took place for the year ended 30.6.2019 :

(Narrations are not required.)

Raw materials purchased (50% on credit)	600000/-
Materials issued to production	400000/-
Wages paid (50 % direct)	200000/-
Wages charged to production	100000/-
Factory overhead incurred	80000/-
Factory overheads charged to production	100000/-
Selling and distribution overheads incurred	500000/-
Sales (50% Credit)	750000/-
Closing Stock	nil
Receipts from debtors	200000/-
Payment to creditors	200000/-

Solution

Journal Entries

		Dr. (Rs.)	Cr. (Rs.)
1.	(a) Stores Ledger Control A/C To, Sundry Creditors a/c To, Cash or Bank a/c (b) Work - in - progress Control A/c To, Store Ledger Control A/c	Dr. Dr.	600000 300000 300000 400000 400000
2.	(a) Wages Control A/c To, Cash or Bank A/c (b) Work-in- progress Control A/c Factory Overhead Control To, wages Control A/c	Dr. Dr. Dr.	200000 100000 100000 200000
3.	(a) Factory Overhead Control A/c To, Cash or Bank A/c (b) Work - in - progress Control A/c To, Factory Overhead Control	Dr. Dr.	80000 100000 80000 100000
4.	Selling & Distribution Overhead Control A/c To, Cash or Bank A/c	Dr.	40000 40000

5.	(a) Finished Goods Control A/c To, Work-in- progress Control A/c (b) Cost of Sales A/c To, Finished Goods Control A/c To, Selling & Distribution Overhead Control A/c	Dr. Dr.	500000 540000	500000 40000
6.	(a) Sundry Debtors A/c Cash or Bank To, Sales A/c	Dr. Dr.	375000 375000	750000
7.	Cash or Bank To , Sundry Debtors A/c	Dr.	200000	200000
8.	Sundry Creditors A/c To, Cash or Bank A/c	Dr.	200000	200000

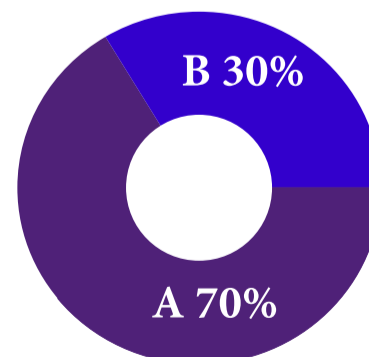




GROUP: II, PAPER: 9, Part- i
OPERATIONS
MANAGEMENT & STRATEGIC
MANAGEMENT (OMSM)
Operations Management

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Your Preparation Quick Takes



Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

Learning Objectives:

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

Operations Management

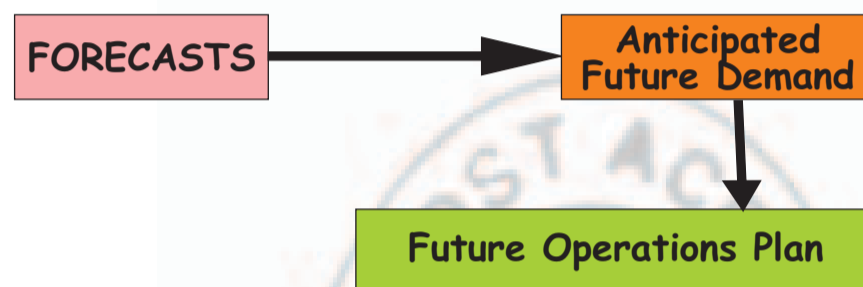
In this issue let me discuss on Demand Forecasting mainly Time Series Forecast.

A forecast is an estimate about the future value of a variable such as demand.

Forecasts of demand are a basic input in the decision processes of operations management.

The primary goal of operations management is to match supply to demand. Therefore a forecast of demand is essential for determining how much capacity or supply will be needed to meet demand.

Forecasts helps determining anticipated future demand which in turn facilitates in preparing future operations plan



There are two general approaches for forecasting: Qualitative and Quantitative.

Time series forecasts is of quantitative type.

Time series forecasts simply predict the future based on past experience. These techniques use historical data with the assumption that the future will be like the past.

A time series is a time-ordered sequence of observations taken at regular intervals e.g. hourly, daily, weekly, monthly, quarterly, annually.

Through time series forecasting analyst often identifies following patterns around an average:

- **Trend:** It refers to a long term upward or downward movement in the data. Population shows trend;
- **Seasonality:** It refers to short term, fairly regular variations generally related to factors such as calendar or time of day. Restaurants experience seasonal variations;
- **Cycles:** These are wave like variations of more than one year's duration.
- **Irregular variations:** These are due to unusual circumstances such as severe weather conditions;
- **Random variations:** These are residual variations that remain after all other behaviour have been accounted for;

Historical data have variations-minor variations and larger variations. The randomness arises from the combined influence of relatively unimportant factors and it cannot be reliably predicted. Averaging techniques smooth mainly variations in the data. A forecast based on an average thus tends to exhibit less variability than the original data. Since it is desirable to avoid reacting to minor variations mainly caused by random variables, averaging techniques are used in forecasting to smooth the randomness although larger variations reflecting real changes are also smoothed to certain degree.

Three techniques of averaging are:

- i) Moving Average;
- ii) Weighted Moving Average;
- iii) Exponential Smoothing.

Analysis of trend involves developing an equation that will suitably describe trend shown by the data (as observed after plotting the data). There are two important techniques that can be used to develop forecasts when trend is present. One involves use of a trend equation. The other is an extension of exponential smoothing.

In time series data trend presence in both linear and non-linear form. But since linear form is most common emphasis here is on linear trend.

We are discussing here Moving average, Weighted Moving average and Trend equation with illustrations.

Illustration 1: Monthly sales of ABC Company for a seven month period are as follows:

Month	Feb	Mar	April	May	June	July	August
Sales(000 units)	24	23	20	25	23	27	25

- a) Plot the data;
- b) Forecast September sales volume using each of the following:
 - i) A five month moving average;
 - ii) A weighted average using 0.60 for August, 0.30 for July and 0.10 for June
 - iii) A linear trend equation

Ans: (a)



(b)

A 5 month moving average : Our formula will be

$$F_t = MA_n = \frac{\sum_{i=1}^n A_{t-i}}{n}$$

$$\text{Or} = \frac{A_{t-n} + \dots + A_{t-2} + A_{t-1}}{n}$$

Where

F_t = Forecast for time period t. Here time period t = 8 from February month

n = Number of periods (data points) in the moving average = 5 here

MA_n = n period moving average

A_{t-i} = Actual value in period t - i

Since here we are calculating with t = 8, so we require 8-1 = 7th, 8-2 = 6th, 8-3 = 5th, 8-4 = 4th & 8-5 = 3rd month data respectively from February.

Therefore the concerned months and actual data will be as follows:

	20
A_{t-5} = April	25
A_{t-4} = May	23
A_{t-3} = June	27
A_{t-2} = July	25
A_{t-1} = August	
Sum	120

So forecast sales for the month of September = $\frac{120}{5} = 24$ (in 000)

(c)

In case of weighted average the heaviest weights are assigned to the most recent values. And for September our forecast will be

$$F_t = 0.6 \delta \text{ Sales of August} + 0.3 \delta \text{ Sales of July} + 0.1 \delta \text{ Sales of June}$$

$$\text{Or, } = 0.6 \times 25 + 0.3 \times 27 + 0.1 \times 23 = 25.4 \text{ (in 000)}$$

(d) For computation of trend we have to use the following two parameters:

$$b = \frac{n\sum tY - \sum t \times \sum Y}{n\sum t^2 - (\sum t)^2} \quad \& \quad a = \frac{\sum Y - b\sum t}{n}$$

Where Y represents sales value and t represents time period & n number of items. Trend equation is $F_t = a + bt$, where F_t = forecast for period t, a = value of F_t at t = 0 & b = slope of the line

Computations are:

t = Month	Y = Sales	t × Y	t ²
1	24	24	1
2	23	46	4
3	20	60	9
4	25	100	16
5	23	115	25
6	27	162	36
7	25	175	49
Sum 28	167	682	140

So b = 0.5 & a = 21.86

For September t = 8

So forecast for September = $21.86 + 0.5 \times 8 = 25.857$ (in 000)

Illustration 2: A Job producer's records during the last five weeks indicate the number of job requests:

Week	1	2	3	4	5
Requests	25	27	25	26	27

Predict a number of requests for week 6 using a four period moving average.

Ans:
Since we are interested to find out four period moving average we have to take average of last 4 week ahead of week 6. i.e. we have to take average of week 5, week 4, week 3 & week 2 and forecast for week 6 = $\frac{(27+25+26+27)}{4} = 26.25$

Illustration 3: A manufacturer's marketing department has developed the following linear trend equation that can be used to predict annual sales of its product:

$F_t = 100 + 25t$, where F_t = annual sales, t is in years.

(a) Are annual sales increasing or decreasing? By how much?

(b) Predict annual sales for year 6 using the equation

Ans.

(a) Annual sales increases and by 25 units

(b) Annual sales for year 6 : $F_6 = 100 + 25t$, or $F_6 = 100 + 25 \times 6 = 250$

Illustration 4: Freight car loadings over a 12 year period at a busy port is given in the following table:

- (a) Determine a linear trend line for expected freight car loadings
 (b) Use the trend equation to predict expected loadings for weeks 20 and 21
 (c) At what week volume exceeds 800 loadings per week if this trend continues?

Week	Number	Week	Number	Week	Number
1	200	7	330	13	440
2	225	8	340	14	455
3	260	9	380	15	480

4	255	10	360	16	490
5	280	11	400	17	505
6	290	12	430	18	521

Ans: (a)



$$b = \frac{n\sum tY - \sum t \times \sum Y}{n\sum t^2 - (\sum t)^2} = \frac{18 \times 72293 - 171 \times 6641}{18 \times 2109 - (171)^2} \cong 19.00$$

$$a = \frac{\sum Y - b\sum t}{n} = \frac{6641 - 19 \times 171}{18} = 188.44$$

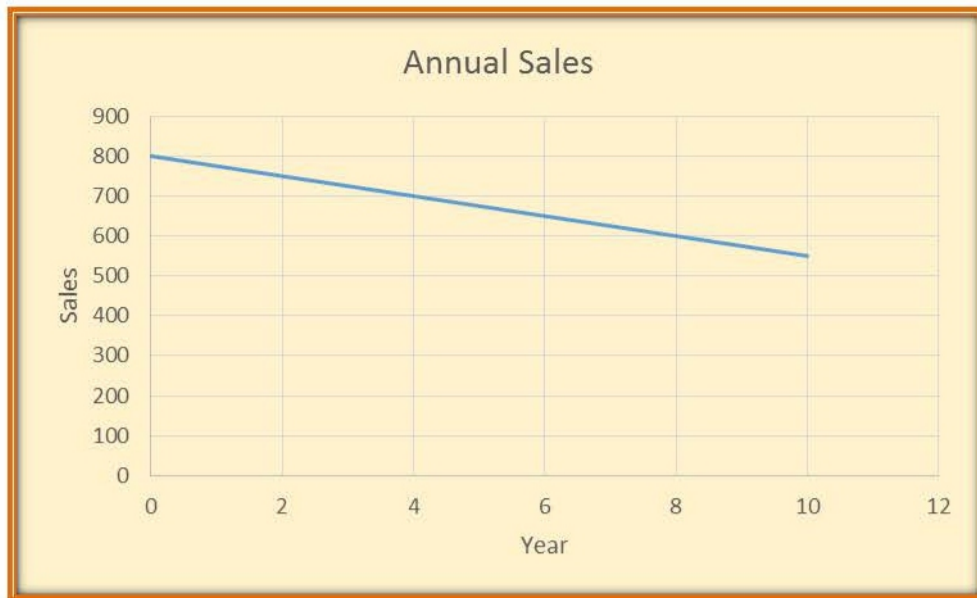
Details are as follows:

t	y	t × Y	t ²
1	200	200	1
2	225	450	4
3	260	780	9
4	255	1020	16
5	280	1400	25
6	290	1740	36
7	330	2310	49
8	340	2720	64
9	380	3420	81
10	360	3600	100
11	400	4400	121
12	430	5160	144
13	440	5720	169
14	455	6370	196
15	480	7200	225
16	490	7840	256
17	505	8585	289
18	521	9378	324
171	6641	72293	2109

(b) So trend equation $Y = a + bt = 188.44 + 19t$
 So when $t = 20$, Loadings (Y) = $188.44 + 19 \times 20 = 568.44$
 $t = 21$, Loadings (Y) = $188.44 + 19 \times 21 = 587.44$

(c) By question $800 = 188.44 + 19t$. So $t = \frac{800 - 188.44}{19} = 32.18$ week i.e. in 33 weeks

Illustration 5:



From the above graph, determine the equation of the linear trend line for XYZ co Ltd.

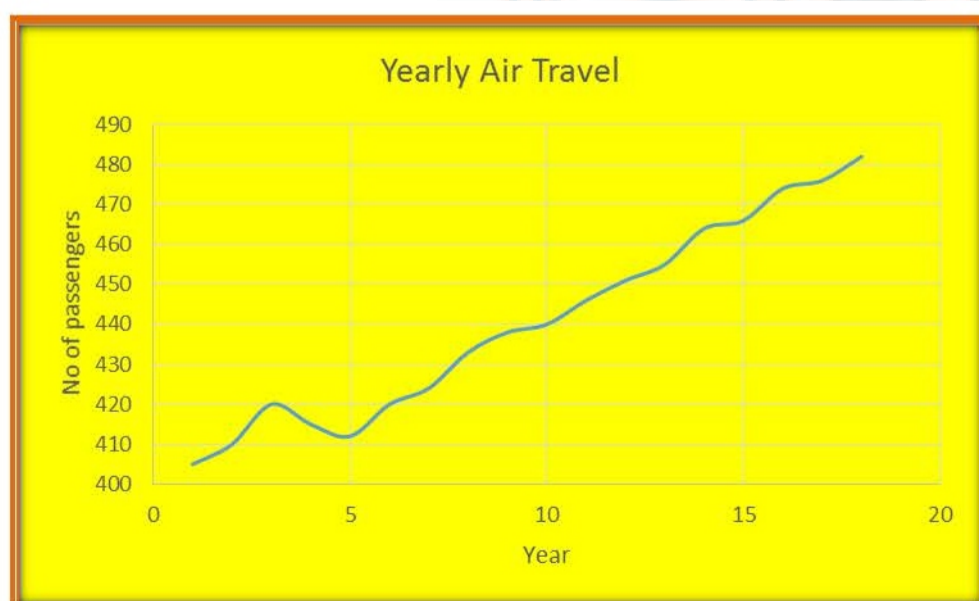
Ans: Slope of the line is estimated by Rise/ Run = $(800-550)/(0-10) = -25$ & the Y intercept = 800
So the linear trend line $Y = 800 - 25t$

Illustration 6: Air travel on Air Asia airlines for the past 18 weeks was:

Week	Passengers	Week	Passengers
1	405	10	440
2	410	11	446
3	420	12	451
4	415	13	455
5	412	14	464
6	420	15	466
7	424	16	474
8	433	17	476
9	438	18	482

- (a) Explain why an averaging technique would not be appropriate for forecasting?
(b) Use an appropriate technique to develop a forecast for the expected number of passengers for the next three weeks

Ans: (a) Data is plotted below:



It is observed that data has long term trend and so forecasting with average techniques underestimate this trend. Therefore appropriate technique is trend analysis.

The plot is given below:

(b) To form the trend line we arrived at

$$b = \frac{n\sum tY - \sum t \times \sum Y}{n\sum t^2 - (\sum t)^2} = \frac{18 \times 77570 - 171 \times 7931}{18 \times 2109 - (171)^2} \cong 4.59$$

$$a = \frac{\sum Y - b\sum t}{n} = \frac{7931 - 4.59 \times 171}{18} \cong 397.01$$

Trend equation is $Y = 397.01 + 4.59t$

Therefore $Y_{19} = 397.01 + 4.59 \times 19 = 484.22$

& $Y_{20} = 397.01 + 4.59 \times 20 = 488.81$

& $Y_{21} = 397.01 + 4.59 \times 21 = 493.4$

Detail computations for b & a are as follows:

t	Y	t × Y	t ²
1	405	405	1
2	410	820	4
3	420	1260	9
4	415	1660	16
5	412	2060	25
6	420	2520	36
7	424	2968	49
8	433	3464	64
9	438	3942	81
10	440	4400	100
11	446	4906	121
12	451	5412	144
13	455	5915	169
14	464	6496	196
15	466	6990	225
16	474	7584	256
17	476	8092	289
18	482	8676	324
Sum 171	7931	77570	2109

Suggestions:

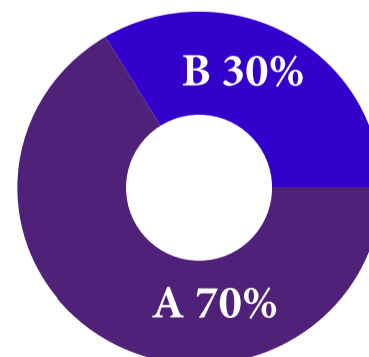
This lesson is prepared purely from teachings imparted by the Guide book issued by Institute. The study guide on Operations Management issued by Institute is to be studied thoroughly. In this month's discussion emphasis is given on linear trend analysis and average methods of forecasting technique. Attempts are made here to show the trend line present in the data and the detail computations of trend equation parameters. 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**Implementation of Strategy**

Strategy implementation is the process by which an organisation translates its chosen strategy into action plans and activities, which will steer the organisation in the direction set out in the strategy and enable the organisation to achieve its strategic objectives.

The development of organisational strategy is a complex and demanding process, and leaders who have devoted time, effort and resources to the selection of a strategy they believe will secure the ongoing success of their company may feel they have reason to be confident about the future.

Effective implementation is critical to the success of organisational strategy. Strategy implementation requires organisations to put initiatives in place which are focussed and realisable. A strategic focus should encourage an organisation to develop disciplined processes for feeding strategic initiatives across the organisation in a meaningful, realistic and achievable way.

Problems encountered with the implementation of strategy often lie not with any flaws in the strategy itself, but rather in a failure to implement it effectively. Such failures can mean that strategic initiatives are only partially successful and lead to frustration as the hoped for strategic benefits are not realised.

Translating strategy aims into actionable processes in a desired manner is, however, not easy. The setting of priorities and the development of plans may present organisations with formidable management challenges. The effective execution of strategy can be impeded by many and varied difficulties including:

- weak or inconsistent senior-level commitment,
- a lack of support from managers and employees,
- cross-departmental conflicts,
- ambiguity in roles and responsibilities or
- a lack of accountability.

Following are the **main steps in implementing** a strategy:

- Developing an organization having potential of carrying out strategy successfully.
- Disbursement of abundant resources to strategy-essential activities.
- Creating strategy-encouraging policies.
- Employing best policies and programs for constant improvement.
- Linking reward structure to accomplishment of results.
- Making use of strategic leadership.

Excellent formulated strategies will fail if they are not properly implemented. Also, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as:

- organizational structure,
- reward structure,
- resource-allocation process, etc.

Strategy implementation poses a threat to many managers and employees in an organization.

Strategic decisions are the decisions that are concerned with whole environment in which the firm operates, the entire resources and the people who form the company and the interface between the two.

Features of Strategic Decisions:

- Strategic decisions have major resource propositions for an organization. These decisions may be concerned with possessing new resources, organizing others or reallocating others.
- Strategic decisions deal with harmonizing organizational resource capabilities with the threats and opportunities.
- 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.
- Strategic decisions involve a change of major kind since an organization operates in ever-changing environment.

- Strategic decisions are complex in nature.
- Strategic decisions are at the top most level, are uncertain as they deal with the future, and involve a lot of risk.

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.

Strategy Formulation Vs Strategy Implementation

Following are the main differences between Strategy Formulation and Strategy Implementation:

Strategy Formulation	Strategy Implementation
Strategy Formulation includes planning and decision-making involved in developing organization's strategic goals and plans.	Strategy Implementation involves all those means related to executing the strategic plans.
In short, Strategy Formulation is placing the Forces before the action.	In short, Strategy Implementation is managing forces during the action.
Strategy Formulation is an Entrepreneurial Activity based on strategic decision-making.	Strategic Implementation is mainly an Administrative Task based on strategic and operational decisions.
Strategy Formulation emphasizes on effectiveness.	Strategy Implementation emphasizes on efficiency.
Strategy Formulation is a rational process.	Strategy Implementation is basically an operational process.
Strategy Formulation requires co-ordination among few individuals.	Strategy Implementation requires co-ordination among many individuals.
Strategy Formulation requires a great deal of initiative and logical skills.	Strategy Implementation requires specific motivational and leadership traits.
Strategic Formulation precedes Strategy Implementation.	Strategy Implementation follows Strategy Formulation.

"The essence of strategy is choosing what not to do".



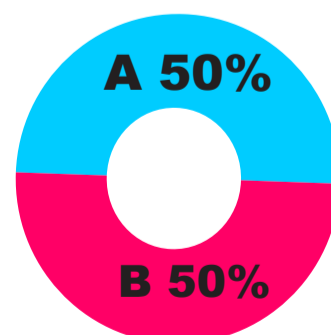
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GROUP: II, PAPER:10

COST & MANAGEMENT

ACCOUNTING AND FINANCIAL
MANAGEMENT(CMFM)

Your Preparation Quick Takes



Syllabus Structure

A Cost & Management Accounting 50%

B Financial Management 50%

Learning Objectives:

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

LABOUR COST VARIANCE ANALYSIS THROUGH DIAGRAMS

In the previous e-bulletins, we have learnt diagrammatic solutions of Material Cost and Overheads (variable + Fixed) Cost variance Analysis. In this issue, Labour Cost Variance Analysis is being demonstrated through diagrams.

The features of a diagram are repeated below:

- A diagram consists of 3 (three) or more arrows.
- Each arrow contains a bottom side and a spear - head side.
- The data placed at spear-head side is to be deducted from the bottom side. The resulting balance, if positive would signify a Favourable (F) Variance, while a negative balance would signify an Adverse (A) or unfavourable variance, automatically.

When it comes to Labour Cost Variance Analysis such data may be SCAP (Std Cost of Actual Production), Actual Cost, Std Cost & AH, Std Cost of RSH etc, as shown in the illustrative problems following.

Abbreviation used throughout this issue

V	: Variance
F	: Favourable Variance
A	: Adverse or Unfavourable Variance
AP	: Actual Production
Hrs	: Hours
SR	: Standard Rate
SC	: Standard Cost
SG	: Standard Gang
SH	: Standard Hours
SCAP	: Standard Cost of Actual Production
RSH	: Revised Standard Hours
AH	: Actual Hour
AC	: Actual Cost
AG	: Actual Gang
PH	: Productive Hours = Normal Working Hours (-) idle time

Illustration 1

The standard labour complement and the actual labour complement engaged in a week for a job are as under:

Particulars	Skilled Worker	Semiskilled worker	Unskilled worker
(a) Standard No. of workers in the gang	32	12	6
(b) Standard wage rate per hour (Rs.)	3	2	1
(c) Actual no. workers employed in the gang during the week	28	18	4
(d) Actual wage rate per hour (Rs.)	4	3	2

During the 40 hours week the gang produced 1800 standard Labour Hours of work.

Calculate:-

A-1. - Labour Efficiency V, Rate of wages V, Mix V and Labour Cost Variance.

A-2. - Given that abnormal idle time was for 2 (two) hours during the week Calculate:-

i. Labour Efficiency V, idle time V, Rate of wages V, and Labour Cost Variance.

Labour Efficiency V, idle time V, gang V, Rate of wages V, yield V (or sub efficiency V) and Labour Cost Variance.

Solution A-1: Efficiency V, Wage rate V, Mix V and Labour Cost Variance

The basic data is Actual Production (AP) = 1800 Standard Hours. The first step is to find out the standard proportion of 1800 hours for each category for computing SCAP.

TABLE - I Standard Cost of Actual Production (SCAP)

Category	No.	Std Proportion	SH for each category	Std Rate (Rs.)	Amount (Rs.)
Skilled	32	32/50	1152	3	3456
Semiskilled	12	12/50	432	2	864
Unskilled	6	6/50	216	1	216
Total	50		1800		Rs. 4536

TABLE - II Actual Cost (AC)

Category	No.	Working Hours	Total Working Hours	AR(Rs.)	Amount (Rs.)
Skilled	28	40	1120	4	4480
Semiskilled	18	40	720	3	2160
Unskilled		40	160	2	320
Total			2000		Rs. 6960

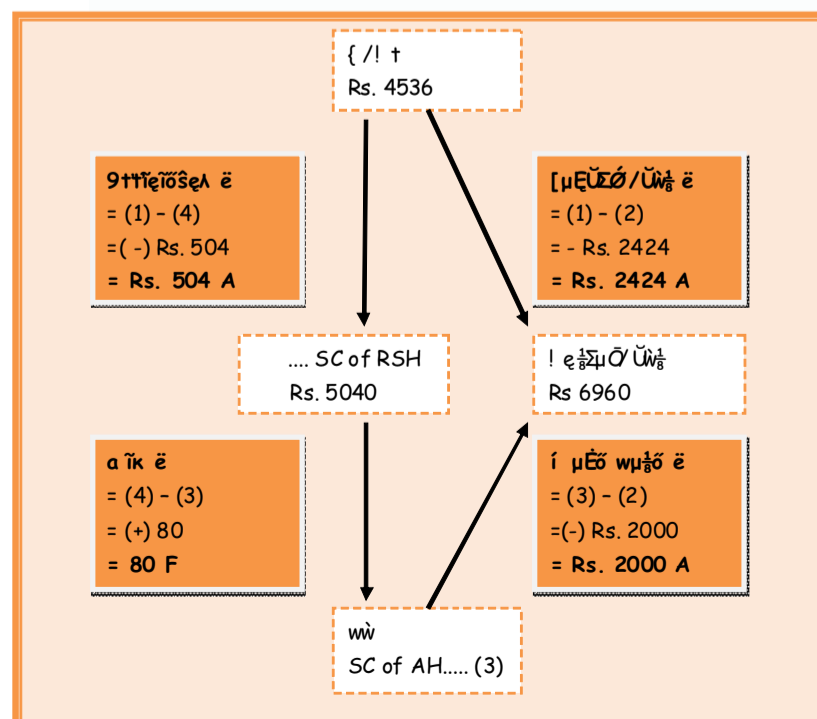
- In order to find out Labour Cost Variance, Actual Cost of Labour has been Computed in TABLE - II.
- In order to find out Rate of Wages V, SC of Actual Hours is to be computed (TABLE-III).
- In order to find out Labour Efficiency V and gang V, SC of Revised std Hours is to be computed (TABLE-IV)

TABLE - III SC of Actual Hours

Category	Total Working Hours	SR (Rs.)	Amount (Rs.)
Skilled	1120	3	3360
Semiskilled	720	2	1440
Unskilled	160	1	160
Total	2000		Rs. 4960

TABLE - IV SC of Revised Std Hours

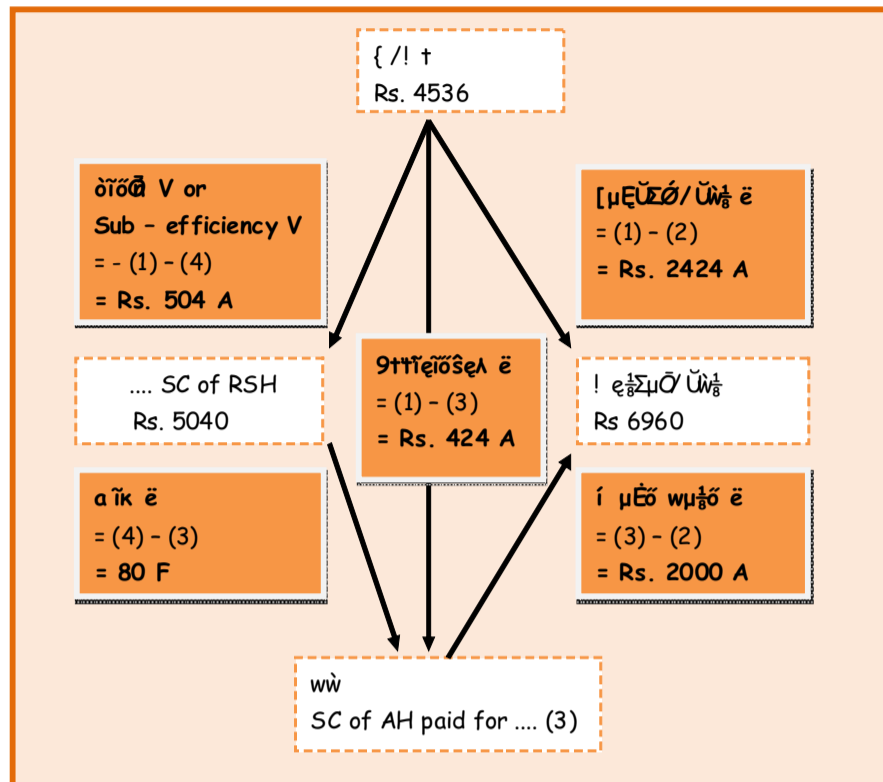
Category	Total Actual Hours	Std Proportion	Revised std Hours	SR (Rs.)	Amount (Rs.)
Skilled	2000	32/50	1280	3	3840
Semiskilled	2000	12/50	480	2	960
Unskilled	2000	6/50	240	1	240
Total			2000		Rs. 5040



Reconciliation

Labour cost V = Wage Rate V + Mix V + Efficiency V
Rs. 2424 A = Rs. 2000 A + 80F + 504 A

- Alternative diagrammatic representation is as follows.



Reconciliation

Labour Cost V = Wage Rate V + Efficiency V
Rs. 2424 A = Rs. 2000 A + Rs. 424 A
Where Efficiency V = Mix V + Sub efficiency on yield V
Rs. 424 A = 80 F + 504 A

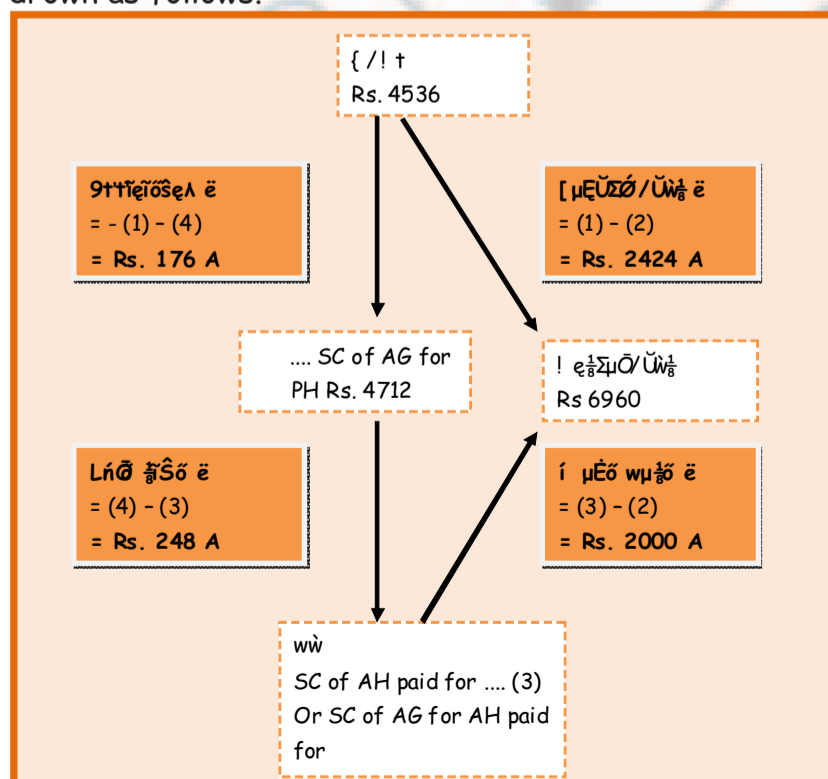
Solution of A2 (i) Efficiency V, Idle time V, Wage Rate V and Labour Cost Variance

In order to find out Idle time variance it is imperative to compute "std Cost of Actual gang for productive Hours," as in TABLE IV.
Productive Hours = Normal Working Hours (-) idle time = 40 - 2 = 38 Hours

TABLE - IV
Std Cost of Actual gang for Productive Hours (PH)

Category	No of Actual gang	Productive Hours	Total P.H.	SR (Rr.)	Amount (Rs.)
Skilled	28	38	1064	3	3192
Semiskilled	18	38	684	2	1368
Unskilled	4	38	152	1	152
Total			1900		Rs. 4712

The relevant diagram may be drawn as follows.



Reconciliation

Labour Cost V = Wage Rate V + Idle time V + Efficiency V
Rs. 2424 A = Rs. 2000 A + Rs. 248 A + Rs. 176 A

Verification of Idle time

$(28 \times 2 \text{ Hr.} \times \text{Rs. } 3) + (18 \times 2 \text{ Hr.} \times \text{Rs. } 2) + (4 \times 2 \text{ Hr.} \times \text{Rs. } 1)$
= Rs. 168 + Rs. 72 + Rs. 8 = Rs. 248

Note : SC of RSH (TABLE IV) is not relevant in this solution.

Solution of A-2 (ii) Labour Efficiency V, Idle time V, gang V, Wage Rate V, yield V (or Sub- Efficiency V), and Labour Cost Variance

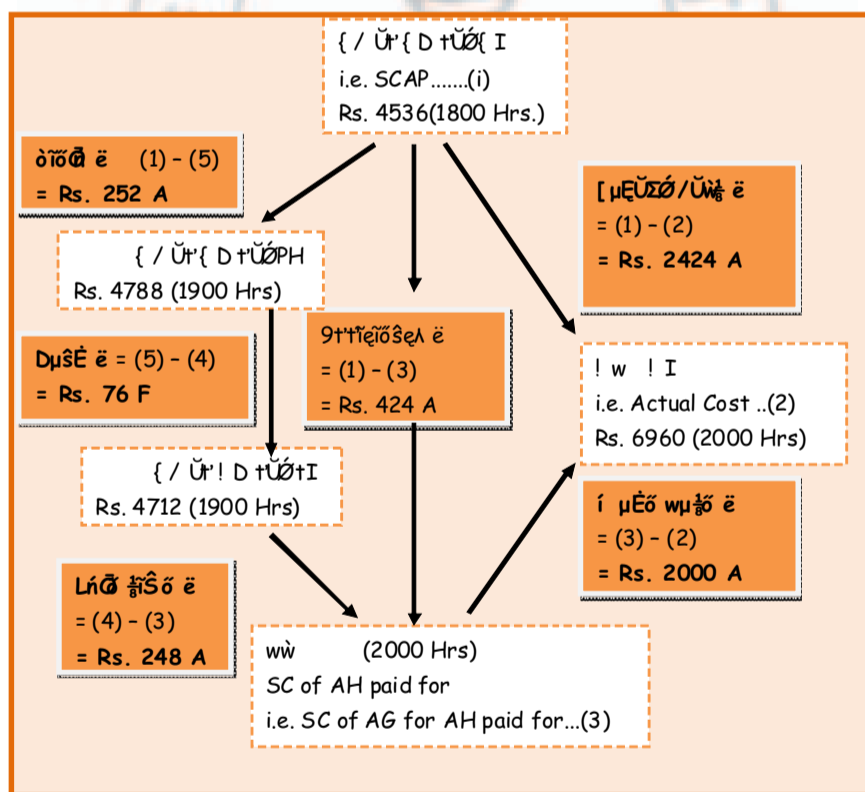
Where gang V and Idle time V, both are required, there is no need to compute SC of Revised Std Hours; SC of SG for PH and AC of AG for PH require to be computed instead. SC of AG for PH has been already computed in TABLE IV, hence SC of SG for PH is being computed in TABLE V below.

TABLE V

SC of Std Gang for Productive Hours (PH)

Category	No. of std gang	PH	Total P.H.	Std Rate (Rs.)	Amount (Rs.)
Skilled	32	38	1216	3	3648
Semiskilled	12	38	456	2	912
Unskilled	6	38	228	1	228
Total			1900		4788

The amounts shown in the respecting tables need to be put in the appropriate places of the diagram as shown below.



Reconciliation

Labour Cost V = Wage Rate V + Efficiency V

Rs. 2424 A = Rs. 2000 A + Rs. 424 A

Efficiency V = Idle time V + Gang V + Yield (or Sub - efficiency V)

Rs. 424 A = Rs. 248 A + Rs. 76 F + Rs. 252 A

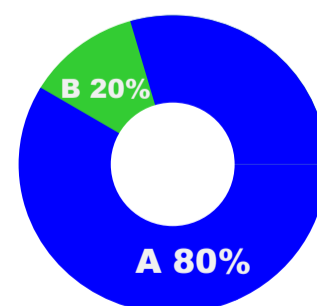


GROUP: II, PAPER:11

INDIRECT TAXATION (ITX)

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Your Preparation Quick Takes



Syllabus Structure

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

Learning objectives:

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

GST on Supply of Lottery Tickets

Explanation of Notification No. 01/2020 Dt. 21.02.2020 of Central Tax (Rate). Such Notification is Deal with GST Rate on Supply of Lottery.

A) What is Lottery Tickets:-

'Lottery tickets', is actionable claim and is classified as 'Goods', under GST.

However as per Schedule III Actionable Claim is neither supply of Goods nor Supply of Service, but Lottery Tickets is exception.

Hence, the sale of lottery tickets would be considered to be the supply of taxable goods and will attract GST on Lottery sales.

B) What is Actionable Claim:-

As per Section 3 of the Transfer of Property Act, 1882.

Actionable Claim is a claim to any debt, other than a debt secured by mortgage of immovable property or by hypothecation or pledge of movable property, or to any beneficial interest in movable property not in possession either actual or constructive, of the claimant, which the civil courts recognize as affording grounds of relief whether such debt or beneficial interest be existent, accruing or conditional or contingent.

C) Before such Notification GST rate on Supply of Lottery as Under.

- 1) If Lottery Run by State Government:- GST Rate is 12%.
- 2) If Lottery authorized by State Governments:- 28%.

Now Understand the Meaning of Lottery Run by State Government & Lottery authorized by State Governments.

- 1) 'Lottery run by State Governments' means a lottery not allowed to be sold in any state other than the organizing state.
- 2) 'Lottery authorized by State Governments' means a lottery which is authorized to be sold in State(s) other than the organizing state also.

D) After such Notification there is no difference between whether 'Lottery run by State Governments' and 'Lottery authorized by State Governments'.

Uniform rate is notified by Government i.e. 28%.**E) Valuation of Supply of Lottery:-**

Value of supply of lottery under sub-section (5) of section 15 of the Central Goods and Services Tax Act, 2017 shall be deemed to be 100/128 of the face value of ticket or of the price as notified in the Official Gazette by the organizing State, whichever is higher.

F) Invoicing of Sale of Lottery:-

Supply of Lottery Tickets is covered under the Tax Invoice as per Sec 31 of CGST Act, 2017 and contained all the requirement as mentioned under Rule 46. There is no relaxation in invoicing requirements for a supplier of lottery tickets.

G) Time of Supply of Lottery Tickets:-

- 1) Date of issue of invoice or last date when the supplier is required to issue an invoice.
 - 2) Date on which supplier receives the payment for supply. Whichever is Earlier.
- When a person pays the amount to participate in a lottery or to buy the lottery ticket, the amount of money paid to participate is treated as payment for supply.

H) Place of Supply of Lottery Tickets:-

- 1) "Lottery run by State Government" is always an intra-state supply. The place of supply will always be the State which runs the lottery game. This is because such a lottery scheme is always conducted within the State.
- 2) "Lottery authorised by the State Government" but conducted by agencies can be an inter-state or intra-state supply.

The place of supply will have to be determined as under:

i) When supply involves the movement of goods:

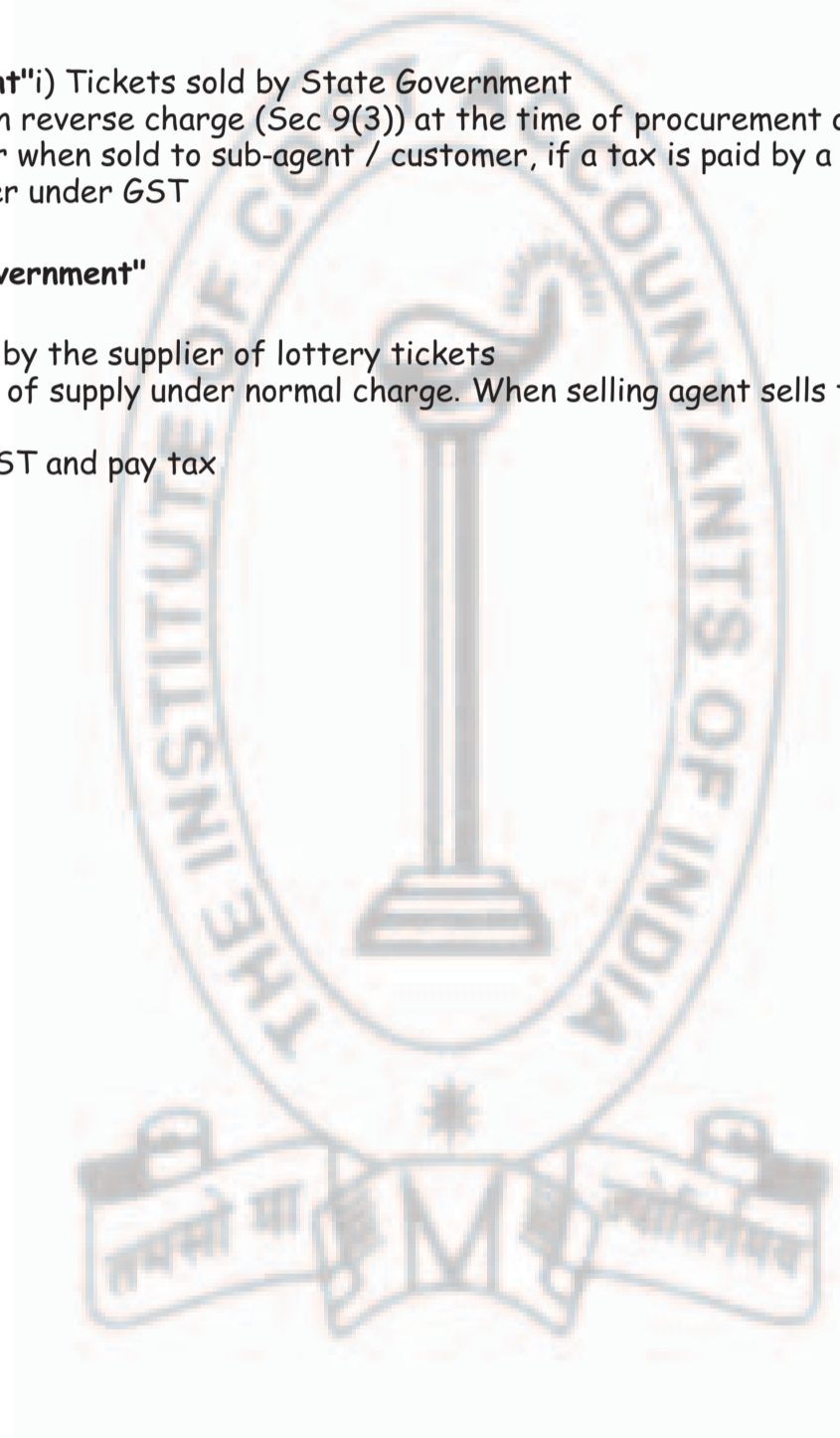
The place of supply shall be the location of goods at the time at which movement of goods terminates for delivery to the recipient.

ii) When supply does not involve the movement of goods:

The place of supply shall be the location of goods at the time of delivery to the recipient.

I) Payment of Tax:-

- 1) "Lottery run by State Government"
 - i) Tickets sold by State Government
 - ii) Lottery distributor must pay tax on reverse charge (Sec 9(3)) at the time of procurement of tickets from the Government.
 - iii) No tax required to be paid further when sold to sub-agent / customer, if a tax is paid by a distributor.
 - iv) Sub-agents not required to register under GST
- 2) "Lottery authorised by State Government"
 - i) Tax paid under the forward charge by the supplier of lottery tickets
 - ii) The tax must be paid at each point of supply under normal charge. When selling agent sells tickets to sub-agent, he must pay GST.
 - iii) Sub-agents must register under GST and pay tax

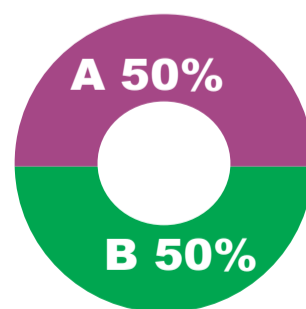




GROUP: II, PAPER:12
COMPANY
ACCOUNTS & AUDIT (CAA)

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Your Preparation Quick Takes



Syllabus Structure

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

Learning Objectives:

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

Company Accounts & Audit

Today we are to discuss some aspects of audit report. Let's put one example:

In my opinion and to the best of my information and according to the explanations given to me the Accounts give the information required by the Companies Act 2013, in the manner so required and give a true and fair view:-

- In the case of Balance Sheet of the state of affairs of the Company as at -----;and
- In the case of Profit and Loss Statement for the year ended on that date:-
 - The provision for the depreciation on machinery is insufficient
 - The stock in trade has been valued at market price which is higher than cost
 - No provision has been made for the doubtful debts

The above example is for qualified report.

Hence Qualified Report is one where an Auditor gives an opinion on the truth and fairness of Financial Statements subject to certain reservations.

Qualified opinion-An auditor adds qualification note when he is not satisfied with certain facts disclosed in Accounts.

Distinction between Qualified Report and Adverse Report

- Qualified Report is one where an Auditor gives true and fair opinion subject to certain reservations whereas Adverse Report is one when Auditor does not agree with the true and fair view
- Qualified Report is like "subject to the above I report that Balance Sheet reveals true and fair view ---"
- Qualified Report put reservations on specific items but adverse report put reservations on the entire financial statements.

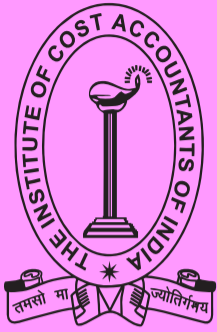
COMPANIES (AUDITOR'S REPORT) ORDER 2016

Sec 143(11) requires:

- Maintaining proper records showing full particulars and quantitative details and situations of fixed assets
- Physical verification of fixed assets by the management at regular intervals
- Disclosure about loans secured or unsecured to companies, firms, limited liability partnership other parties covered in the registrar maintained under sec 189 of the Companies Act 2013 if so, whether the terms and conditions of such loans are not prejudicial to the company's interest etc
- Disclosure on - If the company has accepted deposits whether the directives issued by the RBI and SEC 73 to 76 of companies have been complied with
- Whether maintenance of cost records specified by central govt. under sec 148(1) of Companies Act 2013 have been maintained etc.

The list of requirements of order is not exhaustive. Students are to go through the details of COMPANIES (AUDITOR'S REPORT) ORDER 2016.

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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 Notes**

02

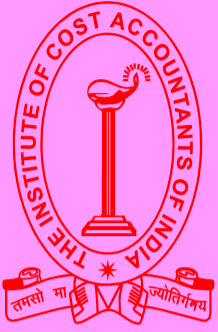
03

Assess Yourself

Appear For Examination

04

FINISHED



SUBMISSIONS



Updation of E-Mail Address/Mobile:

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

Dear Students,

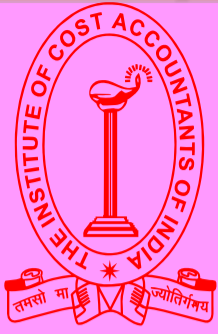
We are very much delighted to receive responses from all of you; for whom our effort is!

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

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

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Send your Feedback to:
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Message from Directorate of Studies

Dear Students,

We from the Directorate of studies know your expectations from us and accordingly we are trying to delivery some meaningful tips through the publications of monthly E-bulletins. Other than this we are trying to help you through, Mock Test Papers (MTPs), Work Book, and we have conducted Webinar sessions.

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

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

Let us observe his memory by following his message.

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

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

Please refer the links mentioned below :

For Mock Test Papers (MTP) : https://icmai.in/studentswebsite/mtp2016_j19_Final.php

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

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

Live/Recorded Webinar Link : https://eicmai.in/Webinar_Portal/Students/StudentLogin.aspx

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

- 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.



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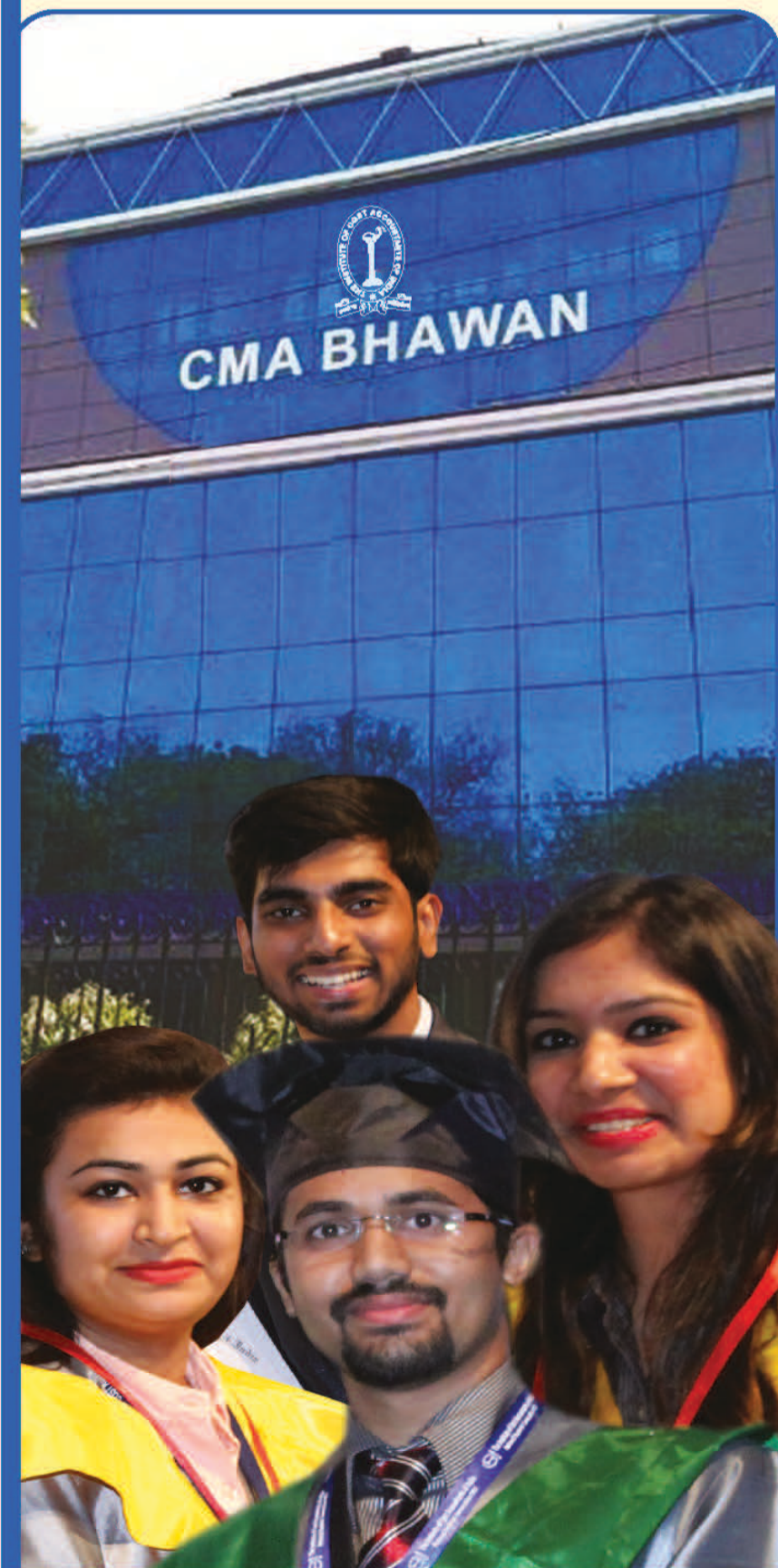
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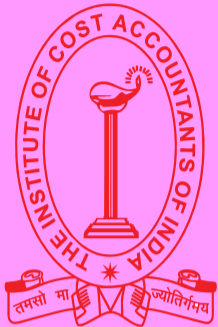
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Few Snapshots



CMA Balwinder Singh, President along with CMA Ashwin G Dalwadi, Council Member of the Institute during Pre-Placement Orientation Training Programme held on 14th March 2020 at Ahmedabad.



Glimpses of CMA Women Novator Conclave 2020 organised by the Institute in association with Women Novator on 7th March, 2020 at New Delhi



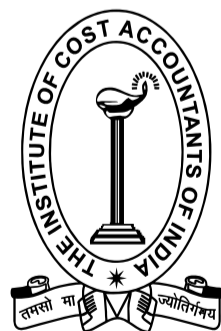
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Glimpses of the Golden Jubilee Conference 2020 of Kalyan Ambarnath Chapter of the Institute organised on the theme 'Infrastructure - A Propeller' at Kalyan on 22nd February 2020.



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