CMA STUDENTS'

E-BULLETIN

INTERMEDIATE

VOL .2 NO .3

MARCH, 2017 ISSUE

(Syllabus 2016)

www.icmai.in

FOLLOW US ON

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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

Tel: +91-33 2252 1031/1034/1035/1492/1602/1619/7373/7143

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

Phones : +91 11 24666100, 24622156/57/58

Behind every successful business decision, there is always a CMA

message from the president

Dear Students,
Greetings!

"Education breeds Confidence,
Confidence breeds Hope,
Hope breeds Peace"- Confucius

Hope you are enjoying in reading your study notes and increasing your knowledge day by day.

As said by the Former President of India, APJ Abdul Kalam-***" Learning gives you creativity, creativity leads to thinking, thinking provides knowledge, knowledge makes you great"*** , we all should follow. Learning is a treasure that will follow its owner everywhere. There is no substitute for true knowledge and gradually through the knowledge gathering, you will become confident.

I hope that following the E-bulletin all of you are gathering knowledge on the respective subjects covered by the expert academicians for enriching yourselves. I need the feedback from your end so that I may come to know about your future expectations.

I am really thankful to all the eminent writers for sharing their expertise with you.

The initiative taken by the Directorate of Studies for up-dation of your knowledge by the issuance of these monthly bulletins is commendable. If you are willing to learn, no one can help you! If you are determined to learn, no one can stop you!

I want to conclude with the famous and encouraging words of Aristotle that "***The roots of education are bitter but the fruit is sweet".***

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

message from the chairman

"Life is the most difficult exam. Many people fail because they try to copy others- not realising that everyone has a separate question paper"

Results of the December term of examination are out. Those who succeed indeed are very happy and in a jubilant mood. Those who failed may be discouraged instantly but you may learn from it. Please go ahead and learn to say yourself that I am not failed but my success is just postponed.

The beautiful thing about learning is no one can steal it away from you. Please prepare yourself in the way that success will automatically be followed. The one who falls and gets up is so much stronger than the one who never fell. Never give up as great things take time.

Read your study notes sincerely, see the MTPs, learn the question techniques from the suggested answers and prepare yourself for the examination.

"Success is not final, failure is not fatal; it is the courage to continue that counts- Winston Churchchill".

Wishing you all a successful career ahead!

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

VOL. 2 NO. 3
MARCH, 2017 ISSUE

STUDENTS' E-bulletin Intermediate

contents

Message from the President - i

Message from the Chairman - ii

Knowledge Update - 1

Group : I Paper 5: Financial Accounting (FAC) - 2

Group: I Paper 6: Laws & Ethics (LNE) - 6

Group: I Paper 7: Direct Taxation (DTX) - 9

Group: I Paper 8: - Cost Accounting (CAC)- 13

Group: II Paper: 9: Operations Management & Strategic Management - Operations Management (OMSM)- 17

Group: II Paper: 9: Operations Management & Strategic Management - Strategic Management (OMSM) - 20

Group: II Paper: 10: Cost & Management Accounting and Financial Management (CMFM) - 22

Group: II Paper 11: Indirect Taxation (ITX) - 27

Group: II Paper 12: Company Accounts & Audit (CAA) - 30

Clarification for June 2017 term of Examination - 33

Submissions - 35

Practical advice - 36

Examination Time Table - 37

Message from the Directorate of Studies - 38

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

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.

VOL. 2 NO. 3
MARCH, 2017 ISSUE

Group I

PAPER 5:

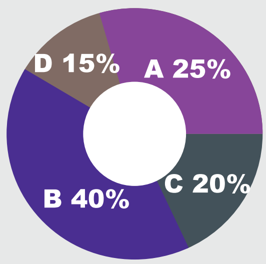
FINANCIAL ACCOUNTING (FAC)

YOUR PREPARATION QUICK TAKES;

Dr Nibir Goswami
Associate Professor in Commerce
Vidyasagar Mahavidyalaya.
He can be reached at:
drnibirgoswami@gmail.com

Syllabus Structure

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



Learning Objectives:

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

ACCOUNTING FOR SPECIAL TRANSACTIONS:-

INSURANCE CLAIM - LOSS OF STOCK

Business houses generally purchases policy to protect themselves against the loss due to fire or any other natural calamities. In this chapter we will concentrate mainly on the loss of stock due to fire. our objective will be to compute the amount of claim to be submitted to the Insurance Company against the loss. Normally a company values its stock only at the year end but accident will not occur exactly on that date every time. in fact by nature accident will come without prior notice and will come at any day during the year. the problem is at that date the stock may not have valued. Not only that data related to such valuation (say stock register) may also be lost due to fire. So it become difficult to find out such unknown figures to value the stock. We will follow the following steps to find out the value of stock:

Step 1 » Find the date of fire.

Step 2 » Locate the date of fire in the accounting year it relates and its previous year. (e.g date of fire: 17.07.2016 - means it relates to the current accounting 01.01.2016 to 31.12.2016 and the previous year is 01.01.2015 to 31.12.2015)

Step 3» Prepare the Trading Account for the previous year (i.e. from the above example)

Step 4» Find the amount of gross profit from the Trading Account as above and calculate the gross profit Percentage on sales. (i,e GP Ratio: GP/sales × 100)

Step 5» Prepare one more Trading Account for the period upto the date of fire. (i.e. from 01.01.2016 to 17.07.2016 from the above.)

Note: While closing this trading account you will be in trouble because of two unknowns -

1) The closing stock and of course.

2) The gross profit. To solve such problem we assume that the Gross profit as earned in the last year over the sales will remain the same. That is the company is going to earn the same rate of profit as in the last year. Here from the next step follows.

Step 6» Apply the gross profit percentage as calculated in step 4 on the sales for the period 01.01.2016 to 17.07.2016 based on the above assumption.

Step7» Now calculate the amount of closing stock as balancing figure which is the stock as on 17.07.2016.

Step 8» Calculate the amount of claim as below:

Amount of stock as derived in step 7	***
Less: Amount salvaged (i.e. recovered if any)	***
Gross Claim	***

This gross claim may be lodged to the insurance company if it does not attract "Average Clause". Let us now explain what is Average Clause.

AVERAGE CLAUSE

In simple terms it is a strategy adopted by the insurance company to discourage under insurance. It is a kind of penalty imposed to the insured for under insurance. Therefore average clause will be applicable if the Policy Value is less than the value of Stock as on the date of fire. For example if the value of stock lost calculated as above is Rs. 200000/- the policy must be > = Rs. 200000/-. If policy value is less than Rs. 200000/- the claim will be proportionately reduced in the following manner.

Net claim = Gross claim x Policy Value / Value of Stock.

Illustration:

The godown of Careless company caught fire on 17.07.2016. following information are available from the records.

	Rs.
Value of Stock as on 01.01.2015	75000
Value of Stock as on 31.12.2015	55000
Sales for the year 2015	600000
Purchase for the year 2015	400000
Wages for the year	30000
Purchase from 01.01.2016 to 17.07.2016	145000
Sales from 01.01.2016 to 17.07.2016	210000
Stock Salvaged	10000
Policy value	35000

Calculate the amount of claim.

TRADING ACCOUNT FOR THE YEAR ENDED 31.12.2015

PARTICULARS	RS.	PARTICULARS	RS.
TO OPENING STOCK	75000	BY SALES	600000
TO PURCHASE	400000	BY CLOSING STOCK	55000
TO WAGES	30000		
TO GROSS PROFIT	150000		
	655000		655000

GROSS PROFIT RATIO IS: 150000 ÷ 600000 × 100 = 25 %

TRADING ACCOUNT FOR THE PERIOD 01.01.2016 TO 17.07.2016

PARTICULARS	RS.	PARTICULARS	RS.
TO OPENING STOCK	55000	BY SALES	210000
TO PURCHASE	145000	BY CLOSING STOCK	42500
TO GROSS PROFIT	52500	(BALANCING FIGURE)	
(25% ON RS. 210000)			
	252500		252500

STATEMENT OF INSURANCE CLAIM

	RS.
VALUE OF STOCK AS ON 17.07.2016	42500
LESS: SALVAGE VALUE	10000
GROSS CLAIM	32500

Since policy value or Rs. 35000 is less than the value of stock of Rs. 42500 net claim will be reduced proportionately by applying the average clause:

Net claim = gross claim × policy value ÷ value of stock

= 32500 × 35000 ÷ 42500

= 26764.71

So you can see the firm is losing by Rs. 32500 - 26764.71 = Rs. 5735.294 /- due to under insurance. Keep practising sums of this type. We will discuss the loss of profit policy in the next issue.

Group I

PAPER 6:

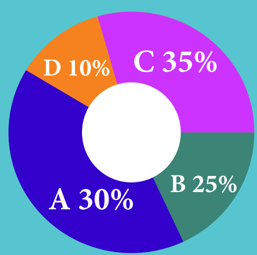
LAWS & ETHICS (LNE)

YOUR PREPARATION QUICK TAKES;

CMA Aditi Dasgupta
Dy. Director, Examination
She can be reached at:
exam.dd1@icmai.in

Syllabus Structure

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



Learning Objectives:

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

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

COMMERCIAL LAWS

LAWS RELATING TO THE SALE OF GOODS ACT, 1930.

In the previous issue we discussed about the rights of an unpaid seller. In this issue we will discuss about "stipulations" in a contract. Stipulation refers to a condition, demand or promise in an agreement or contract. A stipulation in a contract for sale of goods may be a condition or a warranty.

Condition – a condition is a stipulation in a contract which is essential to the main purpose of the contract. Its breach gives the aggrieved party a right to sue for damages and also the right to repudiate the contract.

Warranty – a warranty is a stipulation in a contract of sale of goods which is collateral to the main purpose of the contract and breach of which gives right to claim for damages but not the right to reject the goods or repudiate the contract.

Suppose a man buys a horse which is warranted quite to ride and drive. If that horse turns out to be a vicious, the buyer's only remedy is to claim damages. but if instead of buying a particular horse the man asks for a horse that is quite to ride and if then the horse turns out to be vicious, the stipulation here is a condition and the buyer can reject the horse or he can keep the horse and claim damages.

There are certain circumstances when a condition can be treated as warranty.

- **In circumstances where there is a condition in the contract which the seller is bound to fulfill, the buyer in those cases can waive the condition or can opt to treat the breach of condition as breach of warranty.**
- **In circumstances where the contract of sale is not severable and the buyer has accepted the goods or its part, then any breach of any condition by the seller can only be treated as a breach of warranty.**

Conditions and Warranties may be express and implied. When the terms of the contract expressly provide for the same then they are said to be express condition or warranty. And where the law deems their existence in the contract even without they are actually put in the contract then they are termed as Implied condition or warranty.

- ✓ In every contract unless the terms of the contract explicitly provide for any contrary there is an implied condition on part of the seller that he has the right to sell the goods.
- ✓ In a contract for sale by description there is an implied condition that the goods must correspond with the description.
- ✓ Where the seller let knows the buyer about certain qualities of the product and the buyer relies on the seller's skill or judgment then there is an implied condition that the product shall fit for the purpose as stated by the seller.
- ✓ There is an implied condition that the goods should be such that they should be commercially sellable under the description by which they are known in the market at their full value.
- ✓ In case of sale of eatable products there is an implied condition that the goods must be for human consumption and should possess the wholesomeness.
- ✓ In case of sale by sample there is an implied condition that the bulk must correspond to such sample.
- ✓ Where the goods are sold by sample and description there is an implied condition that the bulk must correspond to both.

DOCTIRNE OF CAVEAT EMPTOR

Caveat emptor is a fundamental principle in the law of sake of goods act. It means " let the buyers beware". As per this doctrine it is no part of the seller's duty to point out the defects of his own goods and the buyer must inspect the goods to find out if they suit his purpose. However there are certain exceptions –

- Where the seller makes a misrepresentation
- Where the goods are sold by description and the goods do not match the description
- Where the seller actively conceals defect in the goods in such a way that the defects are easily not found by normal inspection.

Tips:- Supplement your readings with famous case laws and while answering make reference of relevant case laws as far as possible to establish our view and solve the case study.

VOL. 2 NO. 3
MARCH, 2017 ISSUE

Group I

PAPER 7:

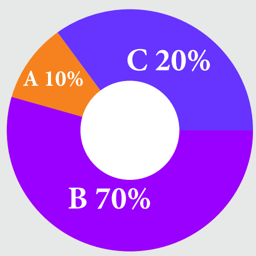
DIRECT TAXATION (DTX)

YOUR PREPARATION QUICK TAKES;

Dr. Sujit Kr. Roy
Asst. Professor,
Goenka College of Commerce
Kolkata
He can be reached at:
roysujitk@gmail.com

Syllabus Structure

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



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.

Minimum Alternate Tax and Alternate Minimum Tax: A Critical Look

Introduction: MAT and AMT as they are abbreviated, are quite popular with your examiners and they would like to test your knowledge in this area. In this brief note we shall discuss some important issues related to MAT and AMT.

The concept: Income-tax Act allows a good number of deductions, exemptions, in addition to set off and carry forward facilities. Riding on these provisions many companies, which are otherwise profitable, do not pay any tax. The objective of MAT is to rope in those "zero tax" companies and compel them to pay some tax. While MAT applies to a corporate assessee, AMT applies to non-corporate assessees.

A. **Provisions relating to MAT [Section 115JB]: In accordance with the provisions of MAT, the tax liability of a company will be higher of the following:**

(i) **Tax liability of the company computed as per the normal provisions of the Income-tax Law, i.e., tax computed on the taxable income of the company by applying the tax rate applicable to the company. Tax computed in above manner can be termed as normal tax liability.**

(ii) **Tax computed @ 18.5% (plus surcharge and cess as applicable) on book profit (manner of computation of book profit is discussed in later part). The tax computed by applying 18.5% (plus surcharge and cess as applicable) on book profit is called MAT. In case of an International Financial Services Centre and deriving its income solely in convertible foreign exchange, the rate will be 9% (plus surcharge and cess as applicable**

From their Study Note students should read thoroughly:

(a) **When MAT is not applicable**

(b) **How book-profit is computed**

(c) **Effective rate of MAT [Page No. 289-90 of Study Note].**

Example : The taxable income of ABC. Ltd. computed as per the provisions of Income-tax Act is Rs. 16,80,000. Book-profit of the company under the provisions of section 115JB is Rs. 36,80,000. What will be the tax liability of ABC Ltd? Ignore surcharge and cess.

Solution :

The tax liability of ABC Ltd. will be higher of:

	Rs.	Rs.
(i) Normal tax liability as per the provisions of the IT Act: [Rs. 16,80,000 x 30%]		504,000
(ii) Tax liability on Book-profit @ 18.5% [Rs. 36,80,000 x 18.5%]		6,80,800
Liability under MAT [(ii) being higher]		**6,80,000**

What is MAT credit? [Section 115JAA]:

Tax credit for MAT is simply the excess tax paid under MAT over and above the normal tax liability. Thus, in the example given above, tax credit will [Rs.6,80,000 – 504,000] = Rs.1,76,000. MAT credit can be adjusted in the year in which the liability of the company as per the normal provisions is more than the MAT liability.

Carry forward :

Tax credit determined as above shall be carried forward for the **ten** assessment years immediately succeeding the assessment year in which tax credit becomes allowable.

Example:

The tax liability of SSCO Ltd. for the financial year 2017-18 under the normalprovisions of the Income-tax Act is Rs. 9,20,000 and the liability as per the provisions of MAT is Rs. 9,00,000. It has brought forward MAT credit of Rs. 1,00,000. Can the company adjust the MAT credit? If, yes then how much and what will be the tax liability of the company after adjustment of MAT credit?

Solution:

Here tax liability is higher than the tax liability under MAT. So the assessee can claim set off. The amount of set off will be : Normal tax liability – Tax payable under MAT or Rs. 20,000. The remaining amount [Rs. 1,00,000 – 20,000] shall be carried forward for the ten assessment years immediately succeeding the assessment year in which tax credit becomes allowable

B. Provisions relating to AMT [Sections 115JC – 115JF]:

The provisions of AMT are similar to MAT. However, AMT applies every **non-corporate** assessee who claims :

(i) **deduction under section 80H to 80RRB (except 80P),**

(ii) **deduction under section 35AD and**

(iii) **deduction under section 10AA.**

In other words, AMT applies to every individual, HUF, association of persons, body of individuals or an artificial juridical person. However, if the **adjusted total income** of these assessees does **not exceed Rs. 20 lakh**, AMT will not be applicable.

How adjusted total income is calculated : The adjusted total income shall be calculated as under:.

	Rs.
Taxable income under the normal provisions of the Act	***
Add:	
Amount of deduction claimed under section 80H to 80RRB (except 80P)	***
Amount of deduction claimed under section 35AD (as reduced by the amount of depreciation allowable in accordance with the provisions of section 32)	
Amount of deduction claimed under section 10AA	
= **Adjusted total income**	*** *****

Rate of AMT:

The rate of AMT is 18.5%. Surcharge and education cess is also leviable.

Carry Forward:

Example: For the AY 2017-18, the taxable income of Mr. Gupta (below the age of 60) under the normal provisions of the Income-tax Act is Rs. 21,00,000. While computing this income, he has claimed Rs. 5,00,000 as deduction u/s80JJA. Discuss whether he is liable to AMT. What will be his ultimate tax liability for the assessment year?

Solution:

	Rs.	Rs.
Normal tax liability on a total income of Rs. 21,00,000	4,55,000	
Add: Education cess (2%+ 1%)	13,650	
Normal Tax Liability (A)		4,68,650
Adjusted Total Income [21,00,000 + 5,00,000]	26,00,000	
Tax Liability on Rs. 26,00,000	6,05,000	
Add: Education cess (2%+ 1%)	18,150	
Total Tax Payable under AMT		6,23,150
From the above calculation it is clear that tax liability under AMT is higher than normal tax lability. Therefore, tax his tax liability will be Rs. 6,23,150.The excess tax paid [6,23,150- 468,650] will be carried forward for the next 10 years.		

Tax credit and carry forward: The provisions in this regard are similar to MAT , i.e.

A taxpayer paying AMT is entitled to claim tax credit for AMT. The amount of tax credit is simply the excess of AMT paid over the Normal tax liability. The tax credit can be adjusted in the year in which the liability of the assessee as per the normal provisions is more than the AMT liability. The tax credit can be carried forward for ten assessment years immediately following the year in which the claim for tax credit occurred.

Example:

The tax liability of an eligible assessee for the financial year 2017-18 underthe normal provisions of the Income-tax Act is Rs. 17,40,000 and the liability as per the provisions of AMT is Rs. 17,00,000. It has brought forward AMT credit of Rs. 1,00,000 from the AY 2016-17.

Can the assessee adjust the AMT credit? If yes, then how much and what will be the tax liability of the firm after adjustment of AMT credit?

Solution:

The basic idea is that the tax liability of an eligible assessee in any year cannot be less than the AMT. In this case the normal tax liability is Rs. 17,40,000 and AMT is Rs. 17,00,000. Therefore, the assessee can adjust Rs. 40,000 against his tax liability of Rs. 17,40,000. The balance of the carried forward amount (200,000 – 40,000) shall be carried forward for nine years more, i.e. till 2026-27.

The tax liability of the firm for the assessment year 2017-18, after adjustment of tax credit, shall be Rs. 17,00,000.

Suggested readings:

(1) Direct Taxation : Group I, paper 7: Institute of Cost Accountants of India
(2) Income-tax Act, 1961: Taxman.
(3) Taxman's Direct Taxes : Law and Practice : Taxman

Group I

PAPER 8:

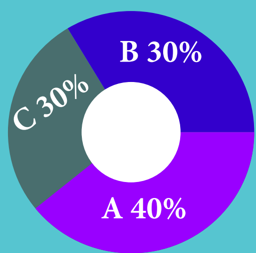
COST ACCOUNTING (CAC)

YOUR PREPARATION QUICK TAKES;

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

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 (CAC)

The word of Cost Accounting is vast and varied. Paper- , opens up the gateway to the world of Cost Accounting , particularly to those who go in for the study of Commerce academically as well as non-academically as well as non- academically. This paper is a scoring paper out of the eight papers in the intermediate course of the Institute of Cost Accountants of India. It is observed from the past experience that 65% to 75% of the total questions are set from practical problems and the balance are theoretical part. Although only 25% questions are set from theoretical part, but a great emphasis should be given on theoretical part as most of the students are very much weak in theory. Hence, go through the theory very carefully for easy understanding the topic and then try to solve the exercise problems. Start from Chapter one and try to understand the other chapters serially as this will enable you to understand the succeeding chapters in a better way.

Don't forget this is a professional examination. So, emphasis should be given mainly on testing comprehension, self expression and managerial ability to apply knowledge in divergent situation. Chances of repetition of questions are normally avoided. The true success of these examination mainly depends on style of preparation which should have , perseverance, regularity of efforts, through practice, vision and objectively.

based on my personal experience following tips may be suggested for the examinees-

1. A well defined plan for completing the whole syllabus as well as revision .
2. Go through your Study Note and know the complete syllabus. Remember all chapters are interlinked.
3. Analyse the trends of setting questions by taking at least ten terms.
4. Time schedule with specified activities is very much essential for time-management.
5. Clarity or concepts is different from cramming which exerts avoidable strain on the students.
6. Write down all the important terms in your own words and read them regularly.
7. Improve your speed by regular practice and revision.
8. Finally , try to develop a habit of reading the questions well , underlining and understanding the specific requirements.

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

The next chapter, Cost book-keeping, including integrated accounting system is not at all difficult. In this system, different accounts are to be opened , but it is not necessary to give much effort to complete its solution.

There are two principal method of accumulating and applying costs to products viz, Specific Order costing

/Contract Costing and Process Costing . This chapter relates to contract costing only Job/Batch/Contract Costing is very important for the Intermediate examinations. Students often experience difficulty in recommending the amount of profit to be taken into account for incompleted contract. make sure that you are familiar with various methods/formulae for different stage of completion and share of profit. Students are also advised to be through on the topic "Profit on incomplete contracts based on SSAP 9". Various problems on 'exaltation clause' used to be set at this level of examination also.

In 'Operating Costing' we have to find out operating cost per unit of output. This chapter also includes 'Transport Costing' , 'Hospital Costing', 'Power House Costing' , 'Hotel/ Hostel Costing' etc. 'Composite Unit' is very important for finding the solution of this type problems.

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

The chapter 'Variance Analysis' helps the management to fix responsibility for each department and to identify the activities or areas of exceptions . Any problem on standard cost for working out different variances can be worked out by using a standard format applicable to all variance analysis. You, the 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.

The next chapter is related to 'Budget and budgetary control' . Budget can be expressed as a pre-determined plan of action in details . Budgetary control, requires preparation of 'Flexible Budget', Functional Budget, and 'Cash Budget' for taking necessary actions. Theoretical and problem oriented questions may be set from this chapter . The students can easily understood 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.

For explaining 'Standard Costing ' following problem may be set.

The following details are available from the records of an Engineering Co. engaged in manufacturing 'Articat - X' for a week.

The standard labour hours and rates of payment for 'Avtical-X' were as follows :_

	Hours	Rate / hr	Total (Rs)
Skilled Labour	10	Rs. 3 /-	Rs. 30/-
Semi-skilled Labour	8	Rs. 1.5/-	Rs. 12/-
Unskilled Labour	16	Rs. 1.0/-	Rs. 16/-
		Total	**Rs. 58/-**

The actual production of the Engineering Co. was 1000 articles , for which the actual hours worked and its rates are given below :-

	Hours	Rate / hr.	Total (Rs)
Skilled Labour	9000	Rs.4/-	36000/-
Semi- Skilled Labour	8400	Rs. 1.50/-	12600/-
Un- Skilled Labour	20000	Rs. .90/-	18000/-
		Total	**66600/-**

You are asked to calculate :-

a) Labour Cost variance
b) Labour Rate variance
c) Labour Efficiency variance
D) Labour Mix variance

We can solve the problem in the following way
Prepare a Table first then it will automatically solve the problem.

Standard Cost	Std. Cost of Actual Hours		Actual Cost
	At Std. Mix	At Actual Mix.	
Std. Cost x Output	Std. mix. x S.R.	Actual Hrs. x S.R.	Act. Hrs. x Act. Rate
Std. Cost Rs. 58 x 1000 = Rs. 58000/- ↓ L4	Hrs SK. 11000 x 3/- = 33000 S. SK. 8800 x 1.5 = 13200 U. SK. 17600 x 1.0 = 17600 ------------ ---------- 37400.00 63800 ↓ L3	SK. 9000 x 3 = 27000 S. SK. 8400 x 1.5 = 12600 U. SK. 20000 x 1.0 = 20000 --------- ------- 37400 59600 --------- --------- ↓ L2	SK. 36000.00 S.SK. 12600.00 U. SK. 18000.00 -------------------- 66600.00 -------------------- ↓ L1

Labour Rate Variance = L2 L1 = 59600 66600 = 7000 (A)
Labour Mix Variance = L3 L2 = 63800 59600 = 4200 (A)
Labour Yield Variance = L4 L3 = 58000 63800 = 5800 (A)
Labour Efficiency Variance = L4 L2 = 58000 59600 = 1600 (A)
Labour Cost Variance = L4 L1 = 58000 66600 = 8600 (A)

This type of solution can be used in case of material variance also.

VOL. 2 NO. 3
MARCH, 2017 ISSUE

Group II

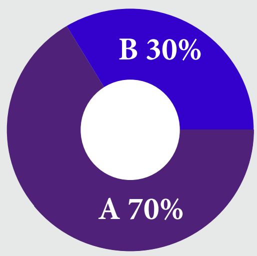
PAPER: 9 PART :I

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT - OPERATIONS MANAGEMENT (OMSM)

Shri Ashutosh Kar
Assistant Professor,
NSHM College of Management Technology, Kolkata
He can be reached at:
ashukar1@gmail.com

YOUR PREPARATION QUICK TAKES;

Syllabus Structure
A Operations Management **70%**
B Strategic Management **30%**



Learning Objectives:

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

Here you will find the tips for the preparation of Operations Management.

Network Analysis is an integral Part of Project Management.

Drawing the network is the most important part. AOA (Activity on Arrow) and AON (Activity on Node) are the two types for drawing the network.

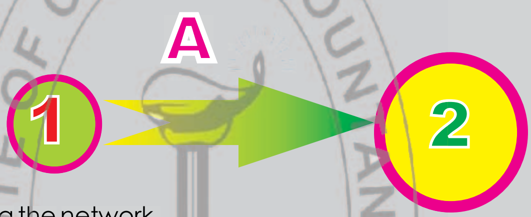


Figure 1: It shows the AOA diagram.

Activity on Node is another method for drawing the network.

Figure 2: It shows the AON diagram.

Rules for drawing the network:

1. There should be one starting node and only one ending node in the network.
2. The number of nodes in the network should be minimum. Unnecessary uses of dummies are not allowed in the network.
3. Looping and dangling are not allowed in the network.
4. The naming of the nodes should be given in the proper sequence.

CPM

CPM means Critical Path method: It is good when time estimates are found with certainty. It is designed for repetitive projects. It establishes a relationship between time and cost and cost is proportionate to time.

PERT

PERT means Program Evaluation and Review Technique. In PERT it is being assumed that expected time of any operation can never be determined easily.

In PERT three linear values are used as follows:

T_o: Optimistic time.

T_p: Pessimistic time

The expected time is calculated by the process t= $(t_p+4t_m+t_o)/6$

Variance of each activity in case of PERT is calculated by the following:-

Var= $((t_p-t_o)/6)^2$

The variance of the critical path is important for estimating the cost of the project.
The concept of normal distribution is important in estimating the area regarding the delay of the project.
Slack and Float are the important concept in network analysis.
T_M: Mostlikely time
Slack: Slack signifies the freedom of rescheduling the job. It is the difference between Earliest Finish time and Latest Finish time.
Float: Floats in the network analysis represent the maximum time available to finish the activity and the time required to complete it.
Floats can be of three types total, free and independent.
Total Float: It is the maximum amount by which duration time of an activity can be increased without increasing the total duration time of the project.
Free Float: It is the fraction from the total float of an activity which can be used for rescheduling the activity without affecting the succeeding activity.
Independent Float: It is the time by which an activity can be rescheduled without affecting the preceding or succeeding activities.
The above concepts discussed are very relevant in respect to Network Analysis. Have a thorough reading. Wishing you best of luck.

Group II

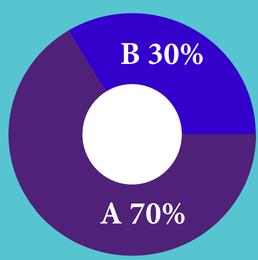
PAPER: 9 PART :II

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT - STRATEGIC MANAGEMENT (OMSM)

YOUR PREPARATION QUICK TAKES;

CMA Aditi Dasgupta
Dy. Director, Examination
She can be reached at:
exam.dd1@icmai.in

Syllabus Structure
A Operations Management **70%**
B Strategic Management **30%**

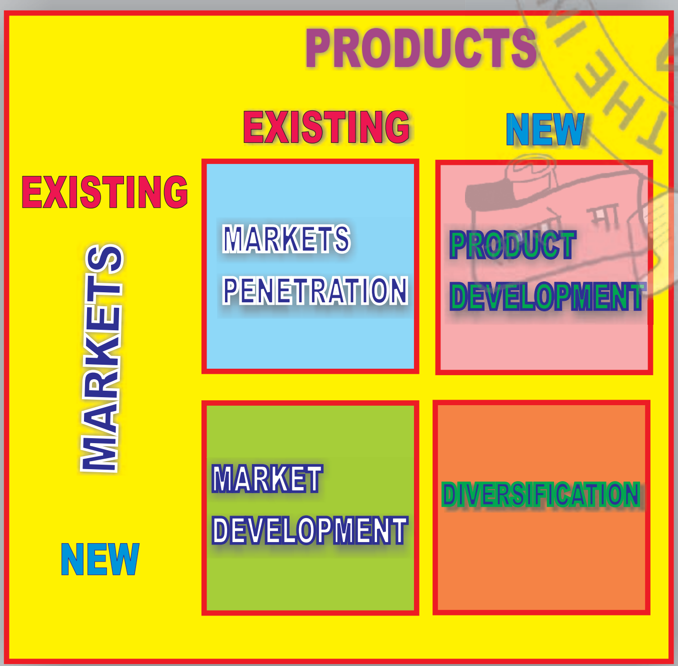


Learning Objectives:

- 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.

We have learnt from the previous issue that SWOT analysis is a technique used to identify the strengths, weaknesses, opportunities and threats that an organization may face from both its internal and external environment. After such analysis the organization needs a tool to understand and plan for the growth strategies and take decisions as per the product and market situation. An Ansoff's growth strategy is a tool that helps the businesses to decide on the right growth strategy. It is a business analysis technique which is used to decide the opportunities and implications of growing the business through existing or new product and in existing and new market.

It is presented in a 2x2 matrix form with one dimension as 'product' having 2 scenarios as 'existing' and 'new' and another dimension as 'market' having 2 scenarios as 'existing' and 'new'.



The Ansoff's matrix suggests four possible strategies that an organization can adopt to assess potential growth strategies and achieve growth targets.

SCENARIO 1 With existing product in existing market

The company can adopt 'Market Penetration' policy in this scenario. This is the least risky strategy as both the market and product are known to the company. The probable strategies that can be adopted are

- ✓ Drive out competitors by aggressive pricing etc
- ✓ Increase their reach in the same market with the same product by competitive pricing, sales activities etc
- ✓ Increase purchase by existing customers by introducing various schemes

SCENARIO 2 With existing product and new market

The company can adopt 'Market Development' policy in this scenario. This is medium risk strategy and essential for maintaining competitive position. The probable strategies that can be adopted are-

- ✓ Tapping new distribution channels
- ✓ Exporting to new markets
- ✓ Adapting new packaging
- ✓ Different pricing in different markets

SCENARIO 3 With new product in the existing market

The company can adopt 'Product Development' policy in this scenario. This has a stronger element of risk as it deals with a new product. The probable strategies that can be adopted are-

- ✓ Modifying the existing product
- ✓ Developing new capabilities

SCENARIO 4 With new product in new market

The company can adopt 'Diversification' policy in this scenario. It is a high risk strategy as both the product and market are new to the company. The probable strategies that can be adopted are

- ✓ Creating specialized product and highlighting their USPs
- ✓ Offering high margins to attract customers.

Group II

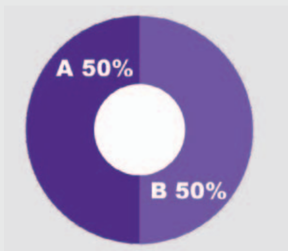
PAPER: 10

COST & MANAGEMENT ACCOUNTING AND FINANCIAL MANAGEMENT (CMFM)

YOUR PREPARATION QUICK TAKES;

Dr. Swapan Sarkar,
Assistant Prof.
Department of Commerce,
University of Calcutta
He can be reached at:
swapansarkar22@gmail.com

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 dealwith real life complications at the long end.

Chapter 1: Cost and Management Accounting

Role of a Management Accountant:

In today's organizations management accounting plays the role of a decision support system. It provides all the necessary information in the required form and at the appropriate time to help the decision makers in making timely decisions. To be more specific, a management accountant helps the management at each level of discharging duties. The following table will clarify the issue further.

Management Function	Role of Management Accountant
Planning	• Provide data to fix targets in standard costing, budgetary control and target costing. • Profit Planning • Price Fixation
Organizing	• Departmental Reports Preparation for expansion, Delegation etc.
Staffing	• Devising compensation Plans in consultation with HR Dept. To reduce the labour Turnover and employee Cost.
Controlling	• Analysis of variance • Product- wise profit reports • Performance evaluation Of departmental heads.
Controlling	• Analysis of variance • Product- wise profit reports • Performance evaluation Of departmental heads.

Chapter 2: Decision Making Tools

Multi-product Break Even Analysis:

In today's world, organizations produce and deliver multiple products instead of restricting their activities in a particular one. The motivation behind such a decision may be many including diversification, competing with the rivals etc. However, in doing so, organizations generally share a common fixed facility capable of multiple use (i.e. producing different products). This poses a great challenge for a management accountant as the fixed costs associated with the fixed facilities can hardly be segregated among multiple uses i.e. products. As a result calculation of individual product-wise break-even point is impossible. In such a situation organizations follow multi product break even analysis.

The idea behind multi product break even analysis says that an organization should first determine an overall BEP where its total contribution is equal to the overall fixed cost. Such a BEP will then be segregated among different products based on the pre-determined product mix.

While solving a multi product break even problem, the steps are however slightly different.

Step 1: Calculate the contribution p.u and P/V ratio of each product.

Step 2: Calculate the weighted average contribution p.u and weighted average P/V ratio taking the product mix as the weights.

Step 3: Calculate the overall BEP in units or in value by dividing the overall fixed cost by weighted average contribution p.u or weighted average P/V ratio respectively.

Step 4: Calculate product-wise BEP by allocating the overall BEP to different products using product mix ratio.

Consider the following numerical problem.

M Ltd. manufactures three products X, Y and Z. The variable expenses and sales prices of all the products are given below:

	Product X	Product Y	Product Z
Sales Price Per unit (Rs.	200	100	50
Variable Cost Per unit (Rs.)	100	75	25

The total fixed expenses of the company are Rs. 50,000 per month. For the coming month, M Ltd. expects the sale of three products in the following ratio: Product X 20%, Product Y 30% and Product Z 50%. Determine the overall and individual BEP.

Solution:

Calculation of CPU and P/V ratio of products

	X	Y	Z
SPPU (Rs.)	200	100	50
VCPU (Rs.)	100	75	25
CPU (Rs.)	100	25	25
P/V Ratio	50%	25%	50%

Weighted average CPU is (100*0.2+25*0.3+25*0.5) = 40 and Weighted average P/V ratio is (50%*0.2 +25%*0.3 +50%*0.5) = 42.5%

Overall BEP (Units) = Fixed Cost/ WACPU = 50000/40 = 1250 units and Overall BEP (Value) = Fixed Cost/ WAPVR = 50000/42.5% = Rs. 117647.

Dividing the overall BEP among products in product mix ratio, we get the following product-wise BEP:

	X	Y	Z
BEP (units)	250	375	625
BEP (Rs.)	23529	35294	58824

Multi Product BEP Chart:

In multi product break even analysis, organizations are often found to use multi product break even chart that clearly depicts the above calculation in a graphical form. In order to draw such a chart, the following steps are to be followed.

1. Rank the products in the descending order of P/V ratio.
2. Calculate cumulative sales and contribution.
3. Plot the cumulative contribution in vertical axis.
4. Join the origin with the last point of the cumulative contribution line to get average contribution line.
5. Draw the total fixed cost line
6. The point, where TFC intersects the average contribution line, is the overall BEP.

Consider the following example.

Draw a multi product break even chart based on the following information.

	A	B	C
Sale (Rs.)	20000	12500	17500
VC (Rs.)	10000	7500	14000
Fixed Cost Rs. 9250.			

Solution:

Calculation for P/V ratio and ranking

	A	B	C
Sales (Rs.)	20000	12500	17500
VC (Rs.)	10000	7500	14000
Contribution (Rs.)	10000	5000	3500
P/V ratio = C/S	50%	40%	20%
Ranking	I	II	III

Calculation for cumulative sales and contribution

Products asper ranking	Cumulative sales (Rs.)	Cumulative contribution (Rs.)
A	20000	10000
B	32500	15000
C	50000	18500

Plotting the above information and the fixed cost line we get

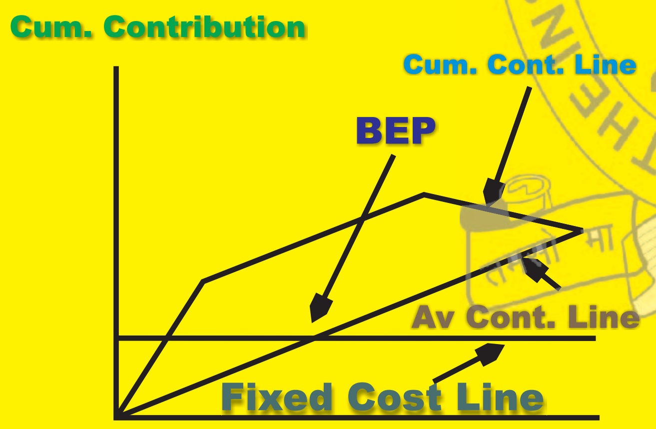


Fig: Multi Product BEP Chart

Here, product mix = 8:5:7. So Weighted average P/V ratio = 50*8/20 +40*5/20 +20*7/20 = 37%

Overall BEP = TFC/ WAPVR = 9250/ 37% = Rs. 25000.

In a large organization, multi product BEP analysis is considered to be very useful in setting product-wise break even target by first calculating the overall BEP and segregating the same product wise.

Section B

Chapter 6: Introduction to Financial Management

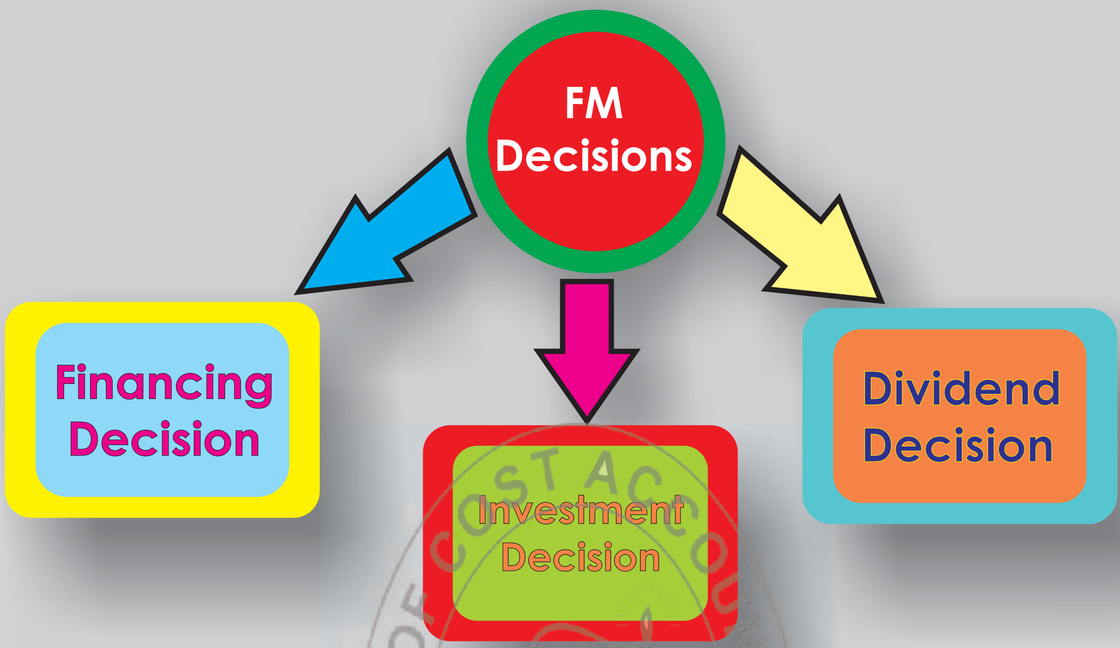
Relationship Between Finance Dept. with other Departments:

Finance Department

- Purchase Dept.(Bill Payment)
- Production Dept. (Working capital decisions)
- Marketing Dept. (Credit Policy decisions)
- Human Resource Dept. (Compensation Package)
- Accounting (Capital Maintenance, Profit determination)
- Research and Development Dept. (R & D expenditure decisions.)

Important Decisions of a Finance Manager:

A finance manager has three broad decision areas as follows:



Chapter 7: Tools for Financial Analysis and Planning

- **Certain New Forms of Ratios:**

The ratios that have been mentioned in our previous issue are the traditional ratios. However there are some new genre of ratios are currently very popular among the analysts and hence needs separate consideration.

These are cash flow based ratios and market based ratios.

- **Cash Flow based Ratios:**

Though these ratios have become tremendously popular in recent times, they are not altogether new, rather they are the cash flow version of some older ratios. However, a few ratios are obviously there which were never used in the traditional ratio analysis. Cash flow based ratios can be of following types.

1. Profitability Ratios:
a) Cash Return on Operating Assets
b) Cash Return on Capital Employed
c) Cash Return on Equity
d) Cash Flow per share
2. Quality of Profit Ratio
= OCF before Int. and Tax/ EBIT
3. Internal Dependency Ratio

= OCF after interest, tax and preference dividend/ Investment cash flow (excluding revenue items)

- **Market Based Ratios:**

These ratios essentially involve the market price of share as a numerator or denominator. As a result, in most of the cases, they are used as valuation multiples. A few important market based ratios are

1. **Earnings Yield = EPS/ MPS**
2. **Dividend Yield = DPS/MPS**
3. **Price-earnings ratio = MPS/EPS**
4. **Price to Book Value ratio = MPS/ BVPS**
5. **Price to Sales ratio = MPS/ Sales per share**

Limitations of Ratio Analysis:

Though ratio analysis is considered to be a very effective tool for analysis, the following disadvantages can be sited:

1. **Ratios are subject to the accounting policies adopted by the company. Hence comparison becomes difficult.**
2. **Price level changes need to be done.**
3. **Definitions of ratios may involve certain ambiguity.**
4. **Inter firm comparison may be difficult at times.**
5. **Balance sheet ratios are often misleading as they indicate the position on a single day only.**

STUDENTS' E-bulletin Intermediate

VOL. 2 NO. 3
MARCH, 2017 ISSUE

Group II

PAPER: 11

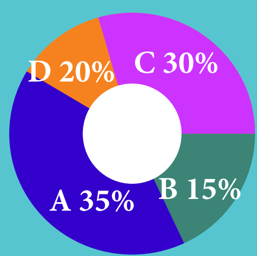
INDIRECT TAXATION (ITX)

YOUR PREPARATION QUICK TAKES;

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

Syllabus Structure

A Canons of Taxation - Indirect Tax & Central Excise **35%**
B Customs Law **15%**
C Servce Tax **30%**
D Central Sales Tax and VAT **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

Central Sales Tax (CST)

PART-I

Central Sales Tax (CST) Act of 1956 has been extended to the whole of India. Though the name suggests that it is administered by the Central Government but in real sense, it is administered by State Government and even collection of revenue is made and retained by State Government.

As per the Preamble of the Act, its objectives are as follows:-

✐To determine and regulate the levy, collection and distribution of taxes-

a) When a sale or purchase of goods takes place in the course of inter-state trade or commerce. [sec-3]

b) When a sale or purchase of goods takes place outside a State. [sec-4]

c) When a sale or purchase of goods takes place in the course of import or export out of India. [sec-5]

✐To declare certain goods to be of special importance in Inter-State trade or Commerce.

✐To specify restrictions on State-laws imposing tax on the sale or purchase of goods of special importance.

The practice of Central Sales Tax is on the basis of following few standard definitions which is read under the law. Only after following these definitions it can be put to implementation:-

- The sale must be conducted in an appropriate State. In the absence of the State the sale is considered as null or invalid.
- The significance of Business is very much relevant. The sale of goods should be a regular practice and should deal in the goods.
- A Dealer should be conducting the procedure of sale. He should be a registered dealer under the Act in order to receive the benefits.
- The sale identifies specified goods which can be transacted. It includes intangible assets, movable property but excludes newspapers, actionable claims, stocks, shares and securities.

Sale [Sec 2(g)]:-

It means any transfer of property in goods by one person to another for cash or deferred payments or for any other valuable consideration. The following points should be given very importance while undertaking a sale

- There should be goods.
- Property in such goods (ownership) should be transferred by one party to another.
- Both the parties should be competent to contract
- Such transfer should occur with mutual transfer.
- Transfer should be for consideration. Consideration should be paid or payable.

Agreement to Sell and Deemed Sale

An agreement to sell means a contract in which parties has agreed to transfer property or goods to another in future or on fulfilment of certain conditions. So at the change in ownership the agreement to sell becomes sale.

However, a transfer otherwise than in pursuance of a contract of property in any goods for cash or for any deferred payment can be referred to as a deemed sale. Delivery of goods on hire-purchase or any other system of payment by instalments. Transfer of the rights to use the goods are the examples of deemed sale.

Important points to remember:-

1. Compulsory sale is also deemed as sale even if there is no mutual consent, which is an essential element to sale.
2. In hire purchase system, ownership is transferred at the time of payment of last instalment, but for the purpose of this Act it is treated as sale at the time of transfer of possession of the asset.
3. In leasing contract, ownership of goods is not transferred but absolute to use such goods is transferred in favour of lessee. Hence it is deemed sale.
4. Sale contract is made between two parties. In other

words no one can make sale to himself.

5. Transactions which does not include sale are- Mortgage, Pledge, Charge, and Hypothecation.

Sale Price:-

[Sec-2(h)] Sale price means the amount payable to a dealer as consideration for the sale of any goods, less any sum allowed as cash discount but inclusive of any sum charged for anything done by the dealer in respect of the goods at the time of or before the delivery other than freight or delivery cost, cost of installation if charged separately.

- Discount on the basis of quantity sold by dealer shall form a part of Sale price.
- Subsidy received from government does not form a part of sale price.

Sales Tax Law [Sec 2(i)]:-

Sales Tax law means any law for the time being in force in any State or part thereof, which provides for the levy of taxes on the sale or purchase of goods generally or on any specified goods expressly mentioned in that behalf and includes value added tax law.

Group II

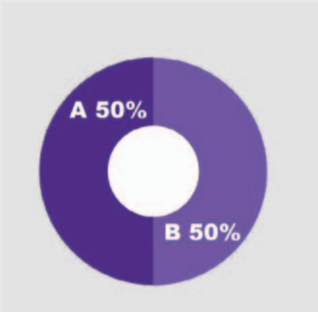
PAPER: 12

COMPANY ACCOUNTS & AUDIT (CAA)

YOUR PREPARATION QUICK TAKES;

Dr. Malay Kr. Nayak
Associate Prof.,
Dept. Of Commerce,
M.B.B.College,Tripura
He can be reached at:
malay_nayak@ymail.com

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.

ACCOUNTS OF BANKS:

Banks join savers and borrowers. Disclosure of relevant information and restriction on risky activities helps to attain the stability of banks.

Before coming to Banks' accounts, the students are to know the importance of banks. Healthy banks are a sign of a strong economy.

Banks are regulated more than other businesses. Bank depositors have little expertise to understand what the banks are doing with their money. So, banks may be tempted to take excessive risks. The Banking Regulation Act plays regulatory measures to safeguard the depositors as well as banks. Banks seek to channel savings into investment that benefit society of individuals, business and government.

Section 5 of the Banking Regulation Act defines banking as the accepting for the purpose of lending, investing... In addition to The Banking Regulation Act banks are to comply Companies Act, 2013, Negotiable Instrument Act, 1881, Information Technology Act, 2000, Reserve Bank of India Act, 1934, etc.

The Banking Regulation Act lays down the form and content of the balance sheet and statement of Profit & Loss. The RBI issues notes and instructions for the Financial statements. Banks must also comply with the Government's Accounting standards and the ICAI's guidelines. Section 29 of the Banking Regulation Act requires every bank to prepare a balance sheet and a statement of Profit & Loss in the forms set out in the 3rd schedule to the act. Form A of the 3rd schedule contains the form of the balance sheet and form B contains form of the statement of Profit & Loss.

The Financial statement must also comply with the requirements of Schedule III to the Companies Act, 2013 to the extent they are inconsistent with the requirements of Banking Regulation Act. Students are to go through the format of the Balance sheet wherein you may notice two sections- a) Capital and Liabilities b) Assets

Capital and Liabilities are presented under the following 5 groups-

1. **Capital**
2. **Reserve and surplus**
3. **Deposits**
4. **Borrowings**
5. **Other Liabilities and provisions**

Assets are presented under the following 6 groups-

1. **Cash and Balance with RBI**
2. **Balances with banks and money at call and short notice**
3. **Investments**
4. **Advances**
5. **Fixed assets**
6. **Other assets**

Let us discuss about Reserve and Surplus. Banks present the following items-

-Statutory reserves
- Capital reserves
- Share premium
- Revenue and other reserves
- Balance in profit & loss accounts

Regarding Statutory reserves- Sec 17 (1) of the Banking Regulation Act requires every bank incorporated in India is to transfer 20% of its Profit to the reserve fund each year before declaring dividend. All scheduled banks (Banks included in the second schedule to the RBI Act) have to transfer not less than 25% of the net profit to Reserve fund.

Regarding Revenues and other reserves, Revenue reserves are reserves other than Capital reserves. Reserves other than statutory reserves, Capital reserves and share premium appear under this classification. Examples include general reserves and investment reserves.

Regarding deposits- Deposits are the most important source of funds for commercial banks. Deposits are classified as Demand deposits, Savings Banks deposits and Term deposits.

Regarding borrowings- Borrowings are classified as follows-
Borrowings in India:

1) **Reserve Bank of India**
2) **Other banks**
3) **Other Institution and agencies**

Borrowings outside India

Other Liabilities and provisions consist of Bills payable, Inter-office adjustments, Interest accrued, others including provisions.

Assets-

Regarding Cash and balances with RBI- Banking companies are required to maintain a certain minimum cash reserve ratio (CRR). Sec 18 of Banking Regulation Act requires every banking company to maintain a cash reserve of at least 4% of the total of its demands and time liabilities in India as on the last Friday of the 2nd preceding fortnight. Demand liabilities must be paid on demand.

Sec 24 of the Banking Regulation Act requires every banking company to maintain in India in cash, gold or unencumbered approved securities at the close of the business on any day, a minimum percentage of its demand and time liabilities in India as specified by RBI as on the last Friday of the second preceding fortnight. This is known as the Statutory liquidity ratio (SLR). CRR and SLR are the instruments by which the RBI controls money supply.

Regarding money at call and short notice refers to short term investments in the money market in order to earn a return on surplus funds. Money lent for 1 day is money at call. Money lent for more than 1 day but not more than 14 days is money at short notice. These amounts are unsecured. They borrow from the market to meet their CRR and SLR requirements

The statement of Profit & Loss has 4 broad heads:

1. **Income**
2. **Expenditure**
3. **Profit (loss) and**
4. **Appropriations.**

Income includes interest earned and other income. Expenditure includes interest expended and operating expenses.

Profit (loss) meant for the period and brought forward from the previous year. Appropriations include transfer to statutory reserves, other reserves and Govt. / Proposed dividend and balance carried to Balance Sheet.

Lending and investing are fund based activities because the bank uses its fund for these purposes. Increasingly banks take up non-funded activities that only require the banks to make commitments. These are known as Off-balance sheet activities. These include issuing guarantees and letter of credit and engaging in treasury operations.

Students are to get adherence of primarily role of banks, legal framework for the financial statements, CRR, SLR, differences of demand deposit and term deposit, difference of money at call and money at short notice, etc. You are to face questions on computation of banks and time liabilities, amounts of statutory reserve in case of scheduled and non-scheduled banks, etc.

Sub: Clarification for June 2017 term of Examination

SL. NO	Issue	Applicable for	Reference Papers	Facilities Provided
1	Companies (Cost Records And Audit) Rules, 2014 as amended till 14th July 2016	Intermediate and Final under syllabus 2012 and 2016	Syllabus 2012 Paper 10- Cost & Management Accountancy (Inter) Paper 19 - Cost and Management Audit (Final) Syllabus 2016 Paper 12- Company Accounts & Audit (Inter), Paper 19- Cost & Management Audit (Final)	For Syllabus 2012, soft copy uploaded in website under student section. For syllabus 2016 included in study material.
2	CAS 1-24 (as per version till December 2016)	Intermediate and Final under syllabus 2012 and 2016	Syllabus 2012- Paper 8- Cost Accounting and Financial Management (Inter) Paper 19 - Cost and Management Audit (Final) Syllabus 2016- Paper 8- Cost Accounting (Inter) Paper 19- Cost & Management Audit (Final)	For Syllabus 2012 soft copy uploaded in website under student section. For syllabus 2016 included in study material.
3	Companies Act 2013	Intermediate and Final under syllabus 2012 and 2016	Syllabus 2012- Paper 6 -Laws, Ethics and Governance (Inter) Paper 12- Company Accounts and Audit(Inter) Paper 13- Corporate Laws & Compliance (Final) Paper 18- Corporate Financial Reporting (Final) Paper 19- Cost & Management Audit (Final) Syllabus 2016- Paper 6- Laws & Ethics (Inter), Paper 12- Company Accounts & Audit (Inter), Paper-13 Corporate Laws & Compliance (Final), Paper 17- Corporate Financial Reporting (Final), Paper 19- Cost & Management Audit (Final)	List of notified sections applicable for June 2017 examination will be uploaded shortly.

Sub: Clarification for June 2017 term of Examination

SL. NO	Issue	Applicable for	Reference Papers	Facilities Provided
4	CARO- Companies (Auditor Report) Order 2016	Intermediate and Final	Syllabus 2012 Paper 12- Company Accounts & Audit (Inter) Paper 13- Corporate Laws & Compliance (Final) Syllabus 2016 Paper 13 -Corporate Laws & Compliance (Final)	For Syllabus 2012, soft copy will be uploaded shortly. For Syllabus 2016, included in study material
5	Finance Act 2016	Intermediate and Final	Syllabus 2012- Paper 7- Direct Taxation (Inter), Paper 11- Indirect Taxation (Inter) Paper 16- Tax Management & Practice. Syllabus 2016 Paper 7- Direct Taxation (Inter) Paper 11- Indirect Taxation (Inter), Paper 16- Direct Tax Laws and International Taxation (Final), Paper 18-Indirect Tax Laws & Practice (Final)	For Syllabus 2012 amendments will be uploaded in website shortly material.
6	GST	Not Applicable		
7	IND AS	Not Applicable		

All concerned to make appropriate advisory and facilitate the student.

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.

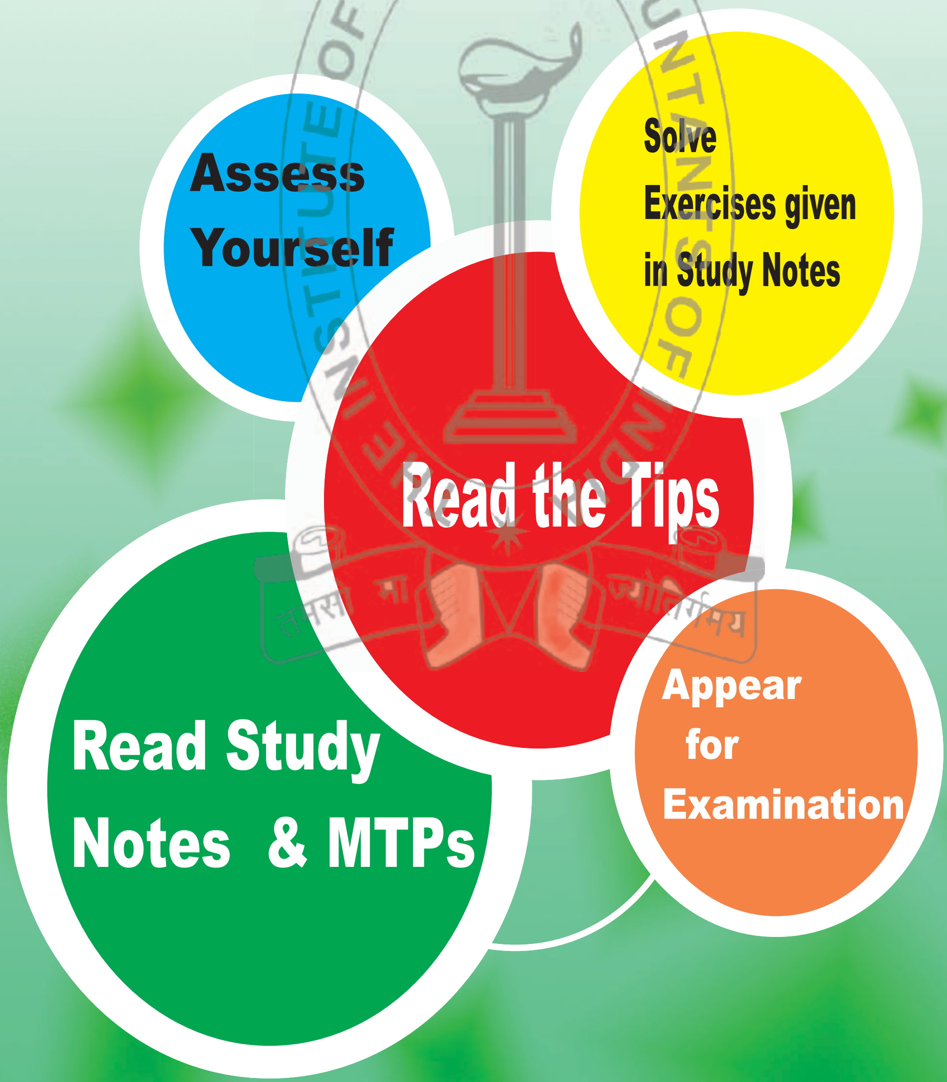
e-mail: **studies.ebulletin@icmai.in**

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

PRACTICAL ADVICE

ABOUT YOUR STUDIES - INTERMEDIATE COURSE

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



Examination TIME TABLE

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Day & Date	Intermediate Examination Syllabus-2012 Time 2.00 p.m. to 5.00 p.m.	Intermediate Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
11th June, 2017 Sunday	Financial Accounting	Financial Accounting
12th June, 2017 Monday	Laws, Ethics and Governance	Laws & Ethics
13th June, 2017 Tuesday	Direct Taxation	Direct Taxation
14th June, 2017 Wednesday	Cost Accounting & Financial Management	Cost Accounting
15th June, 2017 Thursday	Operation Management and Information Systems	Operations Management & Strategic Management
16th June, 2017 Friday	Cost & Management Accountancy	Cost & Management Accounting and Financial Management
17th June, 2017 Saturday	Indirect Taxation	Indirect Taxation
18th June, 2017 Sunday	Company Accounts and Audit	Company Accounts & Audit

message from the Directorate of Studies

Dear Students,

For the smooth and flowless preparation. Directorate of studies have provided meaningful tips which will help you to gain sufficient knowledge about each subject.

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

Take the course seriously from the very begining but don't be panicky. Please try to follow the general guidelines, mentioned below; which may help you in your preparation.

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 answer 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.

Be Prepared and Get Success;

www.icmai.in

FOLLOW US ON

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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

Tel: +91-33 2252 1031/1034/1035/1492/1602/1619/7373/7143

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

Phones : +91 11 24666100, 24622156/57/58

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