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CMA STUDENTS' E - bulletin

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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

message from the president

Dear Students,

“Education is the best friend. An educated person is respected everywhere. Education beats the beauty and the youth” - Chanakya

Today's World needs innovation and skill the most. Professionals without dedication and determination cannot deliver their best. To meet your commitment towards the course and to encourage your efforts, the Directorate of Studies has implemented this E-bulletin. The dictum is providing you the guidance of subjects, with the help of reputed teachers who can update your knowledge base in the concerned subjects in your curriculum.

My request to all Future CMAs is; you please develop the capacities in you to meet the needs of the country, hence, build the needed skill in you by reading all the subjects carefully. This course will help you take away your best and in turn will help you equally to deliver the society at large.

In this digital World, modern generation students prefer to study in the electronic mode. Hence, I am sure they will enjoy reading this **E-bulletin**.

I am thankful to the Professors who, out of their affection and love to the students have extended their support to the Directorate of Studies during this short period of time.

I pay my sincere thanks to the Directorate of Studies for the new initiative taken to motivate the students.

A positive mind can deliver the best. So, think positive and stay healthy.

I will put an end with the words of one of the great philosophers of all time; Aristotle, who said - ***“The roots of education are bitter, but the fruit is sweet”***.

CMA Manas Kumar Thakur
President
The Institute of Cost Accountants of India



Be a CMA, be a Proud Indian

Behind every successful business decision there is always a CMA



message from the chairman

It is my pleasure indeed to address to the budding Cost and Management Accountants through this E-bulletin to facilitate your study plan to learn and perform during Examinations to achieve success.

Swami Vivekananda said on concentration *“The very essence of education is concentration of mind not the collection of facts.”* Therefore, to learn one has to develop the power of concentration without which no learning process can take place be it any field like education, games etc.

Now to equip you, Institute has provided the required and sufficient information to the students for preparation of subjects received from experts of various disciplines, who have extended tips on the subjects for betterment in your preparation.

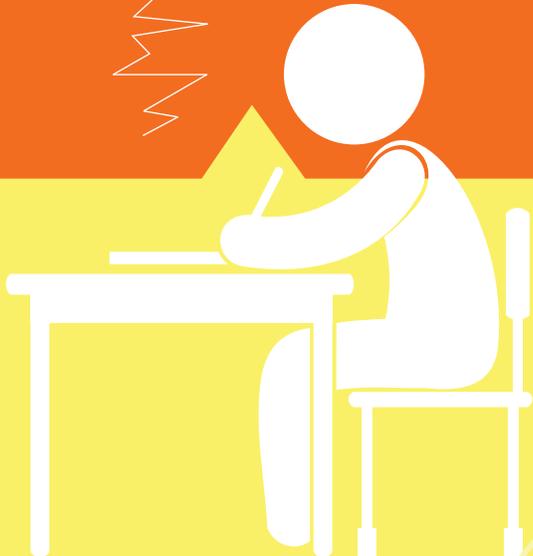
Time is possibly the most important factor in the preparation, thus, students should manage their time for its optimum utilisation. First and foremost before starting preparation a student should prepare a time-table preferably on weekly basis covering the topics for each of the subjects. To prepare the study plan, map out all of the material content that has to be covered and make a schedule showing what, when and how much you will study each day for each of the subjects. Set clear and specific goals for the study and mind it that mere planning would not deliver unless you implement it properly. Check the answers to the practice questions to diagnose your strengths and weaknesses. If you are weak in an area, go back and study it further to address the gaps.

The sample questions can be sourced from old exams and Mock Test Papers (MTPs). Practice those meticulously parallel to your study notes. Even though you are only practicing, it is better to write full answers during your preparation to the questions so you can work through the entire thought process.

I wish you all a great success.

CMA Pappa Rao Sunkara
Chairman
Training & Education Facilities (T&EF) Committee

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KNOWLEDGE UPDATE

As the examination is approaching we would like to share some of the thoughts progress which will help students towards their preparation.

Group I

PAPER 5:

**FINANCIAL
ACCOUNTING
(FAC)**

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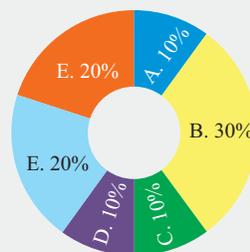
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**Your
Examination
Quick
Takes;**

Your Syllabus for this paper is divided into following ways;

- A. Generally Accepted Accounting Principles & Accounting Systems - 10%
- B. Preparation of Accounts - 30%
- C. Control of Accounting Systems - 10%
- D. Accounting in Service Sectors - 10%
- E. Accounting for Special Transactions - 20%
- F. Accounting for Banking, Electricity and Insurance Companies - 20%



Financial accounting is mainly concerned with the historical, custodial and stewardship aspects of external reporting to investors, creditors, government and other users of accounting information outside the business entity. This accounting emphasizes the stewardship aspects of accounting rather than the control or decision-making aspects of accounting. It is concerned with recording, classifying and summarizing the financial transactions and ascertaining the periodical financial results and financial position of an organization by preparing financial statements.

Now, Part B of your Syllabus, contains many important chapters, of which two important chapters are:

- ⊙ Hire purchase Accounts and
- ⊙ Branch Accounts and Departmental Accounts.

Our discussion will be confined to these two important chapters only:

Hire Purchase Accounts:

In case of Hire Purchase system:

- I. the buyer gets the possession of the goods immediately,
- II. pays the price by installments and
- III. becomes the legal owner only on payment of the last installment.

Usually at the time of delivery a certain amount is paid as down payment and the balance of the price is paid by installments that include interest at an agreed rate on the unpaid balance.

This chapter is a blend of theory and practice.

Students are to give maximum focus on practice. First they are to know the conceptual parts and journal entries regarding working out of different practical problems. Students need to practice problems thoroughly but special attention should be given to the problems relating to;

- ⊙ 'Surrender of Assets',
- ⊙ 'Repossession of stock'- both complete and partial,
- ⊙ Hire purchase Trading Methods as well as
- ⊙ Stock and 'Debtors Method'

because maximum number of questions comes from these sides.

Besides study material students are to consult one good book where maximum number of problems have been given. Students need to consult past question papers of the Institute in order to get an idea regarding question pattern. Systematically they are to read theories and work out different problems on a regular basis. If they do practice

regularly, they will surely get good result.

Branch Accounts and Departmental Accounts:

A branch acts as a separate profit centre. It is essential to determine its profitability during every accounting period and its financial position at the end of such period. Proper accounting is needed both at branch level and at head office level. But the nature and mode of operation of all branches of all business cannot be the same. The method of Branch Accounting to some extent, depends on:

- ⊙ the nature of activity,
- ⊙ size of the business,
- ⊙ location,
- ⊙ preference of accounting method etc. for each branch.

In case of Branch Accounts, students should learn different journal entries for dependent branch as well as independent branch.

In case of dependent branch they are to know both:

- ⊙ 'synthetic method' and
- ⊙ 'analytical method'.

They are to solve different problems as maximum as possible giving more emphasis, on independent branch. Sometimes question comes under analytical method that is stock and Debtors System. So do practice on this method also. Consult past question papers of the Institute to equip yourself.

When a business carries different independent activities and it comprises of different departments, it is essential to ascertain the working results separately for each department or activity. The departments may run the activities under one roof but the operating results for each department should be known to the management, otherwise the relative efficiencies of different departments cannot be compared and judged.

The chapter-Departmental Accounts is also a blend of theory and practice. Students need to know different theories, accounting procedure in respect of preparation of Departmental Trading and Profit and Loss Account and Balance Sheet. Special attention should be given on problems involving inter-departmental transfers. After consulting past years question papers of the institute they are to solve different practical problems on a regular basis and if they do this, success will be ensured.

Group I

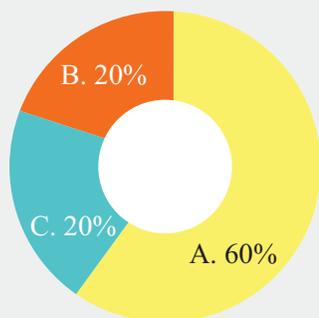
**PAPER 6:
LAWS, ETHICS
& GOVERNANCE
(LEG)**

**Your
Examination
Quick
Takes;**

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Your Syllabus for this paper is divided into following ways;

- A. Industrial & Economic Laws - 60%
- B. Corporate Laws & Governance - 20%
- C. Ethic - 20%



Now, Under Part A, Industrial & Economic Laws, knowledge about Laws of Contracts is required at the advance level. Hence, the discussion follows about that particular Act.

How to study, **The Indian Contract Act, 1872**

The word CONTRACT is common to all of us and virtually no business transactions can take place without any contracts. The Indian Contract Act, 1872, deals with various types of contracts entered in to by various people and defines the extremely important aspects of business transactions relating to contracts.

The Indian Contract Act is the basis of all of the laws of the country where there is the need for contracts. In business vis-à-vis for all practical purposes there is always the requirement of contracts.

Now, **How to define a Contract?**

Section 2(h) of the Act defines the term contract as an agreement between two or more parties enforceable by law. This definition of contract is influenced by the definition of contract given by Pollock who define contract as "Every agreement and promise enforceable at law is a contract".

Another definition of Contract given by Salmond is "contract is an agreement creating and defining obligations between the parties.

From the above analysis of the definition of contract, it is clear that contract is based on enforceability of an agreement. So agreement and its enforceability are two essential component of a contract. If either of these two is missing there is no contract.

What is agreement?

Agreement has been defined in section 2(e) as "every promise and every set of promises forming consideration for each other".

According to Sec 2 (b), 'when the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted and a proposal when accepted becomes a promise.

Example: Ritu had two motor car Maruti Alto and Maruti 800; she intends to sell Maruti 800 to Jitu. But Jitu thought she is selling Maruti Alto agrees to her proposal. Since there is no meeting of mind both understood the same transaction

differently, there is no consensus ad idem. Accordingly there is no consent and thus there is no contract.

Read the Act carefully understanding the meaning otherwise you may not be able to apply it.

Now, what do you mean by Void agreement?

An agreement not enforceable by law is said to be void. A void agreement has no legal consequences. A void agreement is void from the very beginning; it is null from the very beginning.

What does it mean by Illegal agreement?

An illegal agreement is destitute of any legal effect from the very beginning.

All illegal agreements are void agreements but all void agreements are not illegal.

According to section 23 an agreement is illegal or unlawful if its object or consideration

- a. is forbidden by law or
- b. is of such nature that if permitted would defeat the provision of law or
- c. is fraudulent or
- d. involves or implies injury to the person or property of another or
- e. the court regards it as immoral or opposed to public policy.

Distinction between a void agreement and an illegal agreement:

An illegal agreement is also void. But a void agreement is not an illegal agreement always. An agreement may not be contrary to law when made but may be void subsequently. An agreement the terms of which are uncertain is void but is not illegal at all.

When an agreement is illegal, other agreements which are incidental or collateral to it are also void. The reason underlying this rule is that the court will not enforce any agreement entered into with the object of assisting or promoting illegal transactions.

If main agreement is merely void but not illegal, other agreement which is incidental or collateral to it may be valid.

Example 1: Ram enter into a betting agreement which is wagering in nature and for which he borrows Rs.500 from Shyam. Even though the main agreement is void but the

collateral agreement of borrowing Rs.500 for this purpose is perfectly valid and its repayment can be enforced.

Please go through the followings:

- ⊙ Classification of Contracts,
- ⊙ Communications, Acceptance and Revocation of Proposals,
- ⊙ Free Consent,
- ⊙ Void Agreements,
- ⊙ Quasi Contracts,
- ⊙ Discharge of Contracts

Always try to stay in a group of friends who are trying the same examination in the same term and help them.

How to perform better in your examination:

First possible mistake you must avoid is to avoid reading your study material first Only after 10-15 days, you will be able to decide which text book is suitable for you and just get it and finish it from page one to the last.

Part B of your syllabus deals with 'Corporate Laws & Governance'. Now, we are discussing about

The Right to Information Act, 2005.

Right to Information Act 2005 is an important Act enacted by the Parliament to secure to the citizen of India the fundamental right of freedom of speech and expression enshrined in Article 19(1) of the Constitution of India.

This Act intends to set out the practical regime of right to information for the citizens of India, to secure access to information available under the control of public authorities, to promote transparency and accountability on the working of every Public Authority.

Sec. 3 of the Act provides that all citizens shall have the Right to Information subject to the provisions of the Act and "Information" means any material in any form including records, documents, memos, e-mails, opinions, advices, press releases, circulars, orders, logbooks, contracts, reports, papers, samples, models, data material held in any electronic form and information relating to any private body which can be accessed by a public authority under any other law for the time being in force.

Please read in details about:

- ⊙ Central Information Commission,

- ⊙ State Information Commission,
- ⊙ Powers and Functions of the Information Commissions, Appeal & Penalties

You must read the Act thoroughly to get yourself acquainted with the rules and regulations in connection with Right to Information. Violation of rules and regulations will attract severe punishment.

Part C of your syllabus contains Ethics.

The study of ethics is a systematic science. Its scope encompasses all human relationships in a society. Ethics also known as moral philosophy is a branch of philosophy that involves systematizing, defending and recommending concepts of right and wrong conduct. The study of ethics can be divided into four operational areas namely:

- ⊙ meta ethics,
- ⊙ normative ethics,
- ⊙ descriptive ethics and
- ⊙ applied ethics.

Ethics fundamentally comprises of two elements:

- Firstly, ethics refers to well founded standards of right and wrong that describe what humans ought to do in terms of rights, obligations, benefits to society, etc.
- Secondly, ethics refers to the study and development of one's ethical standards.

So, it is necessary to constantly examine one's standards to ensure that they are reasonable and well founded.

According to Andrew Crane "Business ethics is the study of business situations, activities and decisions where issues of right and wrong are addressed.

Raymond C. Baumhart contend – "The ethics of business is the ethics of responsibility. The businessman must promise that he will not harm knowingly".

Thus, Business Ethics (also called Corporate Ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct, and is relevant to the conduct of individuals and the entire organizations.

Business ethics concerns itself with adhering to the social principles of the situations in which business takes place

Business Ethics as Professional Code:

Business ethics is not a pure science but a professional practice, and society expects businessmen to abide by the principles of a civil society, just as it expects professionals from other areas such as medicine, bureaucracy, politics and sports to do so. Thus, instead of a value-free business ethics, we have a value- loaded or value-based business practice.

The Seven Principles of Public Life;

Selflessness	Holders of public office should take decisions solely in tells of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
Integrity	Holders of public office should not place themselves under any financial or other obligation to outside individuals or organizations that might influence them in the performance or their official duties
Objectivity	In carrying out public business including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit
Accountability	Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
Openness	Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
Honesty	Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest
Leadership	Holders of public office should promote and support these principles by sound leadership and prove to be an example in whatever they perform.

Ethics and Laws - The Interface Law is essentially an institutionalization or codification of ethics into specific social rules, regulations and prescriptions. Perhaps the best way of visualizing ethics and law is in terms of two intersecting domains as depicted in the following figure:



Thus, in one sense, business ethics can be said to begin where law ends. Business ethics is primarily concerned with those issues not completely covered by law, or where there is no definite consensus on whether something is right or wrong. Hence, it is often remarked, that business ethics is about the “grey areas” of business where values are in conflict.

A code of practice is adopted by a profession or by a governmental or non-governmental organization to regulate that profession. A code of practice may be styled as a code of professional responsibility, which will discuss difficult issues, difficult decisions that often need to be made, and provide a clear account of what behaviour is considered “ethical” or “correct” or “right” in the circumstances.

Group I

PAPER 7:

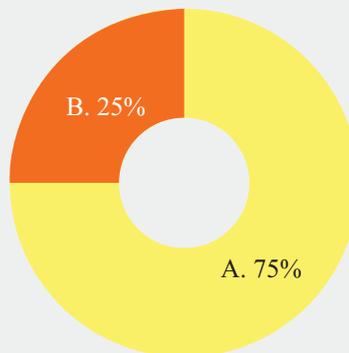
**DIRECT
TAXATION
(DTX)**

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**Your
Examination
Quick
Takes;**

Your Syllabus for this paper is divided into following ways;

- A. Income Tax - 75%
- B. International Taxation - 25%



How to answer questions in Examination - General Advise:

At the outset keep in mind that paper 7 is very scoring. Here you have to be very careful about the taxation rules and their applications. Here also I will advise you to consider yourself as a tax lawyer before you solve a problem. In fact a tax lawyer does the same thing as you will do in writing exams. So you can understand which area should be given more importance.

Instead of going to topic specific let us keep in mind some basic tips to score high in this paper. First and foremost thing is your presentation.

Please remember the following points:

- ⊙ Presentation should be such that your solution never leaves a space of query.
- ⊙ Show your workings wherever necessary in detail
- ⊙ Write proper footnotes
- ⊙ Writing sections is not mandatory. Write if you can remember only. Don't guess.
- ⊙ Remember the meaning of terms perfectly as the meaning differs from case to case.(for example the word 'salary' may differ from case to case). It is therefore always advisable to prepare own notes, the way you have understood.
- ⊙ Solve and go through the illustrations in the study material by heart.
- ⊙ In books rules are written in paragraphs. You try to make a table of rules and prepare charts which will help to remember easily.
- ⊙ Study thoroughly the 'exemptions' and 'deductions' and understand their differences.

BASIS FOR TAXATION

India is a socialist, democratic and republic State. Constitution of India is supreme law of land. All other laws, including the Income-tax Act, are subordinate to the Constitution of India. The Constitution provides that 'no tax shall be levied or collected except by authority of law'. The Constitution includes three lists in the Seventh Schedule providing authority to the Central Government and the State Governments to levy and collect taxes on subjects stated in the lists. Income Tax is the Direct Tax.

Now, coming to the Section A of your syllabus; Income Tax Act, 1961 few tips:

The elements / sources of Income Tax Law:

1. The Income Tax Act, 1961

- ⊙ Income tax in India is governed by the Income Tax Act, 1961
- ⊙ It came into force w.e.f.1.4.1962
- ⊙ The Act contains 298 sections and XIV Schedules
- ⊙ The Finance Act shall bring amendment to this Act.
- ⊙ The Law provides for determination of taxable income, tax Liability and procedure for assessment, appeal, penalties and prosecutions.

Features of Direct Taxes:

- ⊙ Direct Taxes are the taxes in which the incidence and impact falls on the same person /assessee,
- ⊙ Direct Tax is progressive in nature and is collected from the taxable Income of the assessee.
- ⊙ Levied and collected from the assessee.
- ⊙ Tax Burden is directly borne by the assessee, hence, the burden cannot be shifted.
- ⊙ Tax is collected on the income for a year is earned.

Heads of Income [SEC. 14]:

Significance of Heads of Income:

1. The income chargeable under a particular head cannot be charged under any other head.
2. The Act has self contained provisions in respect of each head of income.
3. If any income is charged under a wrong head of income, the assessee will lose

The benefit of deduction available to him under that head.

Heads of Income and Computation of Total Income under various heads:

- I. Income from Salaries
- II. Income from House Property
- III. Profits and gains from Business or Profession
- IV. Capital Gains
- V. Income from Other Sources

Relevance of method of accounting for heads of income:

Heads of Income	Chapter	Section Coverage	Relevance of Method of Accounting
Salaries	Chapter IV-A	(Sec.15-17)	1. Taxable on due basis or on receipt basis, whichever is earlier. 2. Method of accounting is irrelevant.
House Property	Chapter IV-C	(Sec. 22-27)	1. Income from house property is Taxable only on accrual basis. 2. Method of accounting is not relevant
Income from Business or Profession	Chapter IV-D	(Sec. 28-44DB)	1. U/s 145 assessee may follow either Cash or Mercantile system of accounting regularly employed by the assessee. 2. Exceptions: Certain payments are allowable only on actual payment basis. Accrual concept does not hold good- (a) Employer's contribution to PF, ESI, Tax, Duty, Cess, Fees to Government, Interest on loans and advances from Banks and financial institutions, provision for leave encashment, bonus or commission etc. (b) Telecommunication Licence Fee is allowable in instalments only from the year of payment. (c) Preliminary Expenses distributed over five years. (d) Amalgamation/Demerger Expenses distributed over five years. (e) Amount paid in connection with Voluntary Retirement Scheme distributed over five years
Capital Gains	Chapter IV-E	(Sec. 45-55A)	1. Income from Capital Gains shall be taxable during the Previous Year Capital Gains in which the Capital Asset is transferred (i.e. year of accrual). 2. The method of accounting is not relevant for taxing the income under the head Capital Gains.
Other Sources	Chapter IV-F	(Sec. 56-59)	U/s145 assessee may follow either on Cash or Mercantile System of accounting regularly employed by the assessee.

For solving the problems, here is a basic example:
Leave salary u/s 10 (10AA):

During employment:	On retirement:	
Taxable	Govt employee:	Others:
	Not taxable	Least of following: a. Amt actually received b. last 10 months total salary from the date of retirement c. 30 days leave salary for every completed year of service d. Rs. 300000/-

Part-B of this paper deals with Taxation of International Transactions.

Here, you need to understand:

- ⊙ Computation of income from international transaction having regard to arm's length price,
- ⊙ Specified domestic transactions,
- ⊙ Advance pricing agreement,
- ⊙ Transfer Pricing and classification of Methods,
- ⊙ Meaning and application of Cross Border Transactions, etc. very carefully.

As the paper is practical oriented, hence, without getting clear of your basic ideas on these terms and appropriate measures, you need not be able to solve your problems.

Hope this will help you.

Finally wish you all the best with the words **“don't learn this paper by brain only learn by heart.”**

Group I

PAPER 8:

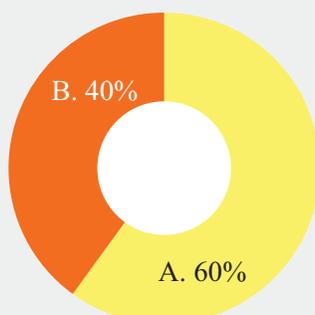
COST ACCOUNTING & FINANCIAL MANAGEMENT (CAFM)

**Your
Examination
Quick
Takes;**

Dr. Keshab Chandra Sinha,
Associate Professor,
Moulana Azad College, Kolkata
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Your Syllabus for this paper is divided into following ways;

- A. Cost Accounting- prime costs and overheads - 60%
- B. Financial Management - 40%



Part II: Financial Management:

Your first priority is to study the study material very sincerely. Even though you have already read this chapter in your B.Com & M.Com course curriculum, but here you have to study this chapter in depth. Afterwards, you will be able to decide on your own, which text book is suitable for you and just get it and finish it from the first page to last page.

You must try to understand all the problems of the study material first, and thereafter, try to solve those problems on your own and compare the solved problems with the solutions given in the study materials. If any gap is found, try to find out those gaps and prepare yourself accordingly.

Here, specific guidance is given on two topics:

- ⊙ Working capital and
- ⊙ Leverage analysis.

Working Capital Management:

Unless you have a good concept of working capital, your further concept in this area of:

- I. Kinds,
- II. Cycle,
- III. Financing,
- IV. Over or under capitalization of working capital, etc., will remain incomplete.

Good discussions on inventories management, credit policy and cash management of working capital are clearly, elaborately and thoroughly described in the study material for your understanding.

Conceptually, if you classify working capital, you will find that there are two type of working capital:

- ⊙ Gross working capital and
- ⊙ Net working capital.

You will compute how to determine the amount of working capital.

You must not avoid to study the:

- ⊙ Working capital cycle, which is on time basis and
- ⊙ Determination of factors of working capital, financing and their limitations.

If the optimum working capital is not properly computed for

a particular period of time, there is a question of under or over capitalization of working capital which will hamper the amount of profit and the amount of profit will go down.

Your study material also offers for learning for different committee reports like -

- ⊙ Tandon Committee report,
- ⊙ Chore Committee report etc.

You try to compute the required amount of working capital with the given data. You first solve different problems in the study material and previous question papers and then refer the problems from related text book.

You also try to solicit the problems of the credit policies and cash management in the same manner.

Second part of the study is Leverage analysis:

Leverage is very interesting in the financial management of an organization. You already know that leverage means % change in one variable with respect to % change in some other variables.

You must read the:

- ⊙ Concepts,
- ⊙ Formula,
- ⊙ Significance of operating,
- ⊙ Financial and Combined leverage.

With the help of the formula, you must first try to solve the problems of the study material and then from previous questions papers and related books.

At last most of you try to avoid Earning Before Interest and Taxes-Earning Per Share (EBIT-EPS) analysis. You do not have clear idea about graphical representation of indifference level of EBIT. It has also been shown in his chapter of your Study Material (p 5.38 to 5.40) for learning.

Group II

PAPER 9:

**OPERATIONS MANAGEMENT
& INFORMATION SYSTEMS
(OMS)**

Shri Ashutosh Kar

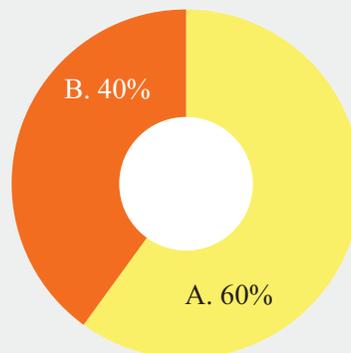
Assistant Professor,
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**Your
Examination
Quick
Takes;**

Your Syllabus for this paper is divided into following ways;

- A. Operations Management - 60%
- B. Information Systems - 40%



Here, you will find first the tips for the preparation of your 'Operations Management' part.

Part A: Operations Management

This part of the syllabus is very important as it consists more marks. This part is also scoring part.

LPP is an important topic for consideration.

What is LPP?

Linear Programming is the analysis of problems in which a linear function of a number of variables is to be minimized or maximized when those variables are subject to a number of restraints in the form of linear inequalities. A linear programming problem may be defined as the problem of maximizing or minimizing a linear function subject to linear constraints.

Linear Programming Model

The number of problems, showing how to model them by the appropriate choice of decision variables, objective, and constraints.

Any linear programming problem involving two variables may be expressed as follows:

Find the values of the variable x_1, x_2 which maximize (or minimize) the objective function
 $Z = c_1x_1 + c_2x_2$
 subject to the constraints
 $a_{11}x_1 + a_{12}x_2 \leq b_1$
 $a_{21}x_1 + a_{22}x_2 \leq b_2$
 and meet the non negative restrictions
 $x_1, x_2 \geq 0$

Steps are LPP which should be remembered by the candidate:

1. Identify the decision variables.
2. Identify the objective function (Maximization of profit and Minimization of cost)
3. Identify the constraints and the limitations.
4. Identify the non-negativity restrictions. It can be stated in the problem or it has to be imposed in the problem.
5. If the number of decision variables are up to two the candidate can use graphical or simplex. If the number of variables exceeds two then the candidate has to do simplex.

Let us take a real life problem to understand linear programming. A company received an order to manufacture cabinets. The first consignment requires up to 50 cabinets. There are two types of cabinets. The first type requires 10 hours of labour force (per piece) to be constructed and gives a profit of Rs 6000 per piece to the company. Whereas, the second type requires 8 hours of labour force and makes a profit of Rs 4000 per piece. However, the company has only 500 hours of workforce available for the manufacture of the cabinets. With this information given, you are required to find a deal which gives the maximum profit to the company.

Formulation

Let x and y be the number of cabinets of types 1 and 2 respectively that he must manufacture. They are non-negative and known as non-negative constraints.

The company can invest a total of 500 hours of labour force and is required to create up to 50 cabinets. Hence,

$$10x + 8y \leq 500$$

$$x + y \leq 50$$

The above two equations are known as linear constraints.

Let Z be the profit he earns from manufacturing x and y pieces of the cabinets of types 1 and 2. Thus,

$$Z = 6000x + 4000y$$

Sub to

$$10x + 8y \leq 500$$

$$x + y \leq 50$$

$$x, y \geq 0$$

Our objective here is to maximize Z . Hence Z is known as the objective function

Part B: Information System (40marks):

Entity Relationship Diagram is an important part of the syllabus. The steps to be followed to draw the diagram

1. Identify the entities.
2. Identify the attributes.
3. Identify the relationship
4. Relationship can be of many types.
5. Note the mapping cardinality
6. Total participation if required must be incorporated.
7. Attributes may be multi-valued, composite or derived.
8. Identify the keys like super key, candidate key and primary key

All the other parts should be thoroughly studied to score good marks in the examination. Wish you best of luck.

Group II

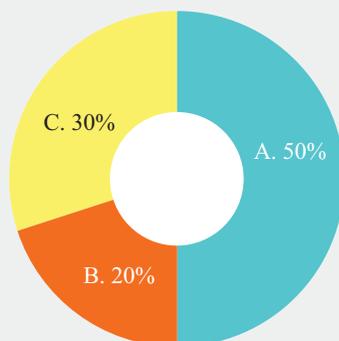
PAPER 10: COST & MANAGEMENT ACCOUNTANCY (CMA)

Your
Examination
Quick
Takes;

Dr. Keshab Chandra Sinha
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Moulana Azad College, Kolkata
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Your Syllabus for this paper is divided into following ways;

- A. Cost & Management Accounting- Methods and Techniques - 50%
- B. Cost Records and Cost Audit - 20%
- C. Economics for managerial decision making - 30%



Part A: Cost & Management Accounting - Methods & Techniques:

Your first avoidance is to avoid reading your study material. Though, you have already read these methods and techniques of Cost & Management Accounting in B.Com & M.Com course curriculum, but all the parts were not covered thoroughly. So, you read this chapter very sincerely. Afterwards, you will be able to decide which text book is suitable for you and just collect it and follow it. At last, you must try to understand all the problems regarding this area and solicit these from study materials first and then from the related text books.

Here, specific guidance is given on some topics.

One significant part of your study is on **Marginal costing**. Unless you have a good concept of Cost Profit Volume analysis, your further concept in this area of Break even chart in different situations like:

- ⊙ Increase in No. of units,
- ⊙ Decrease in sales due to increase in selling price,
- ⊙ Decrease in variable cost,
- ⊙ Change in fixed cost,
- ⊙ Non - linear break even chart,
- ⊙ Profit volume chart in different break even points, graphically and numerically, will remain incomplete.

You also have to compute different types of problems in these areas.

Another part of your study is **Throughput Accounting**. Throughput Accounting is a system of performance measurement and costing which traces cost to throughput time.

You are not familiar with the topic. So, you must read carefully different aspects of this topic like; systematic changes required for acceptance of the throughput account regarding:

- ⊙ Inventory valuation,
- ⊙ Inventory Investment Analysis,
- ⊙ Capital Investment Analysis,
- ⊙ Product Costing,
- ⊙ Product Scheduling,
- ⊙ Long term pricing,
- ⊙ Price setting etc. and solicit the sums of the problems of this topic.

You do not avoid to study on **Activity Based Costing**. You try to solve the short and broad questions, both theoretical and numerical. For short type questions, for example, you should study:

- ⊙ What is cost driver? or
- ⊙ Distinguish between Activity Based Costing and Activity Based Management etc.

Other part of your study is on methods of **Transfer Pricing**. Your study material offers good scope for learning about - different methods of transfer pricing and deals with different types of problems and solutions.

Your study material contains good scope for learning about treatment of special expenses in cost accounts. You will have to solve different short and broad type questions from this area.

Last part of this study is important to you for short and multiple questions. So, you please study this chapter thoroughly.

Group II

PAPER 11:

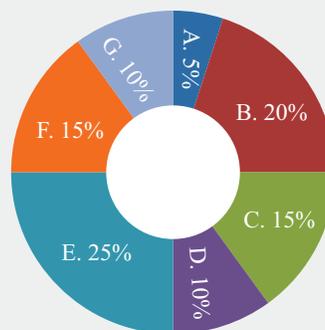
**INDIRECT
TAXATION
(ITX)**

Dr. Bijay Krishna Bhattacharya
Associate Professor, Finance
Adamas University
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bijaykb_jan2008@yahoo.co.in

**Your
Examination
Quick
Takes;**

Your Syllabus for this paper is divided into following ways;

- A. Cannons of Taxations - Indirect Taxes - 5%
- B. Central Excise - 20%
- C. Customs Laws - 15%
- D. EXIM Policy - 10%
- E. Service Tax - 25%
- F. Central Sales Tax Act & VAT Act - 15%
- G. International Taxation & Transfer Pricing - 10%



In this paper we are starting with the discussion about 'Excise Duty'.

Now, What is excise duty?

An excise or excise tax (sometimes called an excise duty) is a type of tax charged on goods produced within the country (as opposed to customs duties, charged on goods from outside the country). It is a tax on the production or sale of a good. This tax is now known as the Central Value Added Tax (CENVAT).

Though the collection of tax is to augment as much revenue as possible to the government to provide public services, over the years it has been used as an instrument of fiscal policy to stimulate economic growth. Thus it is one of the socio-economic objectives.

What are the types of excise duty?

There are three different types of central excise duties which exist in India which are as follows:

Basic - Excise Duty, imposed under section 3 of the 'Central Excises and Salt Act' of 1944 on all excisable goods other than salt produced or manufactured in India, at the rates set forth in the schedule to the Central Excise tariff Act, 1985, falls under the category of basic excise duty in India.

Additional - Section 3 of the 'Additional Duties of Excise Act' of 1957 permits the charge and collection of excise duty in respect of the goods as listed in the schedule of this act. This tax is shared between the central and state governments and charged instead of sales tax.

Special - According to Section 37 of the Finance Act, 1978, Special Excise Duty is levied on all excisable goods that come under taxation, in line with the Basic Excise Duty under the Central Excises and Salt Act of 1944.

Therefore, each year the Finance Act spells out that whether the Special Excise Duty shall or shall not be charged, and eventually collected during the relevant financial year.

Which goods are excisable goods?

The term 'excisable goods' means the goods which are specified in the first schedule and the second schedule to the Central Excise Tariff Act, 1985, as being subject to a duty of excise and includes salt.

Who is liable to pay excise duty?

The liability to pay tax excise duty is always on the manufacturer or producer of goods. There are three types of parties who can be considered as manufacturers:

- ⊙ Those who personally manufacture the goods in question
- ⊙ Those who get the goods manufactured by employing hired labour
- ⊙ Those who get the goods manufactured by other parties

Is it mandatory to pay duty on all goods manufactured?

Yes, it is mandatory to pay duty on all goods manufactured, unless exempted. For example, duty is not payable on the goods exported out of India. Similarly exemption from payment of duty is available, based on conditions such as kind of raw materials used, value of turnover (clearances) in a financial year, type of process employed etc.

What is the consequence of evading payment of excise duty?

Under the different sections of the central excise act, the fines for evading tax can range from twenty-five to fifty per cent of the amount of duty evaded. When you look at the amount of excise you may have to pay, this is a rather large amount and along with the financial repercussions, you also have to encounter a tarnished image.

The Second Act we are discussing about 'Service Tax'. So, What is Service Tax?

Service tax refers to tax collected by the government of India from certain service providers for providing certain services. The person who pays service tax can be either a service provider or a service receiver or any other person who is responsible for providing certain services. **Service tax is a kind of indirect tax** because the service providers pay the tax and recovers it from the service receivers who receive or purchase the taxable services. It is a kind of tax that you pay to the government for enjoying different services received from various service providers.

Service Tax in India

Service tax in India came into effect in 1994 following the Finance Act, 1994. It is imposed on certain services which are taxable under the section 65 of Finance Act, 1994. The budget 2012 increased the range of services included under service tax. It incorporated services such as service provided by AC restaurants, short and long term lodging

offered by hotels and private guest houses etc. under taxable services. As per this new regulation, service tax is charged from individual providers as well as companies in India. Individual service providers can pay this tax via cash while companies can pay it on accrual basis. However, they need to pay this tax only if the value of services provided by them exceeds Rs. 10lakh in a single financial year. However, this new additions to service tax rules are not applicable to the state of Jammu & Kashmir. From the year 2012 onwards, all services, except the ones specified in the "negative list" of services, become liable for service tax. The negative list refers to the services listed in section 66D of the Finance Act, 1994.

Service Tax Rules in India

As per the Finance Act, 1994, the government of India creates a set of rules in order to assess and collect service tax in India. Listed below are the rules applicable to service tax in India:

Rule 1: Short Title and Commencement:

The rules created to assess service tax may called as Service Tax Rules, 1994.
They came into effect from 1st July, 1994.

Rule 2: Definitions:

This category of rules includes the definitions of various terms such as "Act", "assessment" "personal liable for paying service tax" etc. Act refers to the Finance Act, 2014; "assessment" refers to the self-assessment of service tax by the assessee, provisional assessment and reassessment, and "personal liable for paying service tax" refers to the recipient of service.

It also includes definition of "quarter" "security services" "renting of immovable property" etc. Quarter refers to the period between 1st January to 31st March or 1st April to 30th June; or 1st July to 30th September; or 1st October to 31st December of a single financial year. "Renting of immovable property" refers to services provided by renting of immovable property and "security services" refers to services relating to the security and property.

Rule 3: Appointments of Officers:

As per this rule, the Central Board of Excise and Customs can appoint central excise officers.

Rule 4: Registration:

Every service provider who is liable to pay service tax shall apply for registration by using the application Form ST - 1 within 30 days from the date on which service tax is charged. This is very essential.

Rule 4 (A): Information about Taxable Services to Be Provided on Bill, Invoice or Challan

Every service provider offering taxable services will issue an invoice or a bill or a Challan signed by him or by another person authorized by him which will contain the basic information such as name, address and registration number of the service provider; name and address of the service recipient; description and cost of taxable service provided and the amount of service tax to be paid.

Rule 4 (B): Consignment Note:

Any service provider that provides services related to transportation of goods should issue a consignment note.

Rule 5: Records:

Any records containing computerized data maintained and produced by an assessee according to different existing laws shall be accepted by Central Board of Excise and Custom.

Rule 5 (A): Access to Registered Premises:

As per this rule, any officer authorized by the commissioner shall have access to any premises in order to complete scrutiny and verification required to protect revenues.

Rule (6): Payment of Service Tax:

As per this rule, the service tax will be paid to the credit of the central government by the 6th of every month, if paid electronically and 5th of every month, if paid via other means.

Rule 6 (A) Export of Services:

It includes the situations under which any services shall considered as export of services. If the provider of service is located in the taxable territory and the recipient is located outside India, the service shall be considered as export of service.

Rule 7: Returns:

Every service provider shall submit a half yearly return in Form ST-3 or ST-3A together with a copy of the Form TR-6 filled in triplicate by 25th of the month following the half year.

Rule 7 (A) Returns for taxable services provided by transport operators:

Services/goods provided by transport operators shall also furnish a return within a period of six months from the 13th May of 2003, failing which will lead to penalty.

Rule 7 (B) Revision of Return:

As per this rule, an assessee can submit a revised return in Form ST-3 to modify or correct any mistakes within 90 days from the date of submission of return.

Rule 7 (C): Amount to be paid for delay in furnishing returns:

An amount of Rs. 500 needs to be paid to the credit of the central government, if you fail to furnish your return within 15 days from the prescribed date of submission. If it gets delayed by more than 15 days, you need to pay Rs. 1000. If it extends beyond 30 days, you need to pay Rs. 1000 plus Rs. 100 per month till the date you finally furnish your returns.

Rule 8: Appeal to Commissioner of Central Excise:

You can appeal to Commissioner of Central Excise in Form ST - 4 under section 85 of the Finance Act, 1994.

Rule 9: Form of Appeals to Appellate Tribunal:

You can appeal to the Appellate Tribunal under section 86 of the Finance Act, 1994 by using Form ST-5.

Rule 10: Facilities and Procedure for Large Taxpayers:

This section of rules include the provisions enjoyed by the large taxpayers. A large taxpayer shall submit returns for each of their registered premises. They may also be required to produce all financial records for verification and security when required.

Service Tax Rates in India

There is an increase in the rate of service tax in India

following the recent announcement made by the finance minister Arun Jaitley in budget 2015. The budget decides to increase the rate of service tax to 14% from its previous rate of 12, 36%. However, this revised rate of service tax will include Education Cess' and 'Secondary and Higher Education Cess' in it. It is expected that this rise in service tax rate will increase the cost of restaurant bills and mobile bills for common people. The government of India took this move to levy tax smoothly on the services provided by both states and the centre. Beside, another provision is included in the Finance Bill, 2014 to levy a "Swachh Bharat Cess" at 2% on all or select taxable services in India.

In the Indian tax structure, there are a lot of taxes that people pay for different reasons. Income tax, sales tax, entertainment tax, value added tax etc. All these taxes are existent because in some way or the other it impacts and helps the economy. One such tax that is prevalent in any manufacturing sector is the excise duty.

Please also go through the amendments made in Central Budget for 2016-17.

Group II

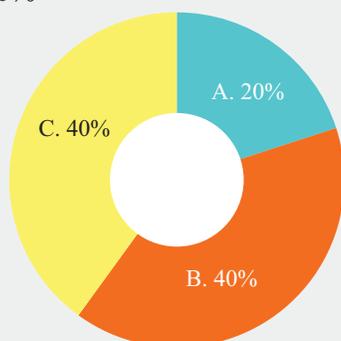
PAPER 12: COMPANY ACCOUNTS & AUDIT (CAA)

Your
Examination
Quick
Takes;

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Your Syllabus for this paper is divided into following ways;

- A. Generally Accepted Accounting Principles (GAAP) - 20%
- B. Accounts of Joint Stock Companies - 40%
- C. Auditing - 40%



Now, Paper 12 comprises of three sections.

Section A covers 20 marks with topics like GAAP and some accounting standards which you need to study thoroughly to answer basic theoretical questions.

Section B covers 40 marks containing very interesting topics under Accounts of Joint Stock Companies (Study notes 3 to 8).

Section C covers Auditing part where you have to study:

- ⊙ Auditing Concepts &
- ⊙ Provisions relating to Audit under Companies Act

In Section C, you need to study thoroughly again, to answer basic theoretical questions.

Now, How to perform better in your Examination:

Here I will give you a brief outline of an important area from study note 3 which is Redemption of Preference Shares with simple example.

You must remember that redemption means re purchase. That is company is going to repay its preference shareholders. So while solving the sum follows the following steps:

1. First calculate the amount due to preference shareholders.
2. Make arrangement of funds
3. Pay the shareholders and
4. Make statutory transfers.

Make the journal entries as per the above sequence for better understanding of yourself and better presentation also. Don't forget to write narrations in each journal.

While calculating the amount due keep in mind about the premium on redemption to add. Remember only fully paid preference shares will be repaid. Funds can be arranged by selling out investments or by issue of fresh equity shares. Statutory transfer to Capital Redemption Reserve can be calculated as follows:

	RS.
Nominal value of share to be redeemed	xxxx
Less: fresh issue of equity shares	xxxx
CRR	xxxx

Similar technique you can apply while solving the problems of buy back of equity shares with the only differences in legal formalities. Let us concentrate on another topic in study note 5 which is preparation of cash flow statements as per AS-3. Without going to the much details about the format and presentation I would like to give you tips to calculate CASH FROM OPERATION under the broad

caption "**cash flow from operating activities.**"

Confusion arises while adding and deducting increase or decrease in CA and CL.

Simply remember a word "**ADDICAS**". Simple to remember because it has similarity with a big brand name. What does it mean? It simply means "ADD DECREASE IN CURRENT ASSETS". Thus if decrease in CA is added increase in CA will be deducted and so on for current liabilities also consecutively. Just add decrease in current assets with fund from operation and follow the consecutive rule of add and less. See the chart:

	RS.
Fund from operation or operating profit	xx
Add: decrease in CA	
Less: increase in CA	
Add: increase in CL	
Less: decrease in CL	
Cash from operation	<u>xx</u>

In section C you have to study Auditing- a theoretical paper. However I will ask to deal this as a most practical paper to be explained theoretically. Try to write answers in the eye of an auditor. Consider yourself as an auditor and focus in that way.

Let us move to study note 13 of vouching and verification - a very important job of an auditor. For example if you are asked to vouch "cash sales" close your eyes and as an expert start thinking the areas to see wherefrom fraudulent activities may accrue. So your answer will contain only such points like:

- a. To verify the price and cross check from price list
- b. To verify the cash memos along with cash book
- c. To vigil about the discounts and /or rebates
- d. To check the pay in slips of bank deposits for each day
- e. To see the cancelled cash memos are properly signed by designated officer
- f. To see whether proper sales tax declaration have been obtained or not

In this way if you study all the areas you will get interest in the subject and this will not create any boredom.

This is simply a guideline in a very shot periphery. You have to study and work hard for success but always enjoy studies with pleasure. Wish you all the best.

SUBMISSIONS

Give your thoughts on the Student-bulletin. Do you have some news, an achievement, or an aspect of achievement that you would like to share? If so, we would love to hear from you.

e-mail: studies.ebulletin@icmai.in

If you do not think you are getting the e-bulletin via email, please let us know, as all students should receive it.





Examination TIME TABLE



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EXAMINATION TIME TABLE & PROGRAMME – DECEMBER - 2016 INTERMEDIATE COURSE EXAMINATION

Day & Date	Intermediate Course Examination Syllabus - 2012 Time 9.30 a.m. to 12.30 p.m.
Saturday, 10th December, 2016	Financial Accounting
Sunday, 11th December, 2016	Laws, Ethics and Governance
Monday, 12th December, 2016	Direct Taxation
Tuesday, 13th December, 2016	Cost Accounting & Financial Management
Wednesday, 14th December, 2016	Operation Management and Information Systems
Thursday, 15th December, 2016	Cost & Management Accountancy
Friday, 16th December, 2016	Indirect Taxation
Saturday, 17th December, 2016	Company Accounts and Audit

PRACTICAL ADVICE

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1

2

3

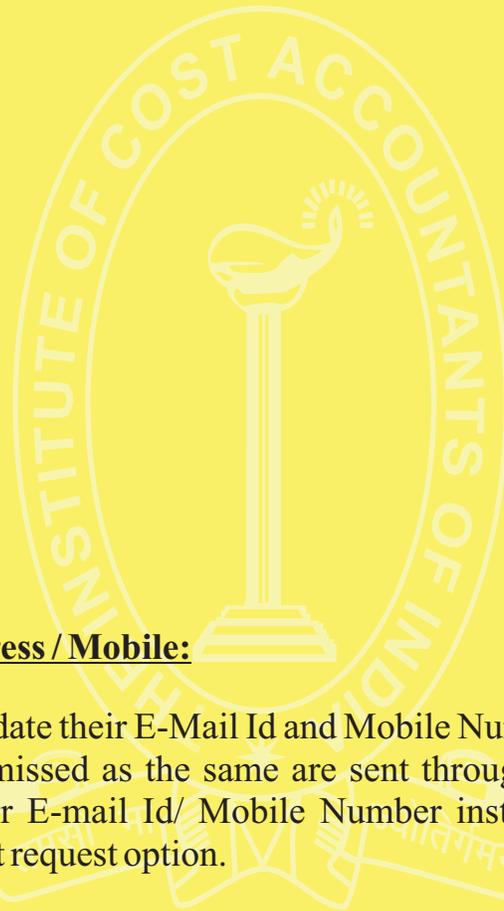
5

4

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website: <http://www.icmai.in>

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Behind every successful business decision there is always a CMA

message from the Directorate of Studies

Dear Students,

Your December term of examination is almost 'knocking the door'. Those who will be appearing in your forthcoming term of examination, we are sure, they are almost prepare to face the challenges of this professional course and busy in their last time preparation!

'Tips' are given in this E-bulletin by the knowledge experts, for the smooth encouragement in your preparation. We are sure that all aspirants will definitely be benefitted by those tips and that will help them to brush up their knowledge and also to swim across.

Take the examination seriously but don't be panicky. Please try to follow the general guidelines, mentioned below; which may help you to get success in your examination.

Essentials for Preparation:

- ⊙ Conceptual Understanding & Overall Understanding of the subject both 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 answers precisely and in a structured manner,
- ⊙ In-depth knowledge about specific terms required. Write question numbers correctly and prominently.
- ⊙ Proper time management is also important while answering.

We are very much thankful to the Directorate of Research & Journal for providing us the support in Designing and Composition of this E-bulletin.

Be Prepared and Get Success;

Goodbye and good luck to all of you!

Disclaimer

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DIRECTORATE OF STUDIES THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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