CMA STUDENTS'

E-BULLETIN

FINAL

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VOL .2 NO .3

MARCH, 2017 ISSUE

(Syllabus 2016)

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

VOL. 2 NO. 3
MARCH , 2017 ISSUE

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

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STUDENTS' E-bulletin FINAL

contents

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
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Group: III

PAPER: 13 Corporate Laws & Compliance (CLC)

Mr. Subrata Kr. Roy
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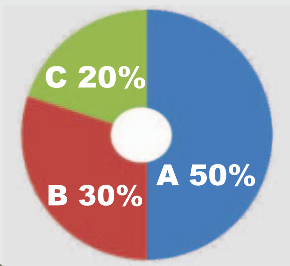
YOUR PREPARATION QUICK TAKES;

Syllabus Structure
A Companies Act **50%**
B Other Corporate Laws **30%**
C Corporate Governance **20%**



Learning Objectives:

Read the Study Material minutely.

- For details or if you don't understand Study Material or the section is important to identify the topic, then refer to Bare Act, otherwise reference to Bare Act is not necessary. For Company Law, book by Avtar Singh is recommended. For other laws Institute Study Material is sufficient.
- The words used in any of the texts as mentioned above should be understood by immediate reference to the Dictionary.
- The main points coming out in any of the provisions should be either underlined or written in separate copy which has to be repeated again and again.
- Theoretical knowledge should be adequate and clear before solving practical problems.
- Don't write wrong English. It changes the meaning and therefore answer may be wrong even when the student's conception is clear. Also don't make spelling mistakes.

CORPORATE LAWS AND COMPLIANCES

How to answer questions in Examination- General Advise:

1) Don't read the whole question paper: Start writing a question without wasting time.
2) Answer should be relevant. Read the question carefully. Don't write whatever you know about the topic.
3) Don't refer to sections unless you are quite sure about the same.
4) Language should be clear and understandable. Don't write wrong English or use wrong spellings.
5) Relate the number allotted against each question. Normally one page for 5 marks is **OK**. In case number allotted is less and you feel the answer will be bigger, then mention the points only.
6) In essay type or long answer, write with paragraphs and points, so that the examiner finds it easy to locate the actual answer.
7) Where answer has parts, attempt all answers serially at one place only.

Certain points to be remembered while studying:

- Stress on the highlights of the New Act.
- Read Step by Step.
- Make notes of points only for revision.
- Consult dictionary if the meaning is not known.
- Revise the chapters once you complete reading.
- Threshold limits mentioned under various provisions are to be read and remembered.

Study the reading material. For clarity and further study you may keep the bare act along with the Companies Act with you for reference.

Special care should be taken to understand the definitions of various terminologies used in the Companies Act.

Annual Accounts of the Company

1.0 Accounts:

1.1 Every company shall maintain the proper books of account.

Such accounts must satisfy the following;

(i) True and fair view.
(ii) Accrual basis accounting.
(iii) Exhibit and explain the financial position.
(iv) Disclosure relating to goods. (Goods sold, purchased etc.)
(v) Shall be prepared in ink and not in pencil.
(vi) Shall be as per the accounting standard prescribed by the Central Government.
(vii) Shall be kept in electronic form also.
(viii) Shall keep the financial statements along with the books of account and other relevant books and papers for every financial year.

1.2 Keeping of books of account :

(1) At the registered office of the company.
(2) Any other place(s) in India as decided by the Board of Directors.

(3) The company shall within 7 days file with the Registrar a notice in writing giving the full address of the place.
(4) If the company has any branch office within or outside India proper returns of such branch offices shall be sent periodically to head office.

1.0 Contents of books of account:

As per section 128 of the Companies Act, 2013, every company shall keep proper books of account in respect of the following:

(i) All receipts and expenditures made by the company.
(ii) The sale and purchase of the goods by the company.
(iii) The assets and liabilities of the company.
(iv) If the company is engaged in manufacturing, processing, production or mining activities the cost accounting records as prescribed by the Central Govt.

1.1 Annual accounts and legal requirements (Section 129 and 130):

(1) Laying of annual accounts in the Annual General meeting(AGM): A balance sheet as at the end of the financial year and a profit and loss account along with the cash flow statement and statement showing changes in equity of the company for the financial year shall be laid before the AGM for adoption of the shareholders. In case the company has subsidiary, along with financial statements, consolidated financial statements of all the subsidiaries including associate companies and joint ventures of the company shall be laid before the Annual General Meeting.

(2) The Forms and contents of the financial statements will be as per Schedule III.

1.2 Authentication of Balance sheet and Profit & loss account (section 134):

As per the Companies Act, 2013 all the financial statements including the consolidated financial statement shall be required to be signed by the following persons:

(i) By the Chairperson of the Company, where he is authorised by the Board.
(ii) By two Directors out of which one shall be Managing Director, if any, and Chief Executive Officer, if any, if he is a director of the company and
(iii) Chief Financial Officer and Company Secretary of the Company, if appointed.

1.0 Circulation of Annual accounts (section 136):

The company shall send the copies of the financial statements to the members and any other person(s) who shall be entitled to get the same in the manner prescribed by the Central Govt.

(1) Balance sheet and Profit &loss account.
(2) Auditors report.
(3) Every other document which are annexed to the above documents like Board of Directors report etc.

In addition to the above the company is required to place its financial statements including consolidated financial statements, if any, and all other documents required to be attached, thereto on the website of the company.

Further every company is also required to place separate audited accounts in respect of each of its subsidiary, if there is any.

Every company is required to keep its financial statements at the registered office of the company for inspection by any member and debenture trustee during business hours.

1.1 Filling of Financial Statements (including consolidated financial statements) with Registrar of Companies (section 137):

(a) Within 30 days of Annual General Meeting.
(b) If AGM is not held within 30 days of the day on which the AGM is ought to have been held. The Registrar shall take on record the un-adopted financial statements as provisional statements till the accounts are adopted in the Annual General Meeting.
(c) If the AGM held but the annual accounts are not prepared on that date the AGM shall be adjourned till the accounts shall prepared but such adjournment shall not be beyond the statutory period of AGM.
(d) If the AGM is held but did not approve the annual accounts the accounts shall be filed within 30 days of the AGM specifying the reason of disapproval.
(e) One person company shall file its financial statements along with all its necessary documents required to be attached with its financial statements to the registrar within 180 days of the closure of financial Year.
(f) As per the new Act every company from now on shall attach financial statements of each of its subsidiary which are established outside India and do not have any place of business in India.

Group: III

PAPER: 14 Strategic Financial Management (SFM)

YOUR PREPARATION QUICK TAKES;

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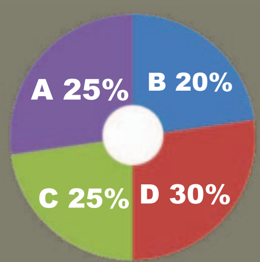
Syllabus Structure

A Investment Decisions **25%**
B Financial Markets and Institutions **20%**
C Security Analysis and Portfolio Management **25%**
D Financial Risk Management **30%**



Learning Objectives:

After studying this section, you will be able to:

- apply simulation technique for assessing risk in capital budgeting decision
- apply normal probability distribution for assessing risk in capital budgeting decision

To deal with the above mentioned objectives let us consider two numerical illustrations for assessing risk in capital budgeting decision.

Example 1

X Co. is evaluating an investment proposal which has uncertainty associated with the three important aspects: original cost, useful life and annual net cash flows. The three probability distributions for these variables are shown below:

Original Cost		Useful life		Annual net cash inflows	
Value	Probability	Period	Probability	Value	Probability
Rs. 60,000	0.30	5 years	0.40	Rs. 10,000	0.10
Rs. 70,000	0.60	6 years	0.40	Rs. 15,000	0.30
Rs. 90,000	0.10	7 years	0.20	Rs. 20,000	0.40
				Rs. 25,000	0.20

The company wants to perform five simulation runs of this project's life. The firm's cost of capital is 15% and the risk-free rate is 6%; for simplicity it is assumed that these two values are known with certainty and will remain constant over the life of the project.

To simulate the probability distribution of original cost, useful life and annual net cash inflows, are the following are the sets of random numbers:

09, 84, 41, 92, 65; 24, 38, 73, 07, 04; and 07, 48, 57, 64, 72 respectively each of the five simulation runs.

Solution

To simulate the probability distribution corresponding to original cost, useful life and annual net cash inflows, we assign an appropriate set of random numbers as shown in the following table:

Original Cost

Value	Probability	Cumulative Probability	Random Numbers
60,000	0.30	0.30	00-29
70,000	0.60	0.90	30-89
90,000	0.10	1.00	90-99

Useful Life

Period	Probability	Cumulative Probability	Random Number
5	0.40	0.40	00-39
6	0.40	0.80	40-79
7	0.20	1.00	80-99

Net Cash Inflows

Value (Rs.)	Probability	Cumulative Probability	Random Probability
10,000	0.10	0.10	00-09
15,000	0.30	0.40	10-39
20,000	0.40	0.80	40-79
25,000	0.20	1.00	80-99

The five simulation runs are now performed and the results are tabulated below:

Simulation Worksheet

Simulation Run	Original Cost		Useful life		Annual net cash inflows	
	Random Number	Value (Rs.)	Random Number	Period(years)	Random Number	Value (Rs.)
1	09	60,000	24	5	07	10,000
2	84	70,000	38	5	48	20,000
3	41	70,000	73	5	57	20,000
4	92	90,000	07	5	64	20,000
5	65	70,000	04	5	72	20,000

Now let us calculate NPV for run 1 to run 5.

Run 1

(1)Period	(2) Cash flows	(3)PV factor @ 6%	Present Value (4)= (2) x (3)
0	-60,000	1.000	-60,000
1	10,000	0.943	9,430
2	10,000	0.890	8,900
3	10,000	0.840	8,400
4	10,000	0.792	7,920
5	10,000	0.747	7,470

Net Present Value = Rs. -17,880

Run 2

(1)Period	(2) Cash flows	(3)PV factor @ 6%	Present Value (4)= (2) x (3)
0	-70,000	1.000	-70,000
1	20,000	0.943	18,860
2	20,000	0.890	17,800
3	20,000	0.840	16,800
4	20,000	0.792	15,840
5	20,000	0.747	14,940

NPV = Rs.14, 240

Run 3

Period	Cash flows
0	-70,000
1	20,000
2	20,000
3	20,000
4	20,000
5	20,000
6	20,000

Therefore, NPV

= (20,000 x PV of annuity factor for 6 years @ 6%) – 70,000

= (Rs. 20,000 x 4.917) – Rs. 70,000

= (Rs. 98,340 – 70,000) = Rs. 28,340

Run 4

Period	Cash flows
0	-90,000
1	20,000
2	20,000
3	20,000
4	20,000
5	20,000

Therefore, NPV

= (20,000 x PV of annuity factor for 5 years @ 6%) – 90,000

=Rs. (20,000 x 4.212) – Rs. 90,000

= Rs. 84,240 – 90,000 = Rs. -5760

Run 5

Period	Cash flows
0	-70,000
1	20,000
2	20,000
3	20,000
4	20,000
5	20,000

Therefore, NPV

= (Rs.20,000 x PV of annuity factor for 5 years @ 6%) – Rs.70,000

=Rs. (20,000 x 4.212) – Rs. 70,000

=Rs. (84,240 – 70,000) =Rs. 14,240

Example 2

A project has a mean NPV of Rs. 40 and standard deviation of NPV is 20. The finance manager wants to determine the probability of the NPV under the following ranges:

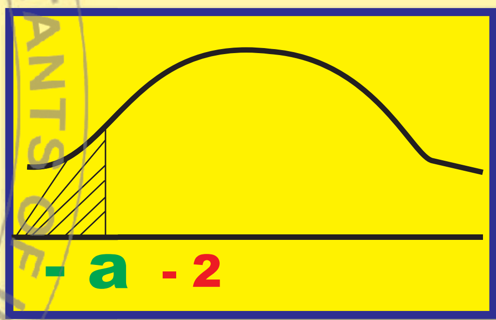
(a) Zero or less

(b) Greater than zero

(c) Between the range of Rs. 25 and Rs. 45

Solution

(a) Probability of NPV being zero or less = Area under the standard normal curve to the left of the standard value $Z = \frac{x - \mu}{\sigma} = \frac{0 - 40}{20} = -2$



Now $P[x \le 0] = P[Z \le -2] = \int_{-\infty}^{-2} \phi(Z)\, dz$

$= 1 - \int_{-\infty}^{2} \phi(Z)\, dz$

$= 1 - \Phi(2)$

$= 1 - 0.9772 = 0.0228 = 2.28\%$

(b) The probability for the NPV being greater than zero would be equal to 97.72% [= 1 – 0.0228]

(c) Probability of the NPV between the range of Rs. 25 and Rs. 45 = Area under the standard normal curve between the vertical lines at the corresponding standardized values

$Z_1 = \frac{x_1 - \mu}{\sigma} = \frac{25 - 40}{20}$ and $Z_2 = \frac{x_2 - \mu}{\sigma} = \frac{45 - 40}{20}$

i.e.; $P[25 \le x \le 45] = P\left[\frac{25 - 40}{20} \le \frac{x - 40}{20} \le \frac{45 - 40}{20}\right]$

$= P[-0.75 \le Z \le +0.25]$

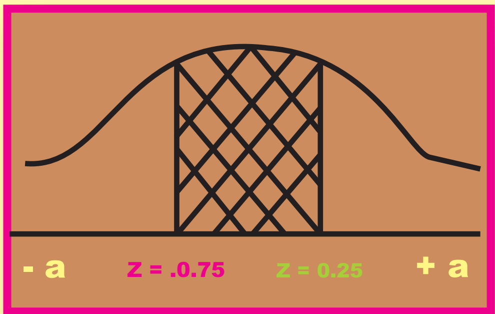
$= \int_{-\infty}^{+0.25} \phi(Z)\, dz - \int_{-\infty}^{-0.75} \phi(Z)\, dz$

$= \Phi(0.25) - \Phi(-0.75)$

$= \Phi(0.25) - [1 - \Phi(0.75)]$

$= 0.598 - [1 - 0.773]$

$= 0.598 - 0.227 = 0.371 = 37.10\%$



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

VOL. 2 NO. 3
MARCH , 2017 ISSUE

Group: III

PAPER: 15
Strategic Cost Management - Decision Making (SCMD)

YOUR PREPARATION QUICK TAKES;

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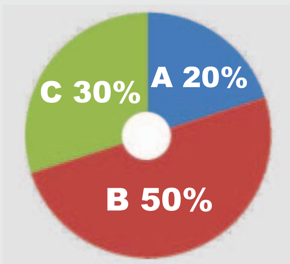
Syllabus Structure

A Cost Management **20%**
B Strategic Cost Management Tools and Techniques **50%**
C Strategic Cost Management - Application of Statistical Techniques in Business Decisions **30%**



Learning Objectives:

The Strategic cost management framework provides a clear plan of attack for addressing costs and decisions that affect them. It helps to get answers on:

- Is there a plan for strategic cost management?
- Have the controlling functions for each significant cost in the organization been identified?
- Are there resources devoted to finding or obtaining new approaches to breaking cost barriers?
- Is cost modeling being used or is there an active effort to develop or buy cost modeling capability?

Second-Generation Costing Models of ABCM
First Generation of Cost Models

Being a more accurate cost management system than traditional cost accounting; "Activity-Based Costing" (ABC) identifies opportunities to improve business process effectiveness and efficiency by determining the "true" cost of a product or service. ABC systems calculate the costs of individual activities and assign costs to cost objects such as products and services on the basis of the activities undertaken to produce each product or services. It accurately identifies sources of profit and loss.

In the first generation of cost models of ABC, costs are assigned to activities, which are then apportioned to the products/services that an organization provides.FullCost implements Activity-Based budget (ABB), but it goes well beyond ABB in method and in results.

Calculating true cost requires linking activities and costs across all the groups within an organization. This presents some interesting puzzles. There are many situations where one group serves others within the organization.

For example, infrastructure engineers serve infrastructure operators by providing upgrades and enhancements, repairs, second-level support, performance tuning, etc.When Group A serves Group B, costs in A should be spread over the products/services of B.In real life, there's a complex spider-web of customer-supplier relationships inside any organization. This creates complex circularity in the calculations. Simple iteration of the calculations isn't feasible when the full web of internal relationships is represented in the model.

First-generation costing models avoid this problem by allocating the costs of all activities directly to external products. Indirect costs ("activities" in activity-based costing) are accumulated in cost pools which are then allocated directly to the organization's external products. It's a simplistic, trickle-down "cascade" process.

This introduces distortions.For example, in IT, first-generation models might assign the costs of infrastructure engineering to the infrastructure-based services (like email and applications hosting) sold to clients. But remember that some infrastructure engineers contribute to applications project teams. And some infrastructure services (like email, network services, shared storage) are consumed by IT groups such as the applications engineers.

If all infrastructure engineering is embedded in the costs of infrastructure services, and all of that is charged to clients, then infrastructure services will appear more expensive and applications engineering (which uses both the infrastructure engineers and some of those infrastructure services) will be underpriced.

In practice, we've often measured distortions greater than 30 percent, and in some product lines exceeding 100 percent!In real life, some of those activities support other activities -- products and services sold to others within the organization. And these, in turn, may support both external and internal products. And so on....

Second-Generation Cost Models

New second-generation cost models represent the rich web of internal "sales" to peers, applying costs down, up, and sideways to amortize indirect costs to just the right external products and services.

In order to adequately trace costs using the ABCM method requires more stages than the two-stage assignments. Rather than simply tracing the cost of resources to activities and then to cost objects, the multiple-stage approach models cost flows in a manner that more closely reflects the actual flow of costs through an organization. Often there are support people who support other support people who ultimately support the primary workers who make products for or deliver services to external parties, such as citizens or other agencies.

These cascading stages of indirect and shared costs should not use arbitrary broadly averaged cost allocations, but should comply with costing's causality principle as ABCM does. Therefore, the multi-stage cost assignment approach includes an understanding of the relationships between indirect work activities and *other* activities, as well as between those activities and cost objects. Costs are traced from activity to activity in a series of stages, all based on cause-and-effect relationships.

Costs of internal products/services are transferred to the internal customer, and spread over *that* group's products/services. At this step, costs flow through the web of internal support relationships until they ultimately end up on the external products/services.Second-generation costing models include tools to resolve this circularity without introducing material distortions. The result is significantly improved accuracy.

Organizational Sustaining Costs

Organizational sustaining costs are activity costs that are not caused by making products or delivering services to customers or citizens. The consumption of these costs cannot be logically traced to products, standard service lines, channels, or customers (they can be arbitrarily allocated but not with a causal relationship). An example would be when the accountants close the books each month. These activity costs would be traced respectively to senior management as an example of an organizational sustaining cost object. Allocating them to products, services, or customers would be misleading because they did not cause these activities and would overstate those costs—which sends wrong signals to employees who use product cost information for decision making.

The direct costing of indirect and shared costs is no longer, as it was in the past, an insurmountable problem, given the existence of commercial ABC software products. ABC software allows intermediate direct costing to a local process, an internal customer, or a required component that is causing the demand for work. Visibility to costs is provided everywhere throughout the cost assignment network.

Operational ABCM for productivity

Managers and employee teams are seeking more transparency and visibility of their costs. Just reliably knowing ABCM's per-each-unit costs of their outputs of work is useful for bench marking to search for best practices or monitor trends to measure performance improvement. ABCM removes the illusion that support overhead (i.e., indirect) expenses are necessary and, therefore, appear to be free—they are not free.

The costs of an output, product, or service (i.e., a final cost object) can be reduced by:

- Reducing the quantity, frequency, and/or intensity of the activity driver (e.g., fewer inspections reduces the "inspect product" activity cost);
- Lowering the activity driver cost rate from productivity improvements (e.g., shorten the time for each "inspect product" event); and
- Understanding the sources and causes of waste leading to nonvalue-adding activities to reduce or eliminate them (e.g., solve the problem that requires an inspection in the first place).

These three are examples of how ABCM data leads to cost management for productivity improvement. The idea is to do more with less (or at least with the same). That is, produce more outputs with the same amount of resources or the same amount of outputs with fewer resources. Note how these actions support the continuous improvement principles of the Six Sigma quality and lean management initiatives that are embraced by the operations and quality communities.

But our department does not have outputs

'But our department does not have outputs' - This is an inaccurate statement by some departments that, presumably due to the nature of their work, believe that they have no outputs. There is no dichotomy between workers who think and plan and workers who deliver services and tangible products. Managers and workers who think, plan, and give direction conclude that since their work deals with intangibles, not tangible things, then there is no definable output from their work. But outputs can be intangible. Many are. What is the output of a university education? Is it the diploma? Is it each professor's course? Is it the learning by each student? These may all appear to be intangible. But the financial cost for each one is measurable.

Several years ago at one of the US government laboratories, where well-paid physicists wrestle with theory and advances in their field, a business-process effectiveness study was conducted. Debate surrounded how to map inputs, processes, and outputs. Some of the physicists believed their work was un-mappable. The physicists argued that one could not rigorously define the brain's thinking process when it comes to innovation. That is not the point with ABCM. The point was to convert salaries and supplies expenses into outputs. What was realized is that the physicists conducted different types of experiments that resulted in different types of papers. The papers became the final cost object—the output. And some papers were hundreds of thousands of dollars! In short, all work has outputs.

Seeing the true cost of outputs can produce some organizational shock. In the government laboratory they now had a significant piece of information that they did not have before—the true cost to produce reports. If for example a specific report cost $325,000 then it might stimulate some other government service provider—let's say one that may be very strapped for budget and whose mission is feeding and caring for children in need—to really think about whether appropriations are fairly distributed. Understanding the value of the contribution of government work should be understood and compared among alternatives.

Entrepreneurial Culture

Second-generation costing models induce an entrepreneurial culture in groups whose customers are within the department as well as those who sell their products and services to external clients. There are no "second-class citizens." All sales -- internal and external -- are treated equally. Support functions learn a product and customer focus, just as do client-facing functions.

By representing internal support services as sales of products and services to peers, second-generation costing models induce another level of frugality. They enable a rational, value-based process of deciding which internal support services are worth funding.

Compiled from

1. **Full Cost - What is ABB, how is it different from ABC, and where does FullCost fit?...., ndma.com, 08.03.2017**
2. **Activity-Based Cost Management in Government by Gary Cokins (Second Edition); Management Concepts, 2006, ISBN 978-1-56726-181-3.**

Group: III

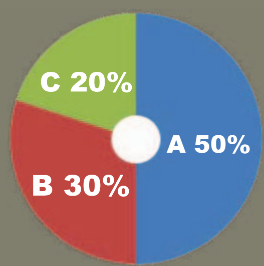
PAPER: 16
Direct Tax Laws and Intrtnational Taxation (DTI)

YOUR PREPARATION QUICK TAKES;

CMA Arnab Chakraborty
Senior Director, Directorate of Studies, Administrations and HR.
He can be reached at:
studies.director@icmail.in

Syllabus Structure

A Advanced Direct Tax Laws **50%**
B International Taxation **30%**
C Tax Practice and Procedures **20%**



Learning Objectives:

- Identify the key concepts and functions of direct tax.
- Describe how uncertain tax positions are accounted for under different sections provided for,
- Evaluate tax case laws
- Apply tax concepts to everyday business activities,
- Gradually learn how to prepare and file tax returns.

ADVANCE TAX

Advance tax is another means by which the Central Government collects tax in form of prepaid taxes. This scheme is known as **"Pay as you Earn"** i.e. the assessee is required to pay tax during the previous year itself, though such income is chargeable to tax during the assessment year. It is payable on Current Income in installments.

1. Liability for payment of advance tax [Section 207(1) & 208]

The obligation to pay advance tax arises in every case where the advance tax payable is Rs. 10,000 or more.

2. No Advance Tax [Section 207(2)]:

A resident senior citizen (aged sixty years or more), not having any income under the head "Profits and gains of business or profession", shall not be liable to pay advance Tax.

3. Computation of advance tax:

(a) An assessee has to estimate his current income and pay advance tax thereon. He need not submit any estimate or statement of income to the Assessing Officer (A.O), except where he has been served with notice by the Assessing Officer.

(b) The A.O, if he is of the opinion that assessee is liable to pay advance tax, can serve an order under section 210(3) requiring the assessee to pay advance tax.

(c) The above order can be served by the A.O at any time during the financial year but not later than the last date of February.

(d) If the assessee feels that his own estimate of advance tax payable would be less than the one sent by the Assessing Officer, he can file estimate of his current income and advance tax payable thereon.

(e) In all cases, the tax calculated shall be reduced by the amount of tax deducted /collected at sources.

Key Notes:

a. Current Income includes all items of Income like Capital Gain both Long & Short term, winning from lotteries and crossword puzzles, etc. Agricultural Income of the relevant financial year shall also be included for rate purpose.

b. Where the assessee has paid the advance tax as per the order made by the A.O u/s 210, the assessee shall still be liable to pay the Interest u/s 234B & 234C, if the advance tax is not paid as per the requirements of section 211.

c. The assessee cannot file appeal against the order passed u/s 210 as he can pay tax on his own estimate.

d. A person's liability to pay tax as the agent of a non resident in respect of the non resident's income arises only when for the relevant assessment year, the A.O serves him with a notice u/s 163 informing him of his intention of assessing him as such agent and, after hearing him, decides to treat him as agent. Till the procedure is followed and decision is reached u/s 163 for each relevant assessment year, the agent is not assessable at all. Hence, there is no liability on any agent to make any advance payment of tax under these sections in respect of non residents income merely because he was assessed as agent in preceding years. **[H.L Sud, ITO v TELCO (1969) 71 ITR 457 (SC)]**

But once a person is held to be an agent for particulars assessment year, he may be required to make advance tax payment for that year.**[Premier Automobiles Ltd. v ITO (1970) 76 ITR 1 (SC)]**

But, a person cannot be made liable for advance tax in respect of a non resident's income for a past year by his being appointed the agent of the non-resident after the close of the financial year. **[CIT v T.I & M. Sales Ltd. (1978) 114 ITR 59 (Cal)]**

4. Installments of advance tax and due dates [Section 211 as substituted w.e.f 1.6.2016]

a. For all Assessee (Other than Assessee covered u/s 44AD) [Section 211(1)(a)]

Due date of Installment	Amount Payable
On or before the 15th June of p.y	Not less than fifteen per cent. of advance tax liability
On or before the 15th September of p.y	Not less than forty-five per cent. of advance tax liability, as reduced by the amount, if any, paid in the earlier installment.
On or before the 15th December of p.y	Not less than seventy-five per cent. of advance tax liability, as reduced by the amount, if any, paid in the earlier installment or installments.
On or before the 15th March of p.y	The whole amount of advance tax liability as reduced by the amount or amounts, if any, paid in the earlier installment or installments.

b. **Assessee Covered u/s. 44AD (Presumptive taxation Scheme) [Section 211(1)(a)]:** Pay entire tax on or before 15th March of P.Y.

Key Notes:

a. Any amount paid by way of advance tax on or before the 31st day of March shall also be treated as advance tax paid during the financial year ending on that day for all the purposes of this Act.**[Proviso to section 211 (1)]**

b. If the advance tax is payable as per the order/amended order of A.O which is served after any of the due dates specified above, the appropriate amount or the whole amount of the Advance Tax, as the case may be, specified in such order, shall be payable on or before each of such of those dates as fall after the date of service of the order. **[Section 211 (2)]**

c. After making the payment of 1st/ 2nd Instalments, the assessee can increase/decrease the amount of remaining amount of Instalments in accordance of with his revised estimates of current income. In this case, he will have to pay interest for short payment of earlier instalments.

5. Payment of advance tax in case of capital gains/casual income [Proviso to section 243C]

Advance tax is payable on all types of income including capital gains, winning lotteries and crossword puzzles, etc. However it is not possible for assessee to estimate this gain as are unexpected. Therefore in such case it is provided that if any such income arises after the due date of any instalments then the entire amount of tax payable on such capital gain or casual income should be paid in remaining instalments of advance tax which are due or where no such instalments is due by 31st March of the relevant F.Y. If the entire amount of tax payable is so paid, then no interest on late payment will be leviable.

6. Assessee deemed to be in default [Section 218]

Assessee shall be held liable for interest and penalty u/s 220 & 221 if wont comply to pay within the due date specified.

7. Credit of Advance Tax [Section 219]

Any sum other than a penalty or interest , paid by or recovered from an assessee as advance tax, shall be treated as a payment of tax in respect of the income of the previous year and credit thereof shall be given to the assessee in the regular assessment.

8. Tax on Book profit u/s 115JB-Whether advance tax is payable:

Every company is liable to pay advance tax having regard to the provisions contained in section 115JB. Consequently, the provisions of sections 234B & 234C for interest on default in payment of advance tax and deferment of advance tax would also be applicable where facts of the case warrant. **[Circular No. 13/2001, dated 9th November, 2001]**

Assessee has to pay advance tax in respect of book profits u/s 115JB, otherwise it is liable for interest u/s 234B & 234C.**[CIT v Kotak Mahindra Finance ltd. (2004) 265 ITR (Bom)]**

Companies liable to pay tax on the basis of MAT are required to pay advance tax and failure to pay advance tax in respect of the same will attract interest u/s 234B & 234C. **[JCIT v Rolta India Ltd. (2011) 330 ITR 470 (SC)]**

Illustrative Example:

1. **Please compute the advance tax payable by Mr. Pankaj from the following estimated income for the financial year 2016-17:**

Sl/No.	Particulars	Amount (₹)
1	Income from salary	5,00,000
2	Interest on Government securities	6,000
3	Interest on bank deposit	2,000
4	Rent from house for the year	1,00,000
5	Winning from horse race (gross)	20,000
6	Contribution towards PPF	10,000
7	Agricultural Income	2,00,000
8	TDS by the employer on salary	30,150

Solution:

Computation of Estimated Income:

Particulars	Amount (₹)	Amount (₹)
Income from Salary Gross Salary Less: Deduction	 5,00,000 Nil	 5,00,000
Income from House Property Rent Received Less: Deduction u/s 24 (a) @ 30%	 1,00,000 30,000	 70,000
Income from Other sources Interest on Government securities Interest on Bank Deposit Winning from Horse race (Gross)	 6,000 2,000 20,000	 28,000
Less: Deduction u/s 80C to 80U Contribution towards PPF	 10,000	 (10,000)
Total taxable Income		5,88,000

Computation of Estimated Tax payable

Particulars	Amount (₹)	Amount (₹)
Step 1: Tax on Agricultural and Non Agricultural Income (2,00,000+5,88,000)=₹ 7,88,000 Tax on winning horse race 30% of ₹ 20,000 Tax on remaining Income ₹ 7,68,000	6,000 78,600	84,600
Step 2: Add agricultural income to basic exemption limit (2,00,000+2,50,000)=4,50,000 Tax on 4,50,000	20,000	
Step 3: Tax paid under step 1 – step 2 (84,600-20,000)		64,600
Add: Education cess & SHEC @ 3%		1938
Advance tax (rounded off)		66,540

Advance tax payment schedule

Particulars	Due date	%	Amount (₹)
1st Instalment	15th June, 2016	15%	9,981
2nd Instalment	15th Sept, 2016	45%	19,962
3rd Instalment	15th Dec, 2016	75%	19,962
4th Instalment	15th Mar, 2017	100%	16,635

2. The estimated gross total income of Mr. Pankaj is ₹ 7,45,000 which includes ₹ 1,00,000 on account of LTCG earned on 16th September 2016. Compute the advance tax payable by Mr Pankaj, assuming ₹ 11,000 have been deducted at source during the financial year 2016-17.

Solution:

Particulars	Amount (₹)	Amount (₹)
Estimated tax liability with LTCG On ₹ 6,45,000 On LTCG of ₹ 1,00,000 @ 20%	54,000 20,000	74,000
Add: Education cess & SHEC @ 3%		2,220
Total Income		76,220
Less: TDS		11,000
		65,220
Estimated Tax Liability without LTCG Tax on ₹ 6,45,000 = ₹ 54,000+ ₹ 1,620 Less: TDS	55,620 11,000	44,620

Advance tax payment schedule

Particulars	Due date	%	Amount (₹)
1st Instalment	15th June, 2016	15%	6,693
2nd Instalment	15th Sept, 2016	45%	13,386
3rd Instalment	15th Dec, 2016	75%	28,836
4th Instalment	15th Mar, 2017	100%	16,305

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
तमसो मा ज्योतिर्गमय

Group: IV

PAPER: 17 Corporate Financial Reporting (CFR)

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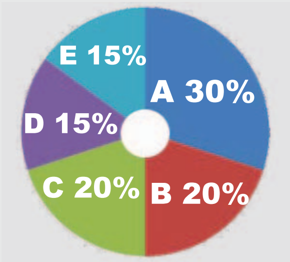
YOUR PREPARATION QUICK TAKES;

Syllabus Structure

A GAAP and Accounting Standards **30%**
B Accounting of Business Combinations & Restructuring **20%**
C Consolidated Financial Statements **20%**
D Developments in Financial Reporting **15%**
E Government Accounting in India **15%**



Learning Objectives:

This paper is having a broad based content to cover many aspects of corporate financial reporting. Corporate financial reporting is becoming complex day by day as we are gradually shifting to rule based approach from principle bast approach. The syllabus is well designed an it covers core aspect of financial reporting i.e. measurement of income and cash flow of along with reporting of financial position of the company. Furthermore, there is stress on supplementary disclosure aspects like value added statement, human resource accounting related reporting, sustain ability reporting etc. Overall, the paper is application oriented and demands high level of conceptual, analytical and application related skill from students. Accounting is core of this paper. Students not having accounting or commerce background should give special stress in this paper.

INTRODUCTION

As explained in last bulletin(February, 2017) this paper is having a broad based content to cover many aspects of corporate financial reporting. The syllabus is well designed and it covers core aspect of financial reporting i.e. measurement of income and cash flow alongwith reporting of financial position of the company. Furthermore, 20% weightage is provided for accounting standards and related issues.

In this guide a brief outline is provided about Ind AS 1, a standard dealing with presentation of financial statement.

History of IFRS

- International Accounting Standards (IAS) were issued by the International Accounting Standard Committee (IASC) from 1973 to 2000.
- International Accounting Standard Board (IASB) replaced the IASC in 2001.
- Since then IASB has amended and proposed to amend others and replaced certain IAS with the new International Financial Reporting Standards (IFRS) and has adopted or proposed certain new IFRS on topics for which there were no IAS.
- Through Standard Interpretations Committees (SIC/IFRIC) both the IASC and IASB have also issued Interpretations of Standards.
- IASB has sole responsibility for establishing standards.
- IASC Foundation (IASCF) is an independent not for profit corporation created to oversee the work of IASB and fundraising responsibility

Formulation of Ind AS

- In accordance with India's commitment to converge with International Financial Reporting Standards (IFRS), the Ministry of corporate affairs (MCA) notified 35 converged accounting standards (Ind AS) on February 25, 2011.
- The final Ind AS include several 'carve outs' (deviations) from IFRS as issued by the International Accounting Standards Board (IASB).
- The Indian standard setters have examined individual IFRS and modified the requirements, where necessary , to suit Indian conditions. Carve outs are generally perceived as non-desirable , since they dilute the key purpose of converging with IFRS (i.e., to have a common set of accounting standards across countries, provide access to capital markets of different countries, and provide easy access of information investors).
- An analysis of the Ind AS carve outs reveal that while some of them are mandatory and represent some deviations from IFRS; several of the carve outs provide removal of policy choices permitted under IFRS in certain areas, or conversely provide alternate policy choices under Ind AS for certain other areas.

Ind AS 1

➢ Ind AS 1 deals with 'Presentation of Financial Statement' and corresponding International standard is IAS 1.Financial Statements are prepared for structured presentation of

- Financial Position
- Financial Performance
- Results of Management Stewardship of the resources entrusted to it.

In the next section the salient feature of the standard is explained.

Objective and scope

➢ Objective

- to prescribe basis for presentation of "General Purpose" financial statements
- in order to ensure comparability with the entity's financial statements of previous periods and with the financial statements of other entities

- Overall requirements for presentation of financial statements, guidelines for their structure and minimum requirements for their content
- Scope
- all general purpose financial statements prepared under Ind Ass
- not condensed interim financial information

Overall considerations

- **Going concern**
  - no intention to liquidate or to cease trading
  - Disclose in case of Material uncertainty
- Accrual basis - transactions and events
  - are recognised when they occur, and
  - in the periods to which they relate
- **Consistency**
  - presentation & classification be retained
  - Unless change in nature of operations necessitates another presentation
  - A standard or an interpretation requires a change
- **Materiality & aggregation**
  - material - present separately
  - immaterial - aggregate with other items
- **Offsetting**
  - Assets/Liabilities, and Income and expenses shall not be offset unless required or permitted
- Comparative information- includes narrative & descriptive information

Major Differences between Ind AS 1 and IAS 1

- An entity is required to present all items of income and expenses including component of other Comprehensive Income(OCI) in single statement as per Ind AS 1. IAS 1 allows single or two statements(one for profit and other for OCI)

- An analysis of expenses may be presented using a classification based on either the element of expenses(e.g, wages, salaries, material etc.) or their function in IAS 1. As per Ind AS 1 entities should present profit and loss statement using a classification based only on nature of expenses.

Group: IV

PAPER: 18
Indirect Tax Laws & Practice (ITP)

YOUR PREPARATION QUICK TAKES;

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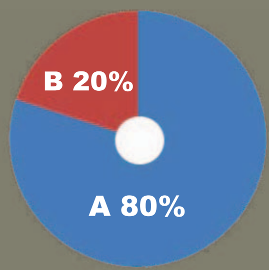
Syllabus Structure

A Advanced Indirect Tax - Laws & Practice **80%**
B Tax Practice and Procedures **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

CENVAT CREDIT: A CONCEPTUAL OVERVIEW

Concept of CENVAT Credit

- CENVAT Credit refers to the input tax credit that is available for eligible duties or taxes paid on eligible inputs / capital goods/ input services against payment of payment of tax/ duty on final product/ service.

- CENVAT Credit is like a '*fund*'. It means while paying excise duty on finished goods a manufacturer is eligible to utilise the input taxes paid (in the form of excise duty on inputs and capital goods, and service tax on input services) against its output tax (i.e. excise duty), and likewise, service provider is also eligible to take credit of utilise the input taxes paid (in the form of excise duty on inputs and capital goods, and service tax on input services) against its output tax (i.e. service tax).

- Its basic objective is to avoid the cascading effect of duty.

- CENVAT Credit scheme, in India, is governed by the provisions of CENVAT Credit Rules, 2004.

CENVAT Credit Rules, 2004 – Concept & Scope

- Originally, there were two Credit Rules – CENVAT Credit Rules, 2002 (in respect of excise duty) and Service Tax Credit Rules, 2002 (in respect of service tax). Thereafter, in September 2004 the Government of India came out with the CENVAT Credit Rules, 2004 in by merging the CENVAT Credit Rules, 2002 and Service Tax Credit Rules, 2002. Thus, it can be said that these rules are an *integration of excise duty and service tax*.
- The CENVAT Credit Rules, 2004 are rules framed under central excise and service tax law that provides the definition, conditions for availing credit, transfer, refund etc.
- These Rules extend to the whole of India.

NB: These rules are not applicable to the state of Jammu & Kashmir with regard to availment and utilisation of credit of service tax (since, the provisions of service tax are not applicable to the state of Jammu & Kashmir).

Duty paid on what items are eligible for CENVAT Credit?

CENVAT Credit is available on duty/ tax paid on any three of the following:

- Capital goods [as defined under Rule 2(a)]
- Inputs [as defined under Rule 2(k)]; and
- Input services [as defined under Rule 2(l)]

On payment of which duties/ tax does the manufacturer/ service provider become entitled to the availability of CENVAT Credit?

This credit is available on:

- Excise duty paid on inputs;
- Additional customs duty u/s 3 of Customs Tariff Act, 1975 paid on inputs;
- Excise duty paid on capital goods;
- Additional customs duty u/s 3 of Customs Tariff Act, 1975 paid on capital goods;
- Service tax paid on input services.

Who can claim CENVAT Credit?

As per Rule 3 of CENVAT Credit Rules, 2004, only the following two parties can claim CENVAT Credit:

- A manufacturer/ producer of final products; or

- A provider of taxable service

Tax Point: CENVAT Credit cannot be claimed by a service provider who renders non taxable service.

When can CENVAT Credit be claimed?

CENVAT Credit is available on the inputs, capital goods, or input services are:

- **In respect of capital goods**: Credit in respect of capital goods is allowed on the receipt of such capital goods in the factory of the manufacturer/ producer, or by the output service provider.
- **In respect of inputs**: Credit is allowed on the receipt of the inputs in the factory of the manufacturer/ producer, or by the output service provider.
- **In respect of input services**: Credit in respect of input services is allowed on:

- The receipt of invoice (if payment is made within three months); or
- The payment towards value of service or service tax (if service tax is paid by recipient of service under reverse charge mechanism)

For what purpose the CENVAT Credit can be utilised?

As per Rule 3(4) of the CENVAT Credit Rules, 2004, the CENVAT credit may be utilized for payment of:

(a) any duty of excise on any final product; or

(b) an amount equal to CENVAT credit taken on inputs if such inputs are removed as such or after being partially processed; or

(c) an amount equal to the CENVAT credit taken on capital goods if such capital goods are removed as such; or

(d) an amount under sub rule (2) of rule 16 of Central Excise Rules, 2002; or

(e) service tax on any output service.

Tax Point: In case duty is not paid by the assessee on final product, no credit is allowable on the duty/ tax paid o inputs, input services, or capital goods.

When is CENVAT Credit not allowable?

Credit of the duty/ tax paid is not allowable in the following two cases:

- The final product is exempt;
- output service is exempt, or non-taxable, or value thereof is abated.

What are the documents on the basis of which CENVAT Credit can be taken?

CENVAT Credit can be taken on the basis of the following documents:

- invoice/ bill issued by the supplier of inputs;
- invoice/ bill issued by the supplier of capital goods;
- invoice/ bill issued by the supplier of input services; or
- other eligible documents [refer to Rule 9].

Group: IV

PAPER: 19
Cost & Management Audit (CMAD)

YOUR PREPARATION QUICK TAKES;

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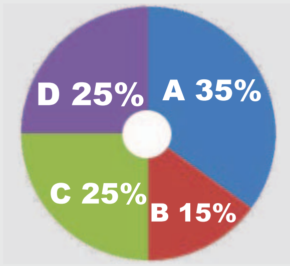
Syllabus Structure

A Cost Audit **35%**
B Management Audit **15%**
C Internal Audit, Operational Audit and other related issues **25%**
D Case Study on Performance Analysis **25%**



Learning Objectives:

- To verify the correctness of the cost accounting records.
- To find out whether the principles of cost accountancy have been fully and correctly applied in maintaining cost records.
- To search for the deficiencies in the cost record system of the company.
- To attain efficiency in cost accounting systems and procedures

Internal Audit and Internal Auditors

Internal auditing is an independent appraisal activity within an organization for the review of operations as a service to the management. It improves managerial control by measuring and evaluating the effectiveness of other controls, and by maintaining a vigilant watch over risks. Internal audit is in fact a control system that functions through examination and appraisal of other control mechanisms operating within the organisation. It keeps close eyes on the business to ensure that all transactions are duly recorded in complete form and that faulty, inefficient or fraudulent operations are revealed and corrected. It provides a proper foundation where all assets get properly protected and the structure for better operations and higher profitability is embodied. The Cost and Management Accountants are best suited to carry out such activities for the management.

Section 138 of the Companies Act 2013, deals with provisions of internal audit.As per section 138 (1) Such class or classes of companies as may be prescribed shall be required to appoint an internal auditor, who shall either be a chartered accountant or **a cost accountant,** or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company. As per section 138 (2) The Central Government may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board.

Legal Requirement

The Board of directors of every listed company and the following classes of companies, as prescribed under Rule 6 of Companies (Meetings of Board and its powers) Rules, 2014 shall constitute an Audit Committee:

i. all public companies with a paid up capital of Rs 10 Crores or more;
ii. all public companies having turnover of Rs 100 Crores or more;
iii. all public companies, having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding Rs 50 Crores or more.

Sub-section (5) of section 177 of the Companies Act, 2013 provides that the Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company. Thus a cost accountant, appointed as Inter auditor has to frequently interact with audit committee of the Board and suggest way and means of internal control and improving the bottom line of the company, if

Rule 13 of the Companies(Accounts) Rules, 2014 states that:

1) The following class of companies shall be required to appoint an internal auditor or a firm of internal auditors, namely:

a) every listed company;
b) every unlisted public company having
   (i) paid up share wealth of fifty Crore rupees or more during the preceding financial year; or
   (ii) turnover of two hundred Crore rupees or more during the preceding financial year; or
   (iii) outstanding loans or borrowings from banks or public financial institutions exceeding one hundred Crore rupees or more at any point of time during the preceding financial year; or
   (iv) outstanding deposits of twenty five Crore rupees or more at any point of time during the preceding financial year; and
c) every private company having
   (i) turnover of two hundred Crore rupees or more during the preceding financial year; or
   (ii) outstanding loans or borrowings from banks or public financial institutions exceeding one hundred Crore rupees or more at any point of time during the preceding financial year:

Provided that an existing company covered under any of the above criteria shall comply with the requirements of section

138 and this rule within six months of commencement of such section.

The relevance of Internalaudit with respect to Cost Audit and financial audit can be seen as follows:

1. The Cost Auditor has to give his opinion in his report about the internal audit of cost records in point no. vi – 'In my/our opinion, the company has/does not have adequate system of internal audit of cost records which to my/our opinion is commensurate to its nature and size of its business.'
2. The Cost Auditor also has to give his observations regarding adequacy or otherwise of the Budgetary Control System, if any, followed by the company in Part A (3) of Annexures to the Cost Audit Report.

Similarly the financial auditor of the company also comment about the existence of internal audit of the commiserating with the nature and size of business

Practical Application

The above are the statutory requirements that focuses on the protection of stakeholders of fairly large companies. But necessity of the Internal Control is also for the organisations not coming under the preview of The Companies Act, 2013. All organisations need to maintain the authenticity of data and they also have to make sure that the data they possess are tamperproof. So the organisation needs to put in place the proper procedures all the way from the creation of data to their final reporting.

One such important aspects of internal audit is the audit is Stock and receivables. This Audit relates to examination of the working capital profile of a company with emphasis on the quantity, quality, compositions and real value of the stock and debtors. The audit covers aspects such as reasonableness of the valuation of the security, routing of sales proceeds of hypothecated stocks largely through borrowers account, maintenance of the prescribed margins, accuracy of stock statements, reasonableness of the composition and age of hypothecated stock and their insurance, quality and age of the receivables etc.

Since inventory of stock and receivable constitute a major component of total currents assets of the company, the management and control in this area assumes significance to the management Further from the point of view of the financing institutions like the banks, the audit of this area helps in preventing NPAs (Non-Performing Assets) and taking timely remedial actions.

The main object of audit of stock and receivable is:

a) To verify the existence & ownership of stocks & book debts.
b) To ascertain the quality & value of stocks & book debts.
c) To exclude not quantifying for credit.
d) To check insurance coverage & other aspects.

This audit is very essential for internal control at organisational level as well as for the country's economy. The financial institutions invest their funds in those organisations. This borrowing and lending process serves as a pillar of the country's economy.

This audit can be conducted by Cost Accountants. This audit is not a mere physical verification. The auditor has to encompass the following aspects:

1. The company has maintained proper records for production and also for maintaining stock.
2. Special attention is given to work-in-progress, the genuineness of method of arriving the rate applied.
3. The items lying with third parties and in transit should be verified.
4. The auditor should pay attention to items on the inventory which appear to be slow moving or obsolete.
5. The inventories should be correctly valued and the method of valuation should be consistent from year to year.
6. The auditor should give particular attention to the stocks that has material values that appear to be unreasonable.
7. If the party is maintaining any cost records, the auditor should enquire into on which cost basis is the materials maintained.
8. The insurance on the stocks should be adequate.
9. The auditor should certify that no double finances has been taken against book debts and the bad debts are taken into consideration while availing finance.
10. Actions are being taken for timely recovery of debtors.

The above are the guidelines that the auditor has to follow. There is no periodicity to conduct the audit. They are conducted conducted on quarterly/half yearly/ yearly basis.

Group: IV

PAPER: 20
Strategic Performance Management and Business Valuation (SPBV)

YOUR PREPARATION QUICK TAKES;

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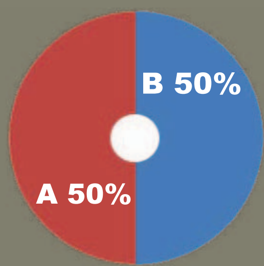
Syllabus Structure

A Strategic Performance Management **50%**
B Business Valuation **50%**



Learning Objectives:

- I strongly recommend getting your basics from study materials first and then moving over in solving numerical sums from professional examinations in the last 5 terms.
- Internationally famous books and video tutorials have no substitute.
- Learn alone but discuss with your fellow examinees at regular intervals.
- Best way of learning is teaching. Learn an issue by writing manually as far as possible.
- Next, try to teach it to another examinee. You will get reciprocal treatment from him/her.
- Let you grow together!

Road Map for Qualifying CMA Examination

Achieving better concentration is learning a skill. Concentration tactics need practice. The final year CMA students should be aware of the fact that they have to answer two separate subjects in Paper 20 (Section-A: Strategic Performance Management & Section B: Business Valuation) in their final semester which is going to be started from June 2017 under the new 2016 syllabus. Students have to bear in mind that this subject is actually a combination of two separate papers (Paper 17: Strategic Performance Management) and Paper 20: Financial Analysis & Business Valuation) under old syllabus, 2012. Students should also know that 50 marks are allotted equally for both the sections. Therefore, students have to collect all the questions of Paper 17 and Paper 20 and try to have answered the same. Finally, students have to prepare on the expected format of marks, which may consist of (i) a 20 marks question and three 10 marks questions, or (ii) a 20 marks question, two 10 marks questions and two 5 marks questions, or (iii) two 15 marks questions and two 10 marks questions, or (iv) two 15 marks questions, one 10 marks question and two 5 marks questions (from each of the two sections). The students should arrange the last terms' questions accordingly with the 4 units to each section. The students should divide the time for preparation equally between Section A and B.

Equal importance should be given by the students for both the sections. In addition, the following are some tips that can be sensible (unit wise presented):

Section A
(Strategic Performance Management – 50 Marks)

Unit 1 (Conceptual Framework of Performance Management)

Generally, theoretical and informative questions are expected. Students should be very careful about the study notes. They should infer whether they can answer each and every question of unit 1 and all the examination questions that came during the last terms. Students should be well-known to issues like performance management, performance appraisal, and measurement of financial performance or position, types of financial analysis, customer profitability, supply chain management and customer relationship management.

Unit 2 (Performance Evaluation & Improvement Tools)

Students should be familiar with issues like balance score card (BSC), Du pont analysis, benchmarking and bench trending, statistical quality control (SQC), management information system (MIS), total productivity management (TPM), total quality management (TQM), etc. Theoretical questions may come in the final examination from this chapter on the topics namely, perspectives, advantages and disadvantages of BSC, Du pont analysis, benchmarking, SQC, OLAP, MRP, ERP, TPM and TQM. Therefore, practice on last terms' questions and familiarities with the study notes are required.

Unit 3 (Economic Efficiency of the Firm – Performance Analysis)

Students should be habituated with concepts of demand, elasticity of demand, cost, revenue, market, market function, perfect competition, monopoly, monopolistic competition, price determination, short-run and long-run equilibrium of market, consumer surplus, statistical techniques, etc. All questions should be attempted and conceptual problems from this part shall be expected. These questions will be easier for students to answer only if they are accustomed with the study notes and old questions.

Unit 4 (Enterprise Risk Management)

Students should be well-versed with meanings and types of risk, risk management, reduction of risk through diversification, risk mapping, enterprise or corporate risk management, Basel I, II & III, corporate distress, various models of corporate distress analysis, etc. Theoretical questions may come in the final examination from this chapter on the topics, namely, types of risk, risk management, reduction of risk through diversification, risk mapping, enterprise risk management, Basel I vs. II vs. III, corporate distress, etc. Mathematical problems may be selected for the said examination out of Altman's model. These questions will be easier for students to answer only if they are accustomed with the study notes and old questions.

Section B
(Business Valuation – 50 Marks)

Unit 5 (Business Valuation Basics)

Students should be conversant with meanings of values, types of values, objectives of business valuation, key areas of valuation, principles and techniques of valuation, importance of valuation, fair value vs. fair market value, book value vs. liquidation value, misconceptions about valuation, role of valuation in portfolio management, etc because theoretical or informative questions from this unit are likely to come. Students will be capable of answering all questions only if they are methodical with the study notes.

Unit 6 (Valuation Models)

Students should be conversant with meanings of free cash flow, discounted cash flow, factors affecting firms' value, equity value, enterprise value, relative valuation, etc. Theoretical questions on topics like free cash flow, discounted cash flow, factors affecting firms' value, equity value vs. enterprise value, components of relative valuation are likely to come. Yet again, mathematical problems on discounted cash flow, free cash flow and valuation of the firm may be expected by the students. These questions will be lucid for students to answer if they are accustomed with the study notes and old questions.

Unit 7 (Valuation of Assets and Liabilities)
Students should be knowledgeable with mathematical problems on issues like valuation of bond, valuation of goodwill, valuation of share, brand valuation, EVA, MVA, etc. Theoretical questions on topics like corporate branding, human resources, relationship and differences between EVA and MVA, etc. are likely to come. These questions will be easily answered by the students if they are habituated with the study notes and last terms' questions.

Unit 8 (Valuation in Mergers and Acquisitions)
Students should be well-versed with meanings and types of merger and acquisitions, factors of diversifications, determination of exchange ratio, concepts of synergy, different valuation models, impact of merger on value of shares, etc. Hence, practice on last terms' questions is necessary. Theoretical questions on topics like causes of different types of merger, demerger, reverse merger, diversification, swap ratio, synergy, impact of merger on value of shares, etc. are usually expected by the students. Again, mathematical problems on topics like Pre- and post-merger EPS, book value per share, market value per share, exchange ratio, price earnings ratios, market capitalisation, etc. are generally expected by the students. These questions will be easier for students to answer if they are habituated with the study notes and last terms' questions.

If further explanation is required for any particular topic, the following references may be helpful in addition to the study notes.

Section A: Strategic Performance Management		
Author	Title of the book	Publisher
Malcolm Smith	Performance Measurement and Management	Wiley
Linda Ashdown	Performance management	Kogan Page
Section B: Business valuation		
Lisa Holton, Jim Bates	Business Valuation For Dummies	Wiley
z. Christopher Mercer Travis W. Harms	Business Valuation: An Integrated Theory	Wiley
Jay B. Abrams	Quantitative Business Valuation: A Mathematical Approach for Today's Professionals	Wiley
Aswath Damodoron	Damodoron on Valuation	Wiley

To make out the particular areas where students lack, we should have a cautious outline of the following:

(i) Lack of practice, absence of self-confidence and not so good writing skills are the general factors responsible for scoring poor marks.
(ii) Statistics and econometrics techniques used in the performance measurement as well as business valuation.
(iii) Why diversification is important for reducing risk
(iv) Why role of valuation in portfolio management is important

To overcome the above-mentioned things, a student should practise thoroughly the study notes which would boost up his/her confidence level.
During examination, students should read question paper very carefully and first answer the section with which the student is most familiar. The sections which are not so common to the students should be kept away to be answered later on. Students should also divide the prearranged time for answering short and long questions so that they can complete answering the paper within the fixed time. Answers should be precise and to the point. Besides, dedications to aims for scoring good marks and preparing very well for the examination, proper time management, organised study and applying practical sense during examination should be adhered.

I expect that the tips mentioned above come handy and wish that all students result very good in Final Examination.

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.

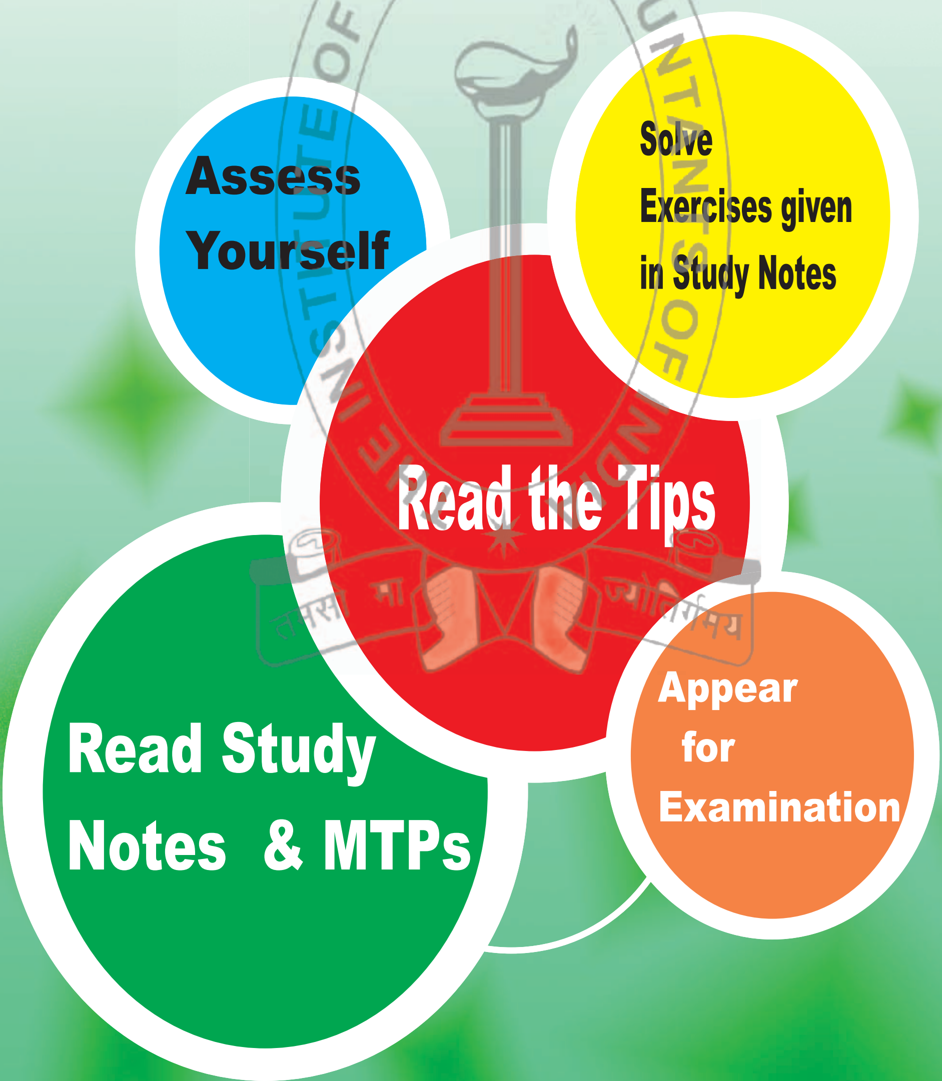
e-mail: **studies.ebulletin@icmai.in**

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 - FINAL 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	Final Examination Syllabus-2012 Time 2.00 p.m. to 5.00 p.m.	Final Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
11th June, 2017 Sunday	Corporate Laws and Compliance	Corporate Laws & Compliance
12th June, 2017 Monday	Advanced Financial Management	Strateginc Financial Management
13th June, 2017 Tuesday	Business Strategy & Strategic Cost Management	Strategic Cost Management- Decision Making
14th June, 2017 Wednesday	Tax Management & Practice	Direct Tax Laws and International Taxation
15th June, 2017 Thursday	Strategic Performance Management	Corporate Financial Reporting
16th June, 2017 Friday	Corporate Financial Reporting	Indirect Tax Laws & Practice
17th June, 2017 Saturday	Cost & Management Audit	Cost & Management Audit
18th June, 2017 Sunday	Financial Analysis & Business Valuation	Strategic Performance Management and Business Valuation

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;

Disclaimer

Although due care and diligence have been taken in prepara?on and uploading this E-bulle?n, the Ins?tute shall not be responsible for any loss or damage, resul?ng from any ac?on taken on the basis of the contents of this E-bulle?n.

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