CMA STUDENTS' E-BULLETIN

FINAL

VOL: 2 NO: 5

MAY, 2017 ISSUE

(Syllabus 2016)

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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Behind every successful business decision, there is always a CMA

Message from the President

Dear Students,
Greetings,

"There is no end to education. It is not that you read a book, pass an examination, and finish with education. The whole of life, from the moment you are born to the moment you die, is a process of learning"- Jiddu Krishnamurti

June term of examination is approaching. I am sure that all of you are very busy now as you are gearing up to appear for and to deliver your best in the examination. To prepare yourself you need the guidance in the righteous direction and through these E-bulletins all the eminent teachers are putting their tips and guiding you how to read the subjects properly and deliver professionally. I must pay my sincere thanks to all the contributors of this e-bulletin, who despite their busy schedules, have given their suggestions to make you successful. I believe that teachers who love teaching teach children to love learning.

A man without education is like a building without foundation. I am delighted to know that you have enjoyed reading the previous E-bulletin and reciprocated favourably. I firmly believe that Intelligence plus character – is the goal of true education. In this connection I want to refer a great saying by our Noble Laureate Rabindranath Tagore that ***"The highest education is that which does not merely give us information but makes our life in harmony with all existence"***.

I am happy to note that Directorate of Studies is reciprocating to meet up your demands and their team is working for your development and success. Your performance will make all of us happy if you come out with flying colours and be a nation building partner.
I want to put an end by quoting Malcolm Forbes that ***"Education's purpose is to replace an empty mind with an open one".***

Be dedicated, determined and disciplined; success is yours.

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

Be a CMA, be a Proud Indian

Behind every successful business decision, there is always a CMA

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Message from the Chairman

"A good education is the greatest gift you can give yourself and anyone else"- Mahtab Narshimhan

Dear Students,

I know that the hard work you have done for your examination which is approaching soon. That's very important in your life. The belief, work, efforts you have done to get the success will definitely complete.

All of you should begin to develop a degree of individual responsibility or autonomy in your study as well as possess the ability to collaborate with other available resources; for example availing the support services offered by the Directorate of Studies. In my message in the April issue, I had asked you to follow the Mock Test Papers (MTP) and practice in line of it. Hope, you have following that meticulously and preparing yourself for the successful attempt of your examination. The answers of the questions asked in the MTPs will be uploaded in the mid of May by the Directorate of Studies. Please compare those answers with the already solved problems of yours.

Understanding your qualification is important and the stated guidelines in each subject outline how CMA qualifications fit within the National Qualifications Framework and support professional learning. CMAs should be able to display competence in the application of knowledge in the performance of a range of work activities, some of which may be routine and predictable with some being complex or non-routine.

As desired by the industry and the economy, successful completion of the CMA Course enables students to make an entry to the industry with updated knowledge and requisite skills. We do hope that your learning will help you to take the challenge on your own stride.

My best wishes with you,

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

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KNOWLEDGE UPDATE

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

Group - III

PAPER : 13

CORPORATE LAWS & COMPLIANCE (CLC)

Mr. Subrata Kr. Roy
Company Secretary
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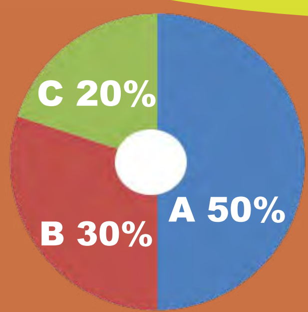
Your Preparation Quick Takes

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



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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.

Business Law

Test Questions:

i) Answers are mentioned in Bold.
ii) Students are advised to be specific about threshold limits
iii) In case of descriptive question also, answer should be very specific
iv) While studying the law, the proviso and condition should be analyzed and stipulated in the answer.

1) How many minimum meetings of Board of Directors should be held in a calendar year?

a. 3
b. 4
c. 6
d. 8

2) How many minimum members are required for forming a public limited company?

7

3) What should be the maximum time gap (months) between two annual general meetings?

15

4) In order to be called as foreign company, the company should be registered out of India and **establish a place of business within India**.

5) What is the quorum required for general meeting of the shareholders in the case of public company having upto 1000 shareholders?

a. 2 persons
b. 5 persons
c. 12 persons
d. Not specified in Companies Act, 2013

6) What is the maximum number of Directors that a Company shall have?

a) 10
b) 8
c) 15
d) 3

7) A company shall appoint or re-appoint any person as its managing director, whole-time director or manager for a term exceeding five years at a time.

True / **False**

8) How many clear days' notice of the Annual General Meeting shall be given by the company?

a) 21
b) 14
c) 25
d) 10

9) What is the maximum number of members a private company may have?

a) No limit
b) 200
c) 150
d) 175

10) A preference shareholder must have voting rights.

True / **False**

11) The AGM shall be held within **6 months** of closure of accounting year.

12) On registration of a company, the Registrar of Companies issues a certificate called **Certificate of Incorporation.**

13) Dividend shall be paid within **30** days of declaration.

14) An audit of a company can be conducted by

a) A CA in practice

b) Any CA
c) Any Cost Accountant or Company Secretary
d) By Government nominated persons

15) Private company cannot invite finance from general public

True / False

16) In case of Government Company the Central Government / State Government should jointly hold **51%** of the shares

17) Listed Company means:

a) Listed with SEBI
b) Listed with Government
c) Listed with Stock Exchange
d) Listed with ROC

18) _______ is the Charter of the Company.

a) MOA
b) AOA
c) Both
d) None of these

19) An additional Director is appointed between two __________ meetings.

a) Board of Directors
b) Annual General meeting of the company
c) Extra-ordinary General meeting of the company
d) None of the above

20) A Whistle Blower procedure should be implemented

a) As a tool of management.
b) As a tool of public relations.
c) To support the internal audit department.
d) For receipt, retention and treatment of complaints received by the company regarding accounting, internal controls or auditing matters.

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Group - III

PAPER : 14

STRATEGIC FINANCIAL MANAGEMENT (SFM)

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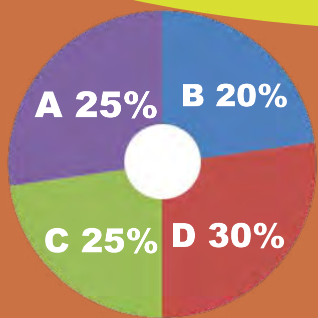
Your Preparation Quick Takes

Syllabus Structure

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



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Learning objectives:

After studying this section, you will be able to:

- understand the concept of capital rationing
- cognize the different methods of selecting projects under capital rationing
- solve the numerical problems of capital rationing

Capital Rationing

Capital rationing refers to the situation in which the firm has more acceptable investments requiring a greater amount of finance than is available with the firm. Capital rationing may arise on account of external and internal reasons. External capital rationing mainly occurs on account of the imperfection in capital market or transactions costs. Internal capital rationing arises because of managerial imposed constraints. For example, reluctance to take resort to financing by external equities in order to avoid further risk; reluctance to broaden the equity share base for fear of losing control; etc. Though the above causes are artificial in nature, they are the real causes which lead to capital rationing.

Methods of selecting projects under capital rationing

The method of selecting investment projects under capital rationing situation will hinge upon whether the projects are divisible or indivisible. Besides, fund constraint may be either single period one or multi-period one.

So there are four categories of problems associated with capital rationing:

(i) Projects are divisible and fund constraint is a single period one,
(ii) Projects are indivisible and fund constraint is a single period one,
(iii) Projects are divisible and fund constraint is a multi-period one, and
(iv) Projects are indivisible and fund constraint is a multi-period one.

However, these four categories do not cover all sorts of situation. There are also mixed cases. For example, some projects are divisible and some are indivisible while fund constraint is a single period one etc. But here only the four major categories of problems associated with capital rationing are discussed.

Situation I: Projects are divisible and fund constraint is a single period one

To determine the optimal project mix for maximizing the total NPV, the following steps are to be adopted:

(i) Calculate the profitability index of each of the projects under consideration.
(ii) Rank the projects in descending order of the profitability index.
(iii) Go on accepting projects from the top and move down till the entire fund is exhausted.

- **Illustration**: From the following information determine the optimal combination of projects assuming that the projects are divisible.

Project	Required Initial Investment	NPV at appropriate cost of capital
A_1	1,00,000	20,000
A_2	3,00,000	35,000
A_3	50,000	16,000
A_4	2,00,000	25,000
A_5	1,00,000	30,000

Total fund available is 3, 00,000.

Solution:

Project	Profitability Index (PI)	Projects arranged in descending order of PI	Cumulative fund exhausted	Cumulative NPV
A_1	20,000/1,00,000 = 0.20	A_3 (0.32)	50,000	16,000
A_2	0.117	A_5 (0.30)	1,50,000	46,000
A_3	0.32	A_1 (0.20)	2,50,000	66,000
A_4	0.125	A_4 (0.125)	50,000 (Rs. 2, 00,000 x ¼)	72,250
A_5	0.30	A_2 (0.117)	-	-
			3,00,000	

Therefore the optimal combination of projects is A_3, A_5, A_1 and ¼ th of A_4.

Situation II: Projects are indivisible and fund constraint is a single period one

Under this situation the following steps are to be followed for solving the problem:

(i) Identify all feasible combinations of projects that satisfy the fund constraint.

(ii) Choose the feasible combination whose aggregate NPV is maximum and consider it as the optimal project mix.

- **Illustration:**

Using the same data in the previous illustration, determine the optimal project mix on the basis of the assumption that the projects are indivisible.

Solution:

Feasible Combination	Aggregate of NPVs (Rs.)
A_1A_3	36,000
A_1A_4	45,000
A_1A_5	50,000
A_3A_4	41,000
A_3A_5	46,000
A_4A_5	55,000
$A_1A_3A_5$	66,000

Here the optimal feasible project mix will be $A_1 A_3 A_5$ as the aggregate of their NPVs is maximum.

Situation III: Projects are divisible and fund constraint is a multi-period one

Under this situation, we assume that the NPVs of the projects are given and the firm allocates the fixed investment budget so as to maximize its NPV. To solve this type of problem, we have to formulate the linear programming problem (LPP).

- **Illustration:**

Projects	NPV at appropriate cost of capital	Present Value of outlays	
		Period 1	Period 2
1	14	12	3
2	17	54	7
3	17	6	6
4	15	6	2
5	40	30	35
6	12	6	6
7	14	48	4
8	10	36	3
9	12	18	3

In this case the selection process is subject to restrictions on the total amount of investment in each of the periods: Rs. 50 in period 1 and Rs. 20 in period 2. Formulate a linear programming problem to determine the optimal project mix.

Solution:

Let X_j(j=1,2,……,9) denote the proportion of the j th project which is executed. The LP model can be written as:

Maximize NPV $= 14X_1 + 17X_2 + 17X_3 + 15X_4 + 40X_5 + 12X_6 + 14X_7 + 10X_8 + 12X_9$

Subject to the two budget constraints:

$12X_1 + 54X_2 + 6X_3 + 6X_4 + 30X_5 + 6X_6 + 48X_7 + 36X_8 + 18X_9 \leq 50$

$3X_1 + 7X_2 + 6X_3 + 2X_4 + 35X_5 + 6X_6 + 4X_7 + 3X_8 + 3X_9 \leq 20$

$0 \leq X_j \leq 1$ (j = 1, 2,… ,9).

Situation IV: Projects are indivisible and the fund constraint is a multi-period one

To deal with this problem, an integer programming problem must be used.

- **Illustration**:

Using the same data in the previous illustration, determine the optimal project mix on the basis of the assumption that the projects are indivisible.

Solution:

Let X_j (j = 1, 2,…., 9) denote the proportion of the j th project.

The IPP can be written as:

Maximize NPV $= 14X_1 + 17X_2 + 17X_3 + 15X_4 + 40X_5 + 12X_6 + 14X_7 + 10X_8 + 12X_9$

Subject to,

$12X_1 + 54X_2 + 6X_3 + 6X_4 + 30X_5 + 6X_6 + 48X_7 + 36X_8 + 18X_9 \leq 50$

$3X_1 + 7X_2 + 6X_3 + 2X_4 + 35X_5 + 6X_6 + 4X_7 + 3X_8 + 3X_9 \leq 20$

$X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_8, X_9 =$ 0 or 1

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Group - III

PAPER : 15

STRATEGIC COST MANAGEMENT - DECISION MAKING (SCMD)

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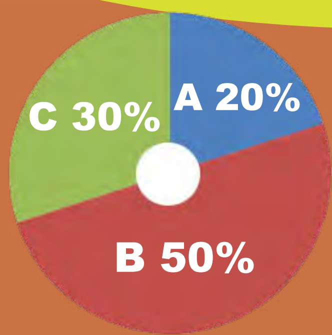
Your Preparation Quick Takes

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%**



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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 modelling being used or is there an active effort to develop or buy cost modelling capability?

Understanding Lean Management

01.00 The Writing on the Wall Costs do not exist to be Calculated; Costs do exist to be ReducedIdle resources have always remained the fiercest enemy of every cost manager. It could beidle labour, idle machines, idle facilities, idle stocks; anything and everything remaining idle tantamount to an undue fixed burden which diminishes the impact of value chain.

Costs do not exist to be Calculated; Costs do exist to be Reduced

Lean management is one fascinating concept that supports the efforts of the Cost Manager in the elimination of waste of any kind. It advocates the fundamental that 'Process, next in line, is the most important customer; Process, just before in line, is the most important vendor'.

Benjamin Franklin contributed greatly to waste reduction thinking. Henry Ford cited Franklin as a major influence on his business practices. They believed that a penny saved is a penny gained. Theyreinvented the writing on the wall, "Costs do not exist to be Calculated; Costs do exist to be Reduced". There started a number of right initiatives relating to Modern Lean Management.

02.00 Lean Manufacturing

The cornerstone of lean is the elimination of waste from processes with a mindset of continuous improvement. In its most basic form, Lean Manufacturing is the systematic elimination of waste by focusing on production costs, product quality and delivery, and worker involvement. Broadly speaking, Lean Manufacturing represents a fundamental paradigm shift from traditional "batch and queue" mass production to production systems based on product aligned "single-piece flow, pull production."

Lean Manufacturing is the pursuit of greater operational performance by elimination of waste throughout the organization.
The benefits include:

- Reduced lead times
- Improved delivery performance
- Shorter order-to-cash cycle
- Increased sales revenue
- Increased profits
- Lower operating costs
- Reduction in inventory (greater inventory turns)
- Improved customer satisfaction
- Enhanced supplier relationships
- Greater employee morale and retention
- Improved product and service quality
- Reduced physical space requirement
- Availability of additional working capital

03.00Lean Accounting

Lean accounting is the application of lean principles to the accounting and associated functions within the enterprise. Lean Accounting facilitates the changes that are required to a company's accounting, control, measurement, and management processes to support lean manufacturing and lean thinking.

Most of the companies embarking on lean manufacturing may soon find that their accounting processes and management methods are at odds with the lean changes they are making. The reason for this is that traditional accounting and management methods were designed to support traditional manufacturing; they are based upon mass production thinking. Lean manufacturing breaks the rules of mass production, and so the traditional accounting and management methods warrant due modifications in tune with the lean changes that the company is embarking.

Lean Accounting enables identification and elimination of non-value adding waste in the accounting and reporting processes; Improves visual reporting on product lines; and realigns accounting activities to a consulting role rather than a transaction role.Lean accounting empowers the finance and accounting functions to partner with the evolving lean enterprise. When the finance department revamps its processes in line with the lean methods, the time savings and communication gains are substantial.

The purpose of lean accounting is to tell us about the flow through the Value Stream; to tell us about the capacity for extra work in the Value stream; and to tell us about the incremental costs of alternative decisions and actions. Lean accounting provides a stage that enables the accounting team to move from a transaction focus to a new high value role of consulting within other areas of the company.

Enterprises using Lean accounting have better information for decision-making, have simple and timely reports that are clearly understood by everyone in the company, They understand the true financial impact of lean changes; they focus the business around the value created for the customers, and laccounting actively drives the lean transformation. This helps the company to grow, to add more value for the customers, and to increase cash flow and value for the stock-holders and owners.

04.00Lean Transformation

The lean transformation provides a perfect palette for human resource professionals to supercharge the impact of their key functional areas of responsibility. HR has a multitude of sub-functions and processes and all would benefit from applying lean principles. HR impact ultimately extends to all parts of the enterprise through Organizational Development; Hiring, Performance Management and Career Enrichment; Education, Job training, Cross training; Compensation and incentive programs; and Administration.

05.00 Lean Thinking with a Systems Approach The key to [the] Toyota Way and what makes Toyota stand out is not any of the individual elements. But what is important is having all the elements together as a system. It must be practiced every day in a very consistent manner - not in spurts. - Fujio Cho, President of Toyota Motor Corporation Toyota developed TPS to compete in the automotive market. In the early days, Toyota being a smaller company lacked market share enjoyed by the larger American auto makers. Toyota's challenge was to build quality automobiles those Western, particularly American, buyers would buy, while selling at a lower price to compete. In order to stay profitable, Toyota needed a lower cost of manufacturing.

The key to [the] Toyota Way and what makes Toyota stand out is not any of the individual elements. But what is important is having all the elements together as a system. It must be practiced every day in a very consistent manner - not in spurts.

- Fujio Cho, President of Toyota Motor Corporation

Smaller volume made it difficult to build dedicated high speed factories where the capital and other fixed cost could be absorbed by greater output. They had no choice but to develop smaller and more flexible operations. They needed processes that would make them cost-competitive even at the smaller volumes.

Toyota managers focus on finding solutions that lead to business results. They create temporary responses called "countermeasures" such as Kanbans and Andon Cords for process issues until they can devise a more robust and permanent "solution". Lean implementation is, therefore, focused on getting the right things to the right place at the right time in the right quantity to achieve perfect work flow, while minimizing waste and being flexible and able to change.

06.00 GOI Emphasis

Government of India (GOI) lays special emphasis on adoption of Lean Manufacturing Techniques by the Indian MSMEs. In the year 2010, the GOI has framed a specific scheme titled "Guidelines for the implementation of Lean Manufacturing Competitiveness Scheme" with a view to increase the competitiveness of the MSME sector through theadoption of Lean Manufacturing techniques.

The GOI acknowledges LeanManufacturing as a set of techniques, which have evolved over a long period and are based on various minor to major breakthroughs that help in reducing cost and hence increase productivity. The GOI perceives LM techniques as an important tool towards building National Manufacturing Competitiveness. It recognises LM as a means for Reducing waste;Increasing productivity;Introducing innovative practices for improving overall competitiveness;Inculcating good management systems; andImbibing a culture of continuous improvement.

07.00 Shigeo Shingo

Shigeo Shingo pioneered the Lean Manufacturing Techniques. Shigeo is acclaimed as the Thomas Edison of Japan. He revolutionized the Toyota production system. He was an industrial engineer with an incredible insight on the mechanics of process and of culture.

In 1955, Dr. Shingo began his long association with Toyota. During the early 1960's, as an outgrowth of work with Matsushita, he developed his concepts of "Mistake-Proofing."He began to see Toyota's efforts as an integrated system and began to assist several U.S. and European firms in implementation.

Dr. Shigeo Shingo has written 14 major books and hundreds of important papers on manufacturing. The Shingo Prize is awarded for excellence in manufacturing as a tribute to Dr. Shingo and his lifelong work.

Today's world is in search of more and more such Change Leaders as Dr. Shigeo Shingo.

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Group - III

PAPER : 16

DIRECT TAX LAWS AND INTERNATIONAL TAXATION (DTI)

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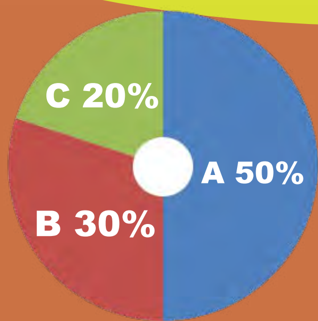
CMA

Your Preparation Quick Takes

Syllabus Structure

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



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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.

Introduction: The main purpose of this statement is to keep a track on the high value transactions undertaken by the taxpayers. Accordingly, it is obligatory on the part of the specified entities to furnish with the Income-tax Department information about the specified financial transactions undertaken by the assesses during the financial year. Section 285BA deals with this matter as under:

Persons required to file statement of financial transaction or reportable account:
The following persons who are responsible for registering, or, maintaining books of account or other document containing a record of any specified financial transaction or any reportable account as may be prescribed, under any law for the time being in force, shall furnish a statement in respect of such specified financial transaction or such reportable account which is registered or recorded or maintained by him and information relating to which is relevant and required for the purposes of this Act, to the income-tax authority or such other authority or agency as may be prescribed:

(*a*) an assessee; or

(*b*) the prescribed person in the case of an office of Government; or

(*c*) a local authority or other public body or association; or

(*d*) the Registrar or Sub-Registrar appointed under section 6 of the Registration Act, 1908; or

(*e*) the registering authority empowered to register motor vehicles under Chapter IV of the Motor Vehicles Act, 1988 ; or

(*f*) the Post Master General as referred to in section 2(j) of the Indian Post Office Act, 1898; or

(*g*) the Collector referred to in section 3(g) of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 ; or

(*h*) the recognised stock exchange referred to in section 2(f) of the Securities Contracts (Regulation) Act, 1956; or

(*i*) an officer of the Reserve Bank of India, constituted under section 3 of the Reserve Bank of India Act, 1934; or

(*j*) a depository referred to in section 2(1) (e) of the Depositories Act, 1996 (22 of 1996) ; or

(*k*) a prescribed reporting financial institution

Transactions that are required to be reported: [Rules 114E- 114H]:

Sl. No.	Description of transaction entered into on or after 1st April 2016	Reporting person
1.	• Payment made in cash for purchase of bank drafts or pay orders or banker's cheque of an amount aggregating to Rs. 10 lakh or more in a financial year. • Payments made in cash aggregating to Rs. 10 lakh or more during the financial year for purchase of pre-paid instruments issued by Reserve Bank of India. • Cash deposits or cash withdrawals (including through bearer's cheque) aggregating to Rs. 50 lakh or more in a financial year, in or from one or more current account of a person.	banking company or a cooperative bank

2.	Cash deposits aggregating to Rs. 10 lakh or more in a financial year, in one or more accounts (other than a current account and time deposit) of a person.	A banking company or a cooperative bank or Post Master General
3.	One or more time deposits (other than a time deposit made through renewal of another time deposit) of a person aggregating to Rs. 10 lakh or more in a financial year of a person.	A banking company or a cooperative Bank or Post Master General or Nidhi Company or Non-banking financial company
4.	Payments made by any person of an amount aggregating to— (i) Rs. 1 lakh or more in cash; or (ii) Rs. 10 lakh or more by any other mode, against bills raised in respect of one or more credit cards issued to that person, in a financial year.	A banking company or a cooperative bank or any other company or institution issuing credit card.
5.	Receipt from any person of an amount aggregating to Rs. 10 lakhor more in a financial year for acquiring bonds or debentures issued by the company or institution (other than the amount received on account of renewal of the bond or debenture issued by that company).	A company or institution issuing bonds or debentures.
6.	Receipt from any person of an amount aggregating to Rs. 10 lakh or more in a financial year for acquiring shares (including share application money) issued by the company.	A company issuing shares
7.	Buy back of shares from any person (other than the shares bought in the open market) for an amount or value aggregating to Rs. 10 lakh or more in a financial year	A company listed on a recognised stock exchange purchasing its own securities under section 68 of the Companies Act, 2013
8.	Receipt from any person of an amount aggregating to Rs. 10 lakh or more in a financial year for acquiring units of one or more schemes of a Mutual Fund (other than the amount received on account of transfer from one scheme to another scheme of that Mutual Fund).	A trustee of a Mutual Fund or such other person managing the affairs of the Mutual Fund
9.	Receipt from any person for sale of foreign currency including any credit of such currency to foreign exchange card or expense in such currency through a debit or credit card or through issue of travellers cheque or draft or any other instrument of an amount aggregating to Rs. 10 lakh or more during a financial year.	Authorised person under Foreign Exchange Management Act, 1999
10.	Purchase or sale by any person of immovable property for an amount of Rs. 10 lakh or more or valued by the stamp valuation authority referred to in section 50C of the Act at Rs. 30 lakh or more.	Inspector-General or Registrar or Sub-Registrar appointed under the Registration Act, 1908
11.	Receipt of cash payment exceeding Rs. 2 lakh for sale, by any person, of goods or services of any nature (other than those specified at Sl. Nos. 1 to 10 of this rule, if any.)	Any person who is liable for audit under section 44AB of the Act.
12.	Cash deposits during the period 09th November, 2016 to 30th December, 2016 aggregating to–(i) twelve lakh fifty thousand rupees or more, in one or more current account of a person; or (ii) two lakh fifty thousand rupees or more, in one or more accounts (other than a current account) of a person.	i) A banking company or a co-operative bank to which the Banking Regulation Act,1949 applies (including any bank or banking institution referred to in section 51 of that Act); (ii) Post Master General as referred to in clause (j) of section 2 of the Indian Post Office Act, 1898.

13.	Cash deposits during the period 1st April,2016 to 9th November, 2016 in respect of accounts that are reportable under Sl.No.12	(i) A banking company or a co-operative bank to which the Banking Regulation Act,1949 applies (including any bank or banking institution referred to in section 51 of that Act); (ii) Post Master General as referred to in clause (j) of section 2 of the Indian Post Office Act,1898 .

The periodicity and due date of furnishing statement of financial transaction or reportable account:
The statement shall be furnished electronically (under digital signature) in Form No. 61A to the Director of Income-tax (Intelligence and Criminal Investigation) or the Joint Director of Income-tax (Intelligence and Criminal Investigation) on or before 31st May immediately following the financial year in which the transaction is registered or recorded.

Consequences of not furnishing statement of financial transaction or reportable account:

- Non-furnishing of statement of financial transaction or reportable account will attract penaltyunder section 271FA. Penalty can be levied of Rs. 100 per day of default.
- Where a notice has been served under section 285BA (5) to file the statement within a period not exceeding 30 days from the date of service of such notice, and the person fails to comply with the directives of the notice, then a penalty of Rs. 500 per day will be levied from the day immediately following the day on which the time specified in such notice for furnishing the statement expires.

Group - IV

PAPER : 17

CORPORATE FINANCIAL REPORTING (CFR)

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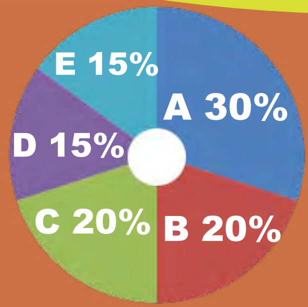
Your Preparation Quick Takes

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%**



Behind every successful business decision, there is always a CMA

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 best 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.

Triple Bottom Line

The concept of Triple Bottom Line has been developed by John Elkington in 1994. In traditional accounting system, the "bottom line" refers to either the "profit" or "loss", which is usually recorded at the very bottom line on a statement of revenue and expenses. The triple bottom line adds two more "bottom lines": social and environmental (ecological) concerns.

So, Triple bottom line (TBL) is an accounng framework with three parts:

- social,
- environmental (or ecological); and
- financial.

The main function of the TBL approach is to make corporations aware of the environmental and social values they add or destroy in the world, in addition to the economic value they add. Recent research indicates that for a variety of reasons, entitiesadopting Triple Bottom Line (TBL) reporting are making changes to the way they do, or at least think about, business. TBL has become a dominant approach today in terms of corporate reporting and being more transparent in accounting practices. Corporations are vigorously creating and publishing TBL reports in order to showcase an image of care for the economic, environmental and social dimensions of social responsibility.

Definition:

The **Triple bottom line (TBL)**is an accounting framework that incorporates three dimensions of performance: social, environmental and financial. This differs from traditional reporting frameworks as it includes ecological (or environmental) and social measures that can be difficult to assign appropriate means of measurement. The TBL dimensions are also commonly called the three Ps: people, planet and profits. The TBL captures the essence of sustainability by measuring the impact of an organization's activities on the world including both its profitability and shareholder values and its social, human and environmental capital.

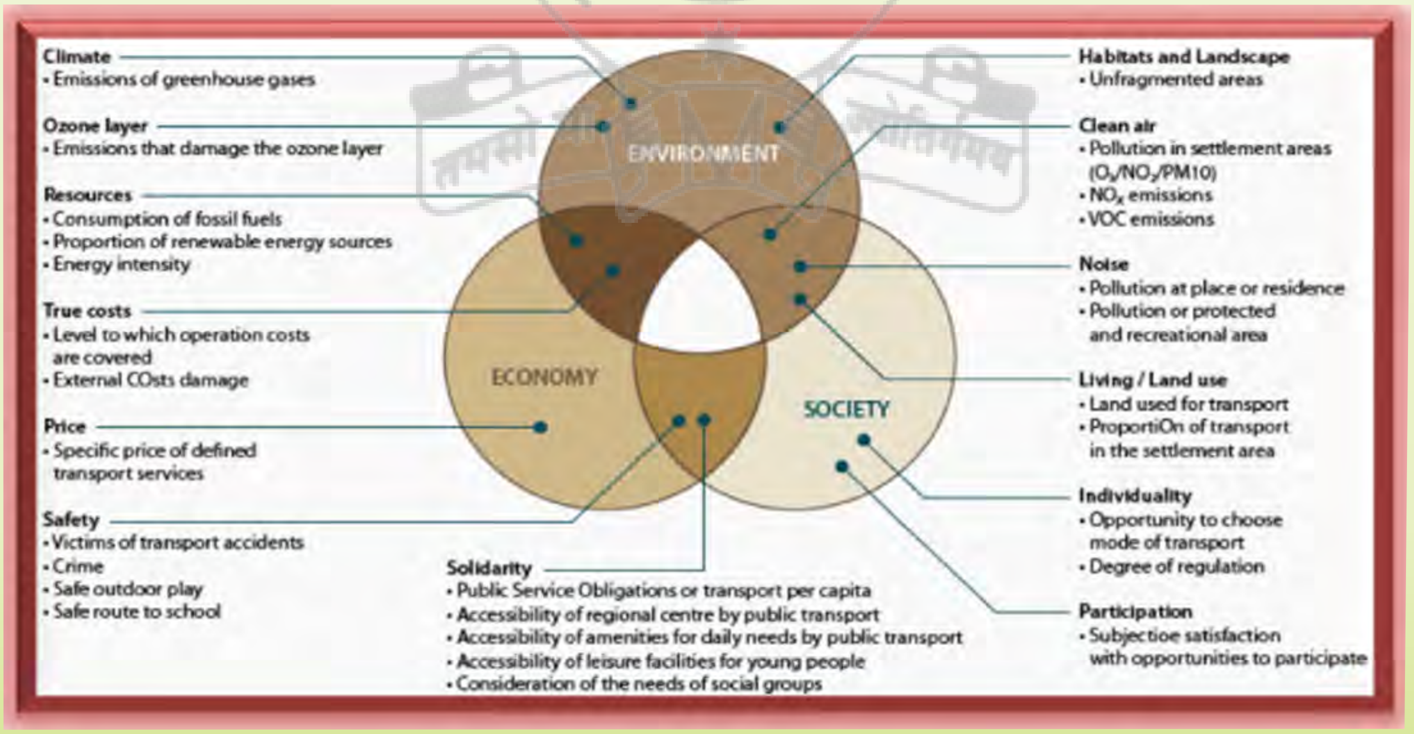
Triple bottom line reporting(TBLR) is the corporate communication of the entity with its stakeholders regarding its approach to manage economic, environmental and social dimension of its activities. Triple bottom line report is usually a stand-alone annual report through which an organization accounts for its impacts on the broader environment, society and economy, as an advance on a traditional annual report which focuses solely on an organization's financial accountability.

Basically, triple bottom line (TBL) reporting is meant to capture, describe and measure the impact of the organisation's activities on the world.

The triple bottom line exists as a kind of balanced scorecard that captures in numbers and words

the degree to which any company is or is not creating value for its shareholders and society.

Benefits of Triple Bottom Line Reporting



1. **Enhancement of reputation and brand:** Effective communication with stakeholders on one or more of TBL dimensions can play an important role in managing stakeholder perceptions and so protect and enhance corporate reputation.

2. **Securing a social license to operate:** This is kind of like reputation, an informal community and stakeholder support for the organisation's operations – communities are likely to be moresupportive of companies that communicate openly & honestly about their performance in relation to environ, social & economic factors.

3. **Attraction and retention of high calibre employees:** The publication of TBL information can play a role in positioning an employer as an employer of choice, which can enhance employee loyalty, reduce turnover attract knowledge/gold collar workers.

4. **Reduced risk profile:** When TBL reporting takes place a company shows its commitment to minimizing risk – in times of increasing litigation, where due diligence can be established and a company establishes risks, the can be better managed. In turn, this improves stakeholder relations and makes it easier to attract investment capital and therefore positively affect the share price.

5. **Identification of potential cost savings:** TBL reporting involves the collection, collation and analysis of data on resource and material usage and the assessment of business processes. This can actually help a company to better identify opportunities for cost savings through more efficient use of resources and materials.

6. **Increased scope for innovation:** In the process of reporting on all aspects of TBL, a company may actually create new innovations, e.g. trying to use less water, invent a grey water recycler.

7. **Creation of a sound basis for stakeholder dialogue**: Publication of TBL reporting creates a platform for engaging in dialogue with stakeholders. Understanding stakeholder requirements and aligning them with business performance is fundamental to business success.

Challenges of Triple Bottom Line Reporting

The triple-bottom-line reporting approach says that businesses should focus on profits as just one aspect of their mission. They should also focus on the impact of their actions on people, such as their employees and the community they live in, and on the environment. Thus, the traditional goal to generate a profit irrespective of other outcomes is tempered by the need for the business to consider the societal and environmental consequences of its actions.

Difficult to Quantify

While a company may quantify financial aspects such as earnings, revenues and costs, it is difficult to quantify social and environmental aspects. When a business makes a commitment to protecting the environment by recycling, for example, its impact is not easily discernible. Companies that embrace the triple-bottom-line approach tend to adopt more of a compliance approach, stating that they have engaged in certain activities that are environmentally sound, for example.

Management Conflict

A business's management traditionally aims to maximize returns to shareholders. Triple-bottom-line reporting might create a conflict for such a business. The benefits of any social and environmental actions that a business engages in are likely to emerge over the long term. However, they could have a short-term negative impact on profits. Most shareholders are more geared to the short-term profits than to long-term results.

Use of Triple Bottom Line:

The Triple Bottom Line is essentially a reporting system. Of itself, it doesn't actually improve the company's impact on people or the environment, any more than the action of producing a set of management accounts would affect profits.

However, it can be used to drive improvements in the way an organization impacts people and the environment by helping managers focus on what they need to do to improve all of the bottom lines, and keeping this work high on their agendas.

As with all measurement systems, though, the cost of monitoring and calculating three bottom lines can be considerable. And you can only justify this cost if you can do some greater good as a result of having the figures. What's more, you certainly don't have to have Triple Bottom Line reporting in place to treat people well, or be conscientious about your impact on the environment. In many cases, money that could be spent on monitoring the Triple Bottom Line could better be used on people- or planet-friendly initiatives.

Financial Reporting vis-a-visTriple Bottom Line Reporting

Origin: The origination of financial reporting precedes that of Triple bottom line reporting, the latter being just a few decades old.

Nature: It is mandatory for corporates to prepare and present their financial reports; while preparation of full TBL reports including social and environmental dimension is voluntary in nature.

Scope: Triple bottom line reporting is broader in scope than financial reporting, as the former includes the reporting of social and environmental performances in addition to the financial performance of an organisation.

Contents: The information contained within a TBL report is of a different nature to that included in a financial report. Thus, TBL reporting enables environmental and social risks that have the capacity to materially affect long-term financial performance to be identified and, therefore, taken into consideration when preparing financial reports.

Summary

The Triple Bottom Line concept developed by John Elkington has changed the way businesses, nonprofits and governments' measure sustainability and the performance of projects or policies. Beyond the foundation of measuring sustainability on three fronts—people, planet and profits—the flexibility of the TBL allows organizations to apply the concept in a manner suitable to their specific needs.

There are challenges to putting the TBL into practice. These challenges include measuring each of the three categories, finding applicable data and calculating a project or policy's contribution to sustainability. These challenges aside, the TBL framework allows organizations to evaluate the ramifications of their decisions from a truly long-run perspective.

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Group - IV

PAPER : 18

INDIRECT TAX LAWS & PRACTICE (ITP)

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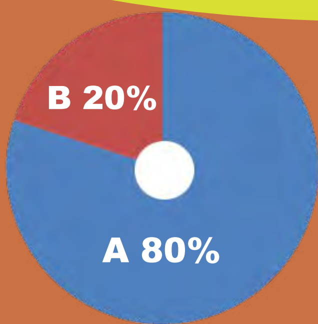
Your Preparation Quick Takes

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 on Inputs

Introduction

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. Both manufacture as-well-as rendering of services involve the utilisation of inputs. In this section, the CENVAT Credit Rules regarding inputs and its applications have been highlighted.

Inputs - Meaning

The term 'Inputs' has been defined under Rule 2(k) of the CENVAT Credit Rules, 2004. As per Rule 2(k), input includes:

- All goods used in the factory by the manufacturer of the final product.
- All goods (including accessories) cleared along with the final product;
- All goods used for giving free warranty.
- All goods used for generation of electricity or steam for captive use;
- All goods used for providing any output service. However, the following are specifically excluded from the definition of inputs:
- Light Diesel oil, high speed diesel oil, Motor spirit commonly known as Petrol.
- Any goods used for construction of building or a civil structure or laying of foundation or making of structure for support of capital goods.
- Motor Vehicles (In case of specific service providers, motor vehicle is regarded as capital goods.)
- Capital goods except when used as parts or components in the manufacture of a final product.
- Any goods, such as food items, goods used in a guesthouse, residential colony, club or a recreation facility and clinical establishment, when such goods are used primarily for personal use or consumption of any employee.
- Goods having no relationship whatsoever with the manufacture of final product

When can CENVAT Credit be taken on inputs?

As per Rule 4(1) of the CENVAT Credit Rules, 2004, the CENVAT credit can be taken as under:

- **In case of manufacturer**: CENVAT Credit on inputs can be taken immediately on receipt of the inputs in the factory of the manufacturer.
- **In case of provider of output service**: CENVAT Credit on inputs can be taken immediately on receipt of the inputs in the premises of the output service provider; or when the inputs are delivered to the provider of output service (subject to maintenance of documentary evidence of delivery and location of the inputs).

NB: In the above provisions, the use of the word 'immediately' should be noted. It means the CENVAT credit can be taken immediately after the receipt of the inputs. It does not force the manufacturer/ service provider to take the credit immediately. Thus, there is no time-limit for availing the credit.

Discuss whether the following goods can be considered as 'Inputs' for the purpose of claiming CENVAT credit.

- **Goods used for testing**: Yes; as testing happens to be an inherent part of manufacture.
- **Goods used for quality control**: Yes; as quality control happens to be an inherent part of manufacture.
- **Goods used for trial run**: Yes; as trial run is a necessary part of manufacture.
- **Goods used for packing**: Yes; as packing materials happen to be goods cleared along with the final product.
- **Goods lost normally viz. evaporation, spillage etc.**: Yes; as normal loss is unavoidable and hence, is a part of regular manufacture or production process.
- **Goods used for painting of capital goods**: Yes; as such goods are used in the factory of the manufacturer.
- **Goods used for repairs and maintenance of capital goods**: Yes; as such goods are used in the factory of the manufacturer.
- **Goods stolen from store-room**: No; as such goods were never 'used' for manufacture or rendering of service.
- **Goods used for generation of electricity supplied to residential quarters**: No; as the goods have not been used within the factory.
- Even though the residential houses are situated within the factory premises, it had been held [*Indo Rama Synthetics (India) Ltd. v. CCEx*] that goods used for generation of electricity supplied to such residential quarters cannot be considered as 'inputs' as they have no relationship with manufacturing activity.

- **Explosives used in captive mines**: Yes; as captive mine's (i.e. mines supplying goods only to assessee's factory) are treated as extension of factory, explosives used in captive mines may be regarded as 'inputs' [*Vikram Cement v. CCEx*].
- **Explosives used in non-captive mines**: No; as the non-captive mine cannot be considered as extension of factory, explosives used in captive mines cannot be regarded as 'inputs'.

Illustration on availment of CENVAT credit on inputs & capital goods:
H Ltd. is a large-scale organisation engaged in the manufacture of motor cycles. The following are the details regarding items purchased by it and the duty paid thereon:

Items purchased	*Duty paid on purchase (Rs.)*
Raw steel & aluminum	24,000
Batteries	46,000
Cutting oil	8,300
Electric lamps for lighting manufacturing area	25,000
Paints used for painting motor cycles	4,200
Lubricating oil	15,000
Diesel	45,300
Office equipments	20,000
Primary packing material	12,000
Petrol	33,500

You are required to compute the amount of CENVAT credit admissible to H Ltd.

Solution: **Computation of CENVAT credit admissible to H Ltd.**

Items	*Details*	*Amount (Rs.)*
Raw steel & aluminum	Used in factory & related to manufacture	24,000
Batteries	Accessory of motor-cycles	46,000
Cutting oil	Used in factory & related to manufacture	8,300

Electric lamps for lighting manufacturing area	Capital goods; Used in factory [50% of Rs. 25,000]	12,500
Paints used for painting motor cycles	Used in factory & related to manufacture	4,200
Lubricating oil	Used in factory & related to manufacture	15,000
Diesel	Specifically excluded	Nil
Office equipments	Specifically excluded	Nil
Primary packing material	Process incidental to manufacture	12,000
Petrol	Specifically excluded	Nil
Total CENVAT Credit admissible		**1,22,000**

Group - IV

PAPER : 19

COST & MANAGEMENT AUDIT (CMAD)

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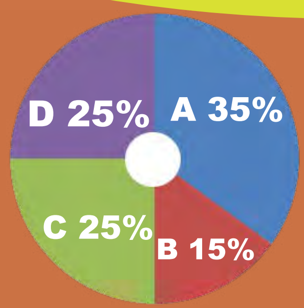
Your Preparation Quick Takes

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 – with specific reference to Valuation of Inventories.

Introduction

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.

Valuation of Inventories is one of the most important areas of internal audit, as its correct or otherwise value affects the true and fair view of the affairs of the company. This relates to examination of quantity, quality, compositions and real value of the stock of inventories as on a particular day.

Definition

"Inventories" are assets:

- held for sale in the ordinary course of business;
- in the process of production for such sale;
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are found in the form of

- Raw Materials
- Work in Process
- Finished goods
- Stores and spares, consumables and tools.

Following the conservative method of accounting the inventories are presented in the books of accounts at cost, or net realisable value, whichever is lower. Therefore it is important to understand the method to arrive at both cost and net realisable value of inventory for its correct presentation in the books of accounts.

Cost of Inventories

The cost of Inventories mainly comprises of Cost of purchase and Cost of conversion as described below.

1. Cost of inventories shall comprise of all costs of purchase, costs of services, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2. The costs of purchase shall consist of purchase price including duties and taxes, freight in wards and other expenditure directly attributable to the acquisition. Trade discounts, rebates and other similar items shall be deducted in determining the costs of purchase.

3. The costs of services in the case of a service provider shall consist of labour and other costs of personnel directly engaged in providing the service including supervisory personnel and attributable overheads.

4. The costs of conversion of inventories shall include costs directly related to the units of production and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. Fixed production overheads shall be those indirect costs of production that remain relatively constant regardless of the volume of production. Variable production overheads shall be those indirect costs of production that vary directly or nearly directly, with the volume of production.

5. The allocation of fixed production overheads for the purpose of their inclusion in the costs of conversion shall be based on the normal capacity of the production facilities.

Normal capacity shall be the production expected to be achieved on an average over anumber of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The actual level of production shall be used when it approximates to normal capacity. The amount of fixed production over head sallocated to each unit of production shall not be increased as a consequence of low production or idle plant.

6. Unallocated overheads shall be recognised as an expense in the period in which they are incurred. In periods of abnormally high production, the amount offixed production overheads allocated to each unit of production is decreased so that inventories are not measured above the cost. Variable production overheads shall beassigned to each unit of production on the basis of the actual use of the productionfacilities.

7. Where a production process results in more than one product being produced simultaneously and the costs of conversion of each product are not separately identifiable, the costs shall be allocated between the products on a rational and consistent basis. Whereby-products, scrap or waste material are immaterial, they shall be measured at netrealisable value and this value shall be deducted from the cost of the main product.

Other Costs which are also considered for valuation are the costs to the extent that theyare incurred in bringing the inventories to their present location and condition.

Interest and other borrowing costs shall not be included in the costs of inventories, unless they meet the criteria for recognition of interest as a component of the cost asspecified in the Income Computation and Disclosure Standard on borrowing costs.

It may be noted that the following nature of expenses should not form part of the cost. In other words they shall be recognised as expenses of the period in which they are incurred, such as

- Abnormal amounts of wasted materials, labour, or other production costs;
- Storage costs, unless those costs are necessary in the production process prior to a further production stage;
- Administrative overheads that do not contribute to bringing the inventories to their present location and condition ;
- Selling costs.

Cost of inventories, assigned by using the First-in First-out (FIFO), Last in first out (LIFO) or weighted average cost formula. The formula used shall reflect the fairest possible approximation to the cost incurred inbringing the items of inventory to their present location and condition. And whatever method is followed it should be used constantly

Net Realisable Value

1. Inventories shall be written down to net realisable value on an item-by-item basis.Where 'items of inventory' relating to the same product line having similar purposes or enduses and are produced and marketed in the same geographical area and cannot be practicably evaluated separately from other items in that product line, such inventoriesshall be grouped together and written down to net realisable value on an aggregate basis.

2. Net realisable value shall be based on the most reliable evidence available at the time of valuation. The estimates of net realisable value shall also take into consideration the purpose for which the inventory is held. The estimates shall take into considerationfluctuations of price or cost directly relating to events occurring after the end of previous year to the extent that such events confirm the conditions existing on the last day of the previous year.

3. Materials and other supplies held for use in the production and where there has been a declinein the price of materials and it is estimated that the cost of finished products will exceed thenet realisable value, the value of materials shall be written down to netrealisable valuewhich shall be the replacement cost of such materials.

Change of Method of Valuation of Inventory

The method of valuation of inventories once adopted by a person in any previous year shall not be changed without reasonable cause.

Valuation of Inventory in Case of Certain Dissolutions

In case of dissolution of a partnership firm or association of person or body of individuals, notwithstanding whether business is discontinued or not, the inventory on the date of dissolution shall be valued at the net realisable value.

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Group - IV

PAPER : 20

STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION (SPBV)

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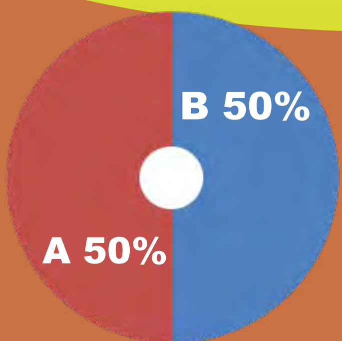
CMA

Your Preparation Quick Takes

Syllabus Structure

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



Behind every successful business decision, there is always a CMA

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 examiners 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!

Business Valuation Model

Business valuation is a process and a set of processes utilized to find out what a business is value. Business valuation intends to find out an intrinsic value based on active information in relation to a business and its environment. To attain a trustworthy valuation, the evaluator should complete a precise business analysis before finding out the final value. The quantitative method, specifically, always exercised to get the company's value, should be harmonized by qualitative method, that is, the evaluator should investigate the company, products, opponents, its industry, human resources, research, marketing, etc. to comprehend how all these facets unite to make the value for the business. Well-cooked study decreases the risk for malfunctions in the final value. According to Soffer and Soffer (2003), the excellence of a business valuation can be accomplished by using widespread evaluation process, that is, business analysis, accounting analysis, financial statement analysis, forecasting and valuation.

Business valuation model is a set of suppositions and a variety of valuation methods made for computing the value of a business. All the aforementioned evaluation process finds out the input values for the computation of a business value. There are many models available for estimating a business value. Out of which, three models are normally used in business valuation. These are:

1. Asset-based model

The objective of the model is to investigate and revaluate the business's assets and liabilities getting the substance value, which is equity. The substance value is therefore assessed as assets minus liabilities. The substance value must be positive if liabilities are higher than assets. The fundamental thought is that business's value could be decided by searching the balance sheet. Unluckily the balance sheet value cannot be utilized since the book value rarely is similar to as the real value excepting the case of liabilities that is habitually accounted in real value. But while principles of accounting are followed, assets are regularly depreciated over their life expectancy and while the asset-based model is used, the real value for these assets must be established. There are two common methods for evaluation of the substance of the assets, (a) collective revaluation (capitalised excess earnings method) and (b) individual revaluation (asset accumulation method).

The convenient application of the asset-based model can be outlined in the following way:

(a) Develop a cost-basis balance sheet.
(b) Find out which assets and liabilities on the cost-basis balance sheet need a revaluation adjustment.
(c) Make out off-balance sheet intangible assets or contingent assets that should be identified and valued.
(d) Make out off-balance sheet or contingent liabilities that should be identified and valued.
(e) Assess the value of the different asset and liability accounts identified in (b) to (d).
(f) Create a value-based balance sheet based on the specified values finished in step (a) to (e) and enumerate the subject value.

This model can be useful for valuing small private companies where the cash flow is hard to predict. It is furthermore useful while assets are likely to be a large part of the company value, for example, real estate companies, investment companies, etc. because market values of these companies is habitually simple to assess. This model is not suitable whilst the company asset consisting mainly of intangible assets.

2. Income-based model

It is also called discounted cash flow model. It is recognized as a suitable method by business evaluators. This model comprises evaluation of the business value by computing the present value of every potential benefit flows that the business is normal to create. To determine the business value the evaluator should consider the following components:

(a) Assessment of business life expectancy.
(b) Assessment of future income flows so as to a business will make in its life expectancy.
(c) Assessment of discount rate so as to compute the present value of the estimated income flows.

There are numerous unlike income-based models dependent on which kind of income flows that will be discounted. The general income flows which are regularly utilised in the income-based models are dividends, free cash flows and residual income.

The dividends and cash flow models are two appraises that talk about direct payment flows from a company to shareholders and the residual income appraise has a spotlight on return that is based on company's book value as well as accrual accounting. The selection of a model will rely on the evaluator's buoyancy in prognostic the potential income flow, the rationale of the valuation and the kind of company.

Discounted cash flow indicates the future profits and it has spotlight on cash flows so as to the company will make for its owners. Discounted cash flow is habitually construed as a total of cash flows so as to the company provide to its shareholders without abstaining from investment, which is an assurance for potential growth. Free cash flow is the cash flow which residue after gratifying every financial liability together with the interests as well as realising all essential investments. The prediction of free cash flow usually comprise of revenue, operating margin before depreciation, operating profit before depreciation, interest and taxes, taxes on operating profit after fiscal depreciation, change in operating working capital, deduction of net investment in current, intangible and tangible fixed assets including goodwill. To find out the business value by assessing the present value of the usual potential returns on business the evaluators apply different discount rates depending on valuation model, that is, risk-free rate and the requirements in terms of return on investment or equity. Capital asset pricing model (CAPM) is a method to find out requirements in terms of return on equity, that is, business specific risk that is an element of discount rate. This method portrays the risk as an association between the share prices past growth and the stock market indices. Three inputs are required to utilise the capital asset pricing model, that is, the risk-free investment, risk premium and beta (relating to market portfolio). There is a difficulty to assess the cost of equity using CAPM while it revives the valuation of non-listed companies because there is no beta value. The cost of equity acquired by CAPM is regularly utilized to assess the weighted average cost of capital (WACC). WACC is generally used as discount rate in discounted cash flow (DCF) model.

3. Market-based model

The market-based model determines business or company value by contrasting one or more of the issue company to the identical features of other companies that have a recognized market value. There are two methods to contrast companies (a) publicly traded companies information and (b) merged and acquired companies' transaction information or both may be used for comparison as directives for the valuation. Besides this, the third source of similar company transaction data is prior transactions of the subject company.

The publicly traded companies develops the value on the basis of prices as a result of which stocks of related companies are traded in a public market and the merged and acquired companies' employs transfers of sold, habitually 100 per cent possession alterations of related companies.

This model is greater because no inferences require to be made. The model confines the latest mood of the market and it is usually simpler to employ than the asset-based model and income-based valuation models. The market-based model furthermore needs less information than the discount models. Nonetheless, the model is easier to comprehend and present to users contrasting to the discounted cash flow. But finding out the sufficient comparing objectives are the greatest drawback of the model. This model has also challenging because most of the price multiples are on the basis of accounting information building it susceptible and deduce an insightful accounting analysis. Reliability of the transaction data is doubtful in this method.

Other approaches of business valuation model are income-asset model (excess earnings/treasury method and excess earnings/reasonable rate method) and sanity checks model (justification of purchase method and rules of thumb method).

I expect that these above-mentioned tips come useful for the Final Examination.

SUBMISSIONS

Dear Students,

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

HI THIS IS SHILPA BANERJEE (GOLD MEDALIST IN OPERATION MGNT & INFORMATION SYSTEM JUNE 2016 TERM) , STUDENT OF CMA FINAL AND ALONG WITH ME , PRAKASH KARMAKAR AND ARUP KUMAR MONDAL FROM DURGAPUR (W.B) . WE HAVE CLEARED INTER IN FIRST ATTEMPT IN JUNE 2016 AND SITTING FOR CMA FINAL IN JUNE 2017(BOTH GROUPS) ACCORDING TO NEW SYLLABUS 2016 .
E-BULLETIN HELPED US A LOT BY ENHANCING OUR KNOWLEDGE TO SOME SPECIFIC AREAS IN SUBJECT LIKE BUSINESS VALUATION IT HELPED US TO GIVE A PROPER UNDERSTANDING ABOUT FREE CASH FLOW CONCEPT AS TILL NOW WE WERE UNABLE TO UNDERSTAND CLEARLY THOSE CONCEPTS AS WE HAVE NO PROFESSIONAL TEACHERS TO GUIDE US .
I HAVE A REQUEST IF YOU SEND THE CONCEPTS OF THE CHAPTER " VALUATION MODEL" FROM BUSINESS VALUATION IT WILL BE VERY HELPFUL FOR US TO SCORE GOOD MARKS IN THIS PAPER .
AGAIN THANK YOU SO MUCH FOR THE INSPIRATIONAL SPEECHES OF ALL THE EMINENT PERSONALITIES AND SPECIALLY TO OUR ROLE MODEL CMA MANAS KUMAR THAKUR AND HE IS ALWAYS AN INSPIRATION FOR US AND HELPED US A LOT ....
WE ARE PROUD THAT WE ARE STUDYING THE COURSE OF CMA ....

THANKING YOU
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Updation of E-Mail Address/Mobile:

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

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

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

PRACTICAL ADVICE

ABOUT YOUR STUDIES - FINAL COURSE

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

1 ASSESS YOURSELF

2 APPEAR FOR EXAMINATION

3 SOLVE EXERCISES GIVEN IN STUDY NOTES

4 READ STUDY NOTES & MTPs

5 READ THE TIPS

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,

"Success is the sum of small efforts, repeated day in and day out." ~ Robert Collier

For the last couple of months we are trying to help in your studies by the publication of this soft version of bulletin. With the responses received from you we are really pleased and your enjoyment in reading has helped us to proceed further.

Students wishing to progress should definitely review the range of services provided by the Directorate of Studies. Information on appropriate services offered can be obtained from our website. Students' under the New Syllabus-2016 is going to appear their examination for the first time. In each subject, you have to figure out what's important and keep the main points. We do hope that 'Tips' given in papers will help them to swim across this national level professional examination and they will reach to their target.

The journey of a thousand miles starts with a single step. We are not telling you it is going to be easy —what we want to tell you it's going to be worth it. We believe that- 'Luck is for the Lazy; Success is definitely for those who work hard'. You only fail when you stop trying.

Essentials to follow:

- Stay positive,
- Work hard,
- Examine the questions carefully,
- Eliminate wrong answers,
- Use the allotted time fruitfully,
- See the positive possibilities,
- Be confident,
- Don't let the stress of your exams to restrict you,
- Be relaxed and calm down.

Students at this level study highly developed and complex levels of knowledge enabling the development of in-depth and original responses to complicated and unpredictable problems and situations. A qualification at this level is appropriate for people working as knowledge based professionals or in professional management positions. We believe that Students at this level of study should display a mastery of high level knowledge and skills and have professional based skills.

Nothing can stop you from doing your best; nothing can pull you down – as long as you start studying hard and stop fooling around. You have done it before and you can do it now. Exams don't test your knowledge as much as they test your state of mind; rather exams are your opportunity at proving your worth to everyone around you. Grab it and do your best, don't let it pass through. Follow your heart but take your brain with you.

"Make the most of yourself, for that is all there is for you." ~ Ralph Waldo Emerson

Believe in yourself and be successful...........................

Cultivating Confidence

CMA (Dr.) Sreehari Chava
Cost & Management Consultant,
Nagpur, Maharastra,
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01.00 Confidence

Confidence is the term being used to describe how one feels about one's owncapabilities. Confidence includes knowing what to do to steer out of difficult situations. Confidence, therefore, is also about problem solving and decision making.

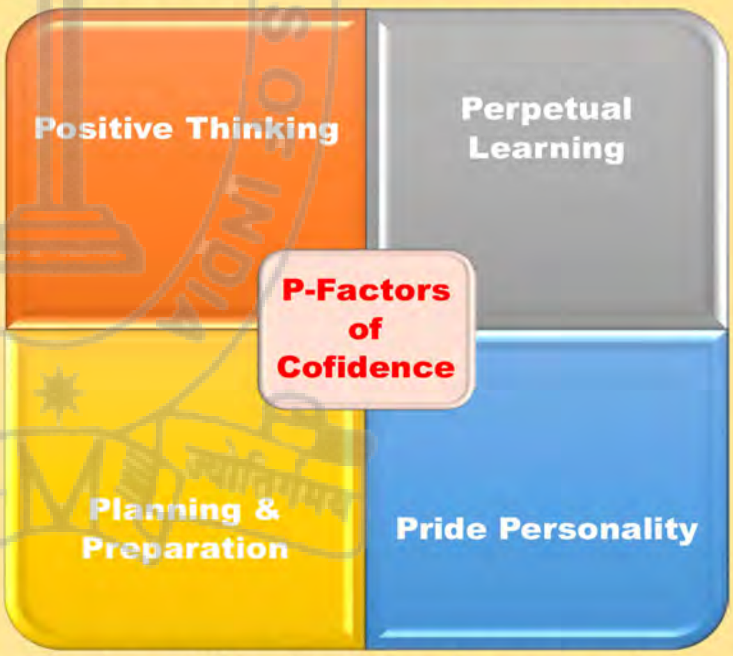
Confidence is the booster that comes from within that emboldens you to feel, 'Yes, I Can do'.

Confidence is not something that can be learned like a set of rules. Rather confidence is a state of mind. Confidence comes from feelings of well-being, acceptance of your body and mind and belief in your own ability, skills and experience. To put it simply, confidence is the booster that comes from within that emboldens you to feel, 'Yes, I Can do'.

From the quietly confident doctor whose advice we rely on, to the charismatic confidence of an inspiring speaker, self-confident people have qualities that everyone admires. Self-confidence is extremely important in almost every aspect of our lives. Confident people inspire confidence in others: their audience, their peers, their bosses, their customers, and their friends. And gaining the confidence of others is one of the key means by which a self-confident person finds success.

People who lack self-confidence can find it difficult to become successful. Low-confidence can be a result of many factors including: fear of the unknown, criticism, being unhappy with self-esteem, feeling unprepared, poor time-management, lack of knowledge and previous failures, and so on.

Thefour key factors, which we refer here as P-Factors, that can cultivate your confidence and enhance your success rate are: Positive Thinking, Perpetual Learning, Planning & Preparation and Pride Personality.



02.00 Positive Thinking

Positive thinking can be a very powerful way of improving confidence. The visual fact is that positive thinking fosters positive attitude thereby boosting self-confidence. The basic rules of positive thinking are to highlight your strengths and successes and learn from your weaknesses and mistakes. This is a lot easier than it sounds as we often dwell on things that we are not happy with from our past, making them into bigger issues than they need to be. These negative thoughts can be very damaging to self-confidence and your ability to achieve goals.

The following five tips are useful towards inculcating positive thinking.

(i) **Develop Strengths &Overcome Weaknesses.** Analyse your strengths and weaknesses. Write a list of things that you are good at and things that you know need improvement. Discuss your list with friends and family. Inevitably they will be able to add to the list. Develop and celebrate your strengths and find ways to overcome and manage your weaknesses.

(ii) **Treat mistakes as learning opportunities.** We all make mistakes. Don't think of your mistakes as negatives; rather venture to uncover the learning opportunity hidden behind a mistake; and correct yourself.

(iii) **Enjoy the Achievements.** When you receive a compliment from somebody else, thank them and ask for more details; what exactly did they like? Recognise your own achievements and enjoy them by rewarding yourself and telling friends and family about them.

(iv) **Criticism is an opinion.** Everybody sees the world differently from their own perspective. What works for one person may not work for another. Criticism is just the opinion of somebody else. Be assertive when receiving criticism; don't reply in a defensive way or let criticism lower your self-esteem. Listen to the criticism and make sure that you understand what is being said. Use criticism as a way to learn and improve.

(v) **Be Constructive.** Try to stay generally cheerful and have a positive outlook on life. Only complain or criticise when necessary and when you are to do so, do so in a constructive way. Remember to offer compliments to others and congratulate them on their successes.

03.00 Perpetual Learning

Learning is perpetual. Learning helps us to feel more confident about our ability to handle situations, roles and tasks. Knowing what to expect and how and why things are done will add to your awareness and generally make you feel more prepared and ultimately more confident. By doing something we have learned a lot about, we put the theory to practice which develops confidence and adds to the learning and comprehension.

Learning gives Creativity
Creativity leads to Thinking
Thinking provides Knowledge
Knowledge makes you Great

Dr.APJ Abdul Kalam

In the workplace, training may be provided for staff to teach them how to manage or work with new systems and procedures. During a period of organisational change this is particularly important as many people will naturally resist changes. However, if those affected by the changes are given adequate information and training then such resistances can usually be minimised

Speaking to and being around people who are confident will usually help you to feel more confident. Learn from others who are successful in fulfilling the tasks and goals that you wish to achieve - let their confidence rub off on you. As you become more confident then offer help and advice, become a role-model for somebody less confident. So, be a perpetual learner and boost up your confidence.

04.00 Planning and Preparation

People often feel less confident about new or potentially difficult situations. An important factor in developing confidence is planning and preparing for the unknown.

Planning refers to the process of thinking of a sequence of action steps for the purpose of achieving some specific goal. A plan is like a map. When following a plan, a person can see how much they have progressed towards their project goal and how far they are away from their destination. Preparation refers to the act of getting ready towards implementing the plan.

For example, if you are applying for a new job, you would be wise to prepare for the interview. Plan what you would want to say in the interview and think about some of the questions that you may be asked. Practise your answers with friends or colleagues and elicit their feedback. There are many other examples of planning for an interview, perhaps you should visit the hairdresser before you go. How are you going to travel to the interview, how long will the journey take? What should you wear?

Take control of unknown situations the best you can, break down the tasks into smaller sub-tasks and plan as much as you can.

05.00 Pride Personality

It is your personality that makes you great, Your personality is reflected through your confidence. Think about the things that make your personality great. It can be your sense of humour, your sense of compassion, your listening skills, or your ability to cope with stress. You may not think that there's anything about your personality worth admiring, but if you dig deep, you'll realize that you have plenty of admirable qualities. Be aware of them and concentrate on them.

Everyone is good at something, so discover the things at which you excel, and then focus on your talents. Give yourself permission to take pride in them. Express yourself, whether it's through art, music, writing, or dance. Find something you enjoy and cultivate a talent to go with your interest.

Adding a variety of interests or hobbies to your life will not only make you more confident, but it will also increase your chances of meeting compatible friends as well. When you're following your passion, not only will it have a therapeutic effect, but you'll feel unique and accomplished, all of which can help build your self-confidence.
The beguine clue is to Identify your talents and focus on them to reach a level of excellence. Believe in yourself and be Proud of your Personality!

07.00 The Magic of Self Confidence
Here follows an interesting story of a business executive who was deep in debt and could see no way out. Creditors were closing in on him. Suppliers were demanding payment. He sat on a park bench, head in hands, wondering if anything could save his company from bankruptcy.

Suddenly an old man appeared before him. "I can see that something is troubling you," he said. After listening to the executive's woes, the old man said, "I believe I can help you."He asked the man his name, wrote out a check, and pushed it into his hand saying, "Take this money. Meet me here exactly one year from today, and you can pay me back at that time."Then he turned and disappeared as quickly as he had come.

The business executive saw in his hand a check for $500,000, signed by John D. Rockefeller, then one of the richest men in the world!"I can erase my money worries in an instant!" he realized. But instead, the executive decided to put the uncashed check in his safe. Just knowing it was there might give him the strength to work out a way to save his business, he thought. With renewed optimism, he negotiated better deals and extended terms of payment. He closed several big sales. Within a few months, he was out of debt and making money once again.

Exactly one year later, he returned to the park with the uncashed check. At the agreed-upon time, the old man appeared. But just as the executive was about to hand back the check and share his success story, a nurse came running up and grabbed the old man."I'm so glad I caught him!" she cried. "I hope he hasn't been bothering you. He's always escaping from the rest home and telling people he's John D. Rockefeller."And she led the old man away by the arm.

The astonished executive just stood there, stunned. All year long he'd been wheeling and dealing, buying and selling, convinced he had half a million dollars behind him. Suddenly, he realized that it wasn't the money, real or imagined, that had turned his life around. It was his newfound self-confidence that gave him the power to achieve anything he went after.

08.00 Quick Take
Self Confidence paves the way to the path of success. Uncover & Unleash the potential of "Aham Brahma'!

Resources:
Building Confidence, www.skillsyouneed.com, 29.03.2017
Building Self Confidence, www.mindtools.com, 30.03.2017
A Short Story on Self Confidence,www.academictips.org., 14.04.2017

www.icmai.in

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Behind every successful business decision, there is always a CMA