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CMA STUDENTS' E- bulletin

FINAL

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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Behind every successful business decision, there is always a CMA

Message from the President

Dear Students,

Greetings!!!

"Education is not the learning of facts, but the training of mind to think" – Albert Einstein

Education is a very vital tool that is used in the contemporary world to succeed. Education is like a candle in darkness which brings light. This light shows the correct way to follow. Education can only enable a human being to attain the greatest possible and also make a person ready to face any challenge in life.

I sincerely request you that everyday do something which will inch you closer to a better tomorrow. Push yourself because no one else is going to do it for you. Start believing in yourself, overcome fear of failure, develop from the negatives and if things don't work out take another shot, enjoy life, never give up, success is bound to come.

I have full faith on your capacity and strength and I believe that you will deliver your best in the years to come and will make your Institute and your country happy.

I hope you find E-bulletin helpful in your preparation and I am sure that you must capture good things out of it.

My sincere thanks goes to all the eminent academicians who are constantly giving input for it. I must appreciate the effort of Directorate of Studies for timely running the issues.

Best wishes

CMA Sanjay Gupta,

President
The Institute of Cost Accountants of India

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Message from the Vice-President

My Dear Student Friend,

"Work to Learn, Learn to Work"

We firmly believe that knowledge cannot be stolen or confiscated; neither can it be divided. Knowledge increases when it is shared, hence, knowledge is the greatest wealth. If your education imparts such knowledge then you have earned yourself the greatest asset. However, whether that knowledge can be correlated to success can only be decided by the way you put it to use. Education is just the process of learning. Education doesn't stop because you have left college and does not stop because you started attending professional course.

A great career without a great education is only a dream. The Directorate of Studies of the Institute of Cost Accountants of India and CMA Manas Kumar Thakur President (2016-17) who is Chairman, Training, Education and Placement Committee ICAI and his team is ready to guide and co-operate with you to realize your dream that is, smart success. Please read the study materials, business newspapers for updates meticulously, follow the tips given by the experts, raise doubts and revert back with your queries.

We have enormous faith on our students and we trust that the future of the World is with us as our students will deliver their best to the society and help to build the pillars of future India in the years to come!

Our best wishes to all future CMAs whom we are sure will be part of the Government of India mission and its Nation Building Process, Grow and Let the Nation Grow.

Thanks and ensure CMA SHINES

CMA H Padmanabhan

Vice President
The Institute of Cost Accountants of India

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Message from the Chairman

Dear Students,
Greetings,

"When Educating the minds of our youth we must not forget to educate their hearts"- Dalai Lama.

Your professional journey must be a quest for knowledge that goes far beyond the limitations of conventional curricula, text books and standardised examinations. I believe that when the students are pursuing the course they must try to secure the ability, be strong in their principles and be confident to face challenges. We learn to do by doing and mistakes are proof that you are trying. He who is afraid of asking is ashamed of learning. So, if you want to be more powerful in life, educate yourself; it is that simple. Always keep in mind that the expert in anything was once a beginner and you should have the courage to follow your heart and intuition.

E-bulletin helps you in your preparation as I have received information from many of you and I am sure that you must capture good things out of it.

My sincere thanks go to all the eminent academicians who are constantly giving input for it. I must appreciate the effort of Directorate of Studies for their team spirit in making the timely issues.

Hope all of you have enjoyed Durga Puja, Dussehra & Onam festivals. As Diwali is approaching; I wish all of you A Happy Diwali!

Remember the sayings of M.K.Gandhi-***"Live as if you were to die tomorrow, Learn as if were to die forever".***
Best wishes to you all,

CMA Manas Kumar Thakur

Chairman,
Training & Education Facilities (T& EF) Committee

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Contents

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.: 8 , OCTOBER 2017, ISSUE

Group - III
Paper - 13
Corporate Laws & Compliance (CLC)

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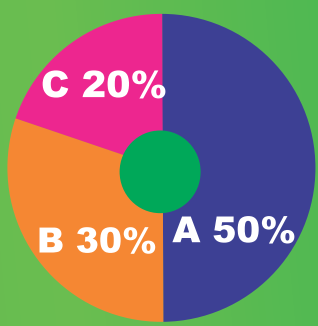
Your Preparation Quick Takes

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.

CORPORATE LAWS AND COMPLIANCES

1.0 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.

2.0 The syllabus is divided into three parts:

- Companies Act, 2013
- Other Corporate Laws
  - a) SEBI Laws and Regulations
  - b) The Competition Act, 2002, and its role in Corporate Governance
  - c) Foreign Exchange Management Act, 1999
  - d) Laws related to the Banking Sector
  - e) Laws related to the Insurance Sector
- Corporate Governance
  - a) Corporate Governance
  - b) Social, Environmental and Economic Responsibilities of Business

3.0 Companies Act, 2013

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.

Company Law may be divided into Five Parts:

a) Interpretation and types
b) Management of the Company
c) Accounts, Audit and Dividend
d) Shareholder's role and rights
e) End of a company

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

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

Company capital

Any business will have only two sources of capital. Own capital or loan capital, which is called equity capital and credit capital. The equity capital shall be permanently invested in the company whereas the loan has to be repaid after a certain period as per the terms of laon. However, there may conversion of loan into equity or equity into loan, if the company and the investor so decides.

The various types of instruments for raising capital is discussed below.

Shares and Debentures

Shares and debentures are the main source of long term source of capital. Companies Act does not consider working capital as capital and therefore the restrictions relating to treatment of capital do not apply to working capital.

Shares defined

A share is defined as unit of ownership that represents an equal proportion of a company's capital. It entitles its holder (the shareholder) to an equal claim on the company's profits and an equal obligation for the company's debts and losses.

Two major types of shares are (1) ordinary shares (common stock), which entitle the shareholder to share in the earnings of the company as and when they occur, and to vote at the company's general meetings of shareholders, and (2) **preference shares** (preferred stock) which entitle the shareholder to a fixed predetermined rate of dividend but generally do not have voting rights. The dividend is payable only when the Company makes adequate profits. This kind of shares is preferred for both payment of dividend and the payment of principal (redemption) on liquidation. Otherwise also preference shares have to be redeemed within 10 years of date of issue (20 years in case of infrastructure companies)

Types of Share Capital:

There are various terms used in connection with the share capital of the company. They are as follows:

Authorized / Registered / Nominal Capital-

This is the Maximum Capital which the company can raise. This is mentioned in the Memorandum of the Association of the Company. It is also called Registered Capital or Nominal Capital. Authorised capital may be increased by altering the Memorandum of Association.

Issued Capital-

This is the part of the Authorised Capital which is issued to the public for subscription i.e. any person to whom the invitation is made may subscribe for shares. Private limited companies can issue shares to its existing shareholders by way of rights issue or by way of giving them bonus shares or it can issue securities through private placements. The act of creating new issued shares is called issuance, allocation or allotment. After allotment, a subscriber becomes a shareholder. The number of issued shares is a subset of the total authorized shares.

Subscribed Capital-

The issued Capital may not be fully subscribed (applied for) by the investor/public. Subscribed Capital is that part of issued Capital for which applications are received from the public. In case applications are for more than the issued capital, we call it over subscription. If it is less, it is called under subscription.

Paid-up Capital-

The part of subscribed capital which have been paid to the company by the investors i.e. the Company may require 50% of the value of shares while making subscriptions. In such case 50% of the value received by the company shall be the paid up capital.

For any company, paid-up capital is important as many provisions of the Act and Rules require various types f compliances based on paid-up capital.

Debentures

A debenture is a type of long term debt instrument which acknowledges debt. Debentures are backed only by the general creditworthiness and reputation of the issuer. Both corporations and governments frequently issue this type of bond to secure capital. Debentures may be secured or unsecured.

Types of Debenture:

The major types of debentures are redeemable, irredeemable, convertible, non-convertible, fully, partly, secured, unsecured, fixed, floating rate, zero coupon, deep discount. Following are the various types of debentures vis-a-vis their basis of classification:

Redeemable and Irredeemable (Perpetual) Debentures

Redeemable debentures carry a specific date of redemption on the certificate. The company is legally bound to repay the principal amount to the debenture holders on that date. On the other hand, irredeemable debentures, also known as perpetual debentures, do not carry any date of redemption. This means that there is no specific time of redemption of these debentures. They are redeemed either on the liquidation of the company or when the company chooses to pay them off to reduce its liability by issues a due notice to the debenture holders beforehand.

Convertible and Non-Convertible Debentures

Convertible debenture holders have to convert their holdings into equity shares. The rate of conversion and the period after which the conversion will take effect are declared in the terms and conditions of the agreement of debentures at the time of issue. On the contrary, non-convertible debentures are simple debentures which will continue to be debentures till redemption. However, if option is given to the investor to convert or not to convert the debenture into shares, this kind of debenture is called optionally convertible debentures.

Fully and Partly Convertible Debentures

Convertible Debentures are further classified into two – Fully and Partly Convertible. Fully convertible debentures are completely converted into equity whereas the partly convertible debentures have two parts. Convertible part is converted into equity share as per agreed rate of exchange based on terms of issue. Non-convertible part remains as redeemable debenture which is repaid after the expiry of the agreed period.

Secured and Unsecured Debentures

When the debenture is secured by the charge on some asset or set of assets it is known as secured or mortgage debenture and when it is issued solely on the credibility of the issuer is known as the naked or unsecured debenture. In case of unsecured debenture, the Debenture holder is like any other unsecured creditor. In case of secured debenture, there is a security created by the company on its assets. In case of issue of debenture on private placement basis, the security can be decided by the issuer company and the investor.

Public issue of debentures have to be secured, if the maturity period is more than 18 months. In such case, a debenture trustee is appointed, to whom the security is mortgaged with a condition that if the company fails to repay interest or principal, the debenture trustee shall have right to sale off the property and satisfy the claims of debenture holders both interest and principal.

Fixed and Floating Rate Debentures

Fixed rate debentures have fixed interest rate over the life of the debentures. The floating rate debentures have the floating rate of interest which is dependent on some benchmark rate and goes on fluctuating depending on market conditions.

Zero Coupon Debentures

Zero coupon debentures do not carry any coupon rate (interest) or we can say that there is zero coupon rate. The debenture holder will not get any interest on these types of debentures. In such case a warranty is issued with a debenture which may have entitlement to get a share at discount. This compensates the interest foregone. However, zero coupon rate debentures may be issued at discount and are normally called "discounted bonds". If the maturity period is long it is called "deep discount bond".

Raising of Capital

A company may raise funds for different purposes depending on the time periods ranging from very short to fairly long duration. The total amount of financial needs of a company depends on the nature and size of the business. The scope of raising funds depends on the sources from which funds may be available. The business forms of sole proprietor and partnership have limited opportunities for raising funds. They can finance their business by the following means :-

- Investment of own savings
- Raising loans from friends and relatives
- Arranging advances from commercial banks
- Borrowing from finance companies

Companies can Raise Finance by a Number of Methods. To Raise Long-Term and Medium-Term Capital, they have the following options:-

Issue of Shares

It is the most important method. The liability of shareholders is limited to the face value of shares, and they are also easily transferable. A private company cannot invite the general public to subscribe for its share capital and its shares are also not freely transferable. But for public limited companies there are no such restrictions. There are two types of shares :-

- **Equity shares**- The rate of dividend on these shares depends on the profits available and the discretion of directors. Hence, there is no fixed burden on the company. Each share carries one vote.
- **Preference shares**- dividend is payable on these shares at a fixed rate and is payable only if there are profits. Hence, there is no compulsory burden on the company's finances. Such shares do not give voting rights.

Issue of Debentures

Debentures amount to loan and therefore should be within the borrowing powers of the directors. It is mostly issued to finance the long-term requirements of business and do not carry any voting rights.

Loans from Financial Institutions

Long-term and medium-term loans can be secured by companies from financial institutions like the Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India (ICICI) , State level Industrial Development Corporations, etc. These financial institutions grant loans for a maximum period of 25 years against approved schemes or projects. Loans agreed to be sanctioned must be covered by securities by way of mortgage of the company's property or assignment of stocks, shares, gold, etc.

Loans from Commercial Banks

Medium-term loans can be raised by companies from commercial banks against the security of properties and assets. Funds required for modernisation and renovation of assets can be borrowed from banks. This method of financing does not require any legal formality except that of creating a mortgage on the assets.

Public Deposits

Companies often raise funds by inviting their shareholders, employees and the general public to deposit their savings with the company. The Companies Act permits such deposits to be received for a period up to 3 years at a time. Public deposits can be raised by companies to meet their medium-term as well as short-term financial needs.

Sweat Equity Shares

"Sweat equity shares" means such equity shares, which are issued by a Company to its directors or employees at a discount or for consideration, other than cash, for providing their know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

Stock Option

A stock option is a privilege, sold by one party to another that gives the buyer the right, but not the obligation, to buy or sell a stock at an agreed-upon price within a certain period of time.

Group - III
Paper - 14
Strategic Financial Management (SFM)

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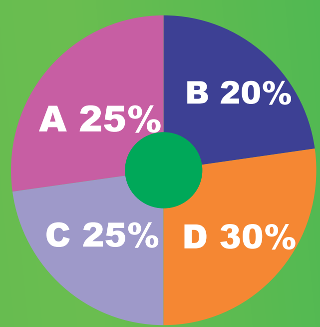
Your Preparation Quick Takes



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 on Strategic Financial Management, you will be able to:

- *compute European call option price*
- *calculate European put option price*

Illustration 1

Calculate the price of a three-month European put option on a non-dividend-paying stock with a strike price of Rs. 50 when the current stock price is Rs. 50, the risk-free interest rate is 10% per annum, and the volatility is 30% per annum.

Solution:

Black and Scholes also developed formula for determining the price of a put option and the formula is as follows:

$P = Ke^{-rT} N(-d_2) - S_0 N(-d_1)$

where P denotes price of the put option,

S_o is spot price of the underlying stock,

K is the strike price of the option,

T denotes time to expiration of option expressed in year,

r is the risk-free rate of interest,

$N(d_i)$ denotes the cumulative probability up to d_i (i= 1, 2) following standard normal distribution,

$d_1 = [l_n(S_0/k) + (r + {}^2/2)T] / \sigma\sqrt{T}$; σ is the volatility of the price of underlying stock ,

and $d_2 = d_1 - \sigma\sqrt{T}$

In the above illustration, S_o = Rs. 50, K = Rs. 50, T = 3/12 = ¼ = 0.25, r = 0.10, σ = 0.30,

$d_1 = [l_n(50/50) + (0.10 + 0.09/2)0.25] / 0.300\sqrt{.25} = 0.2417$

$d_2 = d_1 - 0.30\sqrt{.25} = 0.0917$

The European put price is

$$50\,e^{-0.10x0.25} N(-0.0917) - 50N(-0.2417)$$
$$= 50\,e^{-0.10x0.25} x\, 0.463 - 50 x\, 0.4045$$
$$= 2.37$$

Illustration 2

What difference does it make to your calculations in Illustration 1 if a dividend of Rs. 1.50 is expected in two months?

Solution:

In this case we must subtract the present value of the dividend from the stock price before using Black – Scholes. Hence the appropriate value of S_o is

$$S_o = 50 - 1.50\,e^{-0.1667x0.10} = 48.52$$

As before, K = Rs. 50, T= 3/12 = ¼ = 0.25, r = 0.10, = 0.30,

$d_1 = [l_n(48.52/50) + (0.10 + 0.09/2)0.25] / 0.300.25 = 0.0414$

$d_2 = d_1 - 0.300.25 = -0.1086$

The European put price is

$$50\,e^{-0.10x0.25} N(0.1086) - 48.52\,N(-0.0414)$$
$$= 50\,e^{-0.10x0.25} x\, 0.532 - 48.52 x\, 0.4835$$
$$= 3.03$$

Illustration 3

Consider a European call option on a stock when there are ex-dividend dates in two months and five months. The dividend on each ex-dividend date is expected to be Rs.0.50. The current share price is Rs.40, the exercise price is Rs.40, the stock price volatility is 30% per annum, the risk-free rate of interest is 9% per annum, and the time to maturity is six months. Find out the European call price.

Solution:

Black and Scholes developed formula for determining the price of a call option and the formula is as follows:

$C = S_0 N(d_1) - k e^{-rT} N(d_2)$
where C denotes price of the call option,
S_o is spot price of the underlying stock,
K is the strike price of the option,
t denotes time to expiration of option expressed in year,
r is the risk-free rate of interest,
N (d_1) denotes the cumulative probability up to d_i (i= 1, 2) following standard normal distribution,
$d_1 = [l_n(S_0/k) + (r + {}^2/2)t]/t$; is the volatility of the price of underlying stock ,
and $d_2 = d_1 - t$

In this case the present value of the dividend is subtracted from the stock price before using Black – Scholes. The present value of the dividends is

$$= 0.5e^{-0.1667*0.09} + 0.5e^{-0.4167*0.09} = 0.9741$$

The option price can therefore be calculated from the Black-Scholes formula with $S_o = 40 - 0.9741 = 39.0259$, K = 40, r = 0.09, σ = 0.3, and T = 0.5. We have

$$d_1 = \frac{\ln(39.0259 \div 40) + (0.09 + 0.3^2 \div 2) \times 0.5}{0.3\sqrt{0.5}} = 0.2017$$

$$d_2 = \frac{\ln(39.0259 \div 40) + (0.09 - 0.3^2 \div 2) \times 0.5}{0.3\sqrt{0.5}} = 0.0104$$

$$N(d_1) = 0.5800, N(d_2) = 0.4959$$

The call price is:

$$39.0259 \times 0.5800 - 40e^{-0.09 \times 0.5} \times 0.4959 = 3.67$$

Illustration 4

What is the price of a European put option on a non-dividend-paying stock when the stock price is $69, the strike price is $70, the risk-free interest rate is 5% per annum, the volatility is 35% per annum, and the time to maturity is six months? 40.64338.0*695323.0*70)1666.0(69)0809.0(70isput European theof price The0809.05.035.0dd1666.05.035.05.0)2/35.005.0()70/69(lnd0.5T and 0.35 0.05,r 70,K 69,Scase, In this

Solution:

In this case,

$S_0 = 69$, K = 70, r = 0.05, σ = 0.35 and T = 0.5

$$d_1 = \frac{\ln(69/70) + (0.05 + 0.35^2/2) * 0.5}{0.35\sqrt{0.5}} = 0.1666$$

$$d_2 = d_1 - 0.35\sqrt{0.5} = -0.0809$$

The price of the European put is

$$70e^{-0.05*0.5} N(0.0809) - 69N(-0.1666)$$

$$= 70e^{-0.05*0.5} * 0.5323 - 69 * 0.4338$$

$$= 6.40$$

Group - III
Paper - 15
Strategic Cost Management - Decision Making (SCMD)

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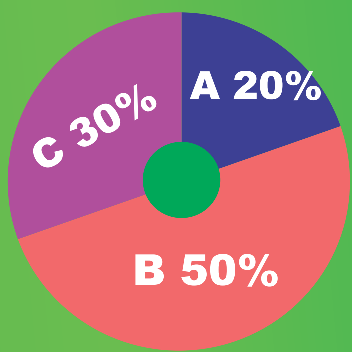
Your Preparation Quick Takes

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?

Learnings from Yield Management

01.00 Inception

The core strength of Cost Competency is 'Prudent Deployment and Optimum Utilisation of the Available Resources'. At the same time, it is one of the biggest challenges too for every Cost Manager, for many a resource tends remain idle for incomprehensible reasons. It could be an unfilled seat in a flight, a vacant berth in a train, an unoccupied hotel room, or an empty bed in a hospital. In all such eventualities, capacity unutilised is revenue lost. Yield Management, also known, as Revenue Management is the innovation that addresses the ticklish issue of under utilisation of available capacity.

Deregulation is generally regarded as the catalyst for yield management in the airline industry. As the history would have it, Yield Management was devised by American Airlines in 1985 to overcome the stiff competition posed by PeopleExpress. The Airline Deregulation Act in 1978 paved the way for deregulation of the airline industry in USA and facilitated the entry of new players into the sector. It also enabled flexibility in determining the fares and schedules. This was a huge change from a totally restricted industry to complete freedom for the Aviation Industry in America. PeopleExpress was one of the new entrants into aviation, almost 70% smaller than the then bigger airlines, but started offering very low competitive fares. The cut throat competition dented the bigger airlines severely, American Airlines being the most affected.

On January 17, 1985, American Airlines launched its "Ultimate Super Saver Fares". People thought it was a joke, a final attempt to avoid bankruptcy, but it was real. American introduced low fares, just like PeoleExpress, or in some cases even lower. There were only two differences:

a. If a passenger wanted to purchase an "Ultimate Super Saver" fare he had to book at least two weeks prior to departure, and stay at his destination over a Saturday night.
b. The number of seats that could be sold for the discounted price was restricted. In this way American could save seats for full fare customers who book just days before departure.

With these two changes American Airlines segmented the market between leisure travelers and business travelers. Both segments preferred the major airline's better service, so eventually PeopleExpress was pushed to the edge. That is how; Yield Management is stated to have come into effective practice.The concept spread to the other travel and transportation companies in the early 1990s, and gradually to many other sectors all over the world.

Yield Management Strategy is being used by many a sector such as Aviation, Hospitality, Health Care, Power Distribution, Telecommunications, etc. The demonstrative examples include lower tariffs for advance reservation by airlines; weekend discounts by hotels; time sensitive tariffs by power generation & distribution companies; the differential pricings adopted by Telecom Services, Broadcasting Media, Railways, and so on.

02.00 Cost Behaviour

Cost Managersadopt the technique of marginal costing for a sweeping number of strategic and financial applications. The technique is extensively used all over the world. It is built up around the fundamental principle that other things being equal, the fixed costs will, in total remain fixed within a relevant range regardless of the changes in the level of production and that the fixed cost per unit will constantly vary; whereas variable costs will remain constant per unit of production, and vary in total.

The technique considers the variable costs as the marginal costs and charges them off to the cost objects directly whereas fixed costs are considered as period costs and are written off in full against the contribution for that period. Being constant per unit variable costs tend to be linear with the level of activity. Variable costs are direct costs that can be traced to the cost objects conveniently. They are engineered costs that are, generally, prone to controls at the operational level.

On the other hand, fixed costs are indirect costs that are difficult to be identified with the cost objects and hence are to be addressed with a long term strategic approach. The relevant range for fixed costs may differ from situation to situation. The relevant range could assume the character of a time frame, specified capacity, or any commitment driven by a policy. Fixed Costs per unit, in a relevant range, bear an inverse relationship with the capacity utilisation. The unit costs would come down with increases in capacity utilisation and would go up if the utilisation dips down. Control of fixed costs, therefore, primarily aims at maximisation of capacity utilisation.

The application of Yield Management enhances the capacity utilisationwhereby fixed costs per unit are brought down to the feasible minimum, thus fulfilling the objectives of Marginal Costing. Obviously, Yield Management is an extension of the techniques of Cost Volume Profit Analysis of Marginal Costing.

03.00 Company Practices

Marriott International which has been using revenue management for the last 20 years has developed a Group Pricing Optimizer (GPO) and increased its revenue by $46 million in 2008. GPO is now used by over 1,500 sales managers to sell nearly 200 hotels across North America. Retail price optimization of more than 2,000 hotels of Intercontinental Hotel group has led to 2.7% increase in revenue in 2009. This was reported in 2011. Carlson Rezidor Hotel group and JDA has created next generation Revenue Optimization Tool that is being used in more than 183 hotels and made 2 to 4% revenue improvement at pilot stage. In addition, analytics-driven Operations Research and Revenue Management techniques have helped Intel, CSX Railway, USA, Canadian Pacific Railway, and Netherlands Railways to improve their bottom line significantly (reported in 2007-2009).

04.00 Yield Management in Indian Railways

04.01 Reservation Against Cancellation (RAC)

As a corollary to its governmental and social obligations, Indian Railway earmarks considerable portion of its accommodations towards various categories of passengers such as Government Exigencies,Defence, Foreign Tourist, Specially Abled, Women, Senior Citizens, etc. The quota is kept open till the last moment and the unfilled seats and berths are allotted to accommodate the passengers from the general wait list.However, the risk of some of the seats and births remaining vacant would always remain. Similarly, last minute cancellations and no shows add up to the idle berths and seats.

The concept of Reservation Against Cancellation (RAC) was evolved with a view to fill up vacant berths and seats that go idle due to passenger cancellations, quota vacancies, no shows, etc. Each train is given a fixed number of RAC allocations by splitting some of the berths into seats. RAC passengers are offered confirmed sitting accommodation with the assurance of providing berths against probable vacancies arising from any sort of quota lapses or cancellations.The system facilitates assured accommodation to the travellers while, at the same time, yielding additional earnings to the Railways. RAC is a practical example of programmed overbooking towards enabling better capacity utilisation.

04.02Auto Up-gradation

In case of upper class seats remaining vacant, lower class passengers are upgraded to higher class travel whereby more lower class vacancies can be offered to waitlisted passengers.It is reported that on the average there are two upgrades for every wait listed upgraded confirmation. Impliedly, whenever an upgrade does happen, then at least two passengers are happy, viz. the one who is upgraded to the higher class and as also the one who is confirmed in the lower class.The process of auto up-gradation, certainly, maximises the passenger capacity utilisation. In addition, this is one measure that had generated a lot of good will and proved to be a brand builder for the Indian Railways.

04.03Tatkal

Tatkal is an example of demand driven differential pricing wherein the last minute passengers are offered tickets at a premium. Tatkal bookings start a day before the scheduled journey. The tatkal charges are levied as a percentage of the basic fare, i.e. at the rate of 10% for second class and 30% for all other classes, subject to certain minimum and maximum limits. No refunds are granted on cancellation of confirmed tatkal tickets.The tatkal scheme has gained popularity amongst the rail travellers, eventually leading to Premium Tatkal.Premium Tatakal is an advancement of tatkal wherein dynamic pricing has been introduced by increasing the fare for the subsequent bookings.

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Premium special train are being run by Indian Railways with dynamic fare pricing, where dynamic fare stands for the fare component that may be increased with the subsequent bookings. Advance Reservation Period (ARP) of this train will be a maximum of 15 days. Only E-tickets will be permitted for booking. No concession shall be applicable in this train. Vacant berths left at the time of charting will be offered for current booking at current booking counters of train originating stations. Cancellation is not allowed.

04.04 Slack Season

Towards addressing the supply driven constraints, Indian Railways have implemented the concept of differential pricing by offering lower train fares during the non peak travel periods. The slack season fares are kept marginally lower than the normal, the objective being to attract more customers for the rail travel, and thereby minimise capacity losses.

04.05 Clone Trains

Clone trains are run on high-demand routes within an hour of a scheduled train's departure to accommodate those on its waiting list. The idea behind such real-time demand-driven trains is to ensure that the wait listed passengers reach their destination around the same time they had originally envisaged. A premium train would automatically get announced on the net/ on the system whenever waitlisted passengers went up beyond a point - one way or both ways. The passengers would have to pay a 'premium' if they want to avail of it.

04.06 Add On Revenue

Add On Revenue (AOR) is the Revenue generated by any of the idle resources. Post Budget 2016-17, Indian Railways has initiated several measures to make use of its idle resources and double up its revenues from non-tariff during the next five years. Such of these Add On Revenue initiatives do focus on enhancing the existing avenues by putting the idle and dormant resources to demand oriented utilisation in line with the market trend. The propositions are quite innovative and appealing. They would certainly shore up the revenues substantially when implemented.

04.07 Surge Pricing

Surge Pricing is the latest adoption of Indian Railways. Rajdhani Express models introduced in 1985, Durontos of 2010 and Shatabdis of the present day - all of them can be construed as demand driven & need warranted premium trains. Effective from 9th September 2016, i.e. exactly ten years after the introduction of dynamic pricing, IR has gone for Surge Pricing on an experimental basis. Ticket prices of Rajdhani, Duronto and Shatabdi trains will keep increasing by ten percent of the basic fare with every ten percent of the tickets sold. The fares will keep raising progressively as the tickets are sold out. Of course, the surging is subject to maximum ceiling.

Being a Social Enterprise, Indian Railways do adopt the concept of ''cap'' on fares for each class of travel. A sleeper fare would only increase to one and a half times its base fare and then remain constant; and so also for other classes. Pricing is linked to the rate of sale of tickets, read in buckets, and capped to a maximum for each class of travel.

04.08Overnight Tangle

Wherever the train travel is overnight such that by many a Rajdhani or Duronto, for example Mumbai to Delhi, full travel cost is the key factor that impacts the choice of the mode of journey of a regular passenger. Full cost, here, implies the travel cost and the hoteling cost added together. The traveller starts from home the previous evening, reaches the destination early in the morning, checks into a hotel for the daily chores, completes the day's work, vacates the hotel, takes the evening train and is home the next day morning.

In case of air, the traveller can start from home in the morning, catch the flight in the early hours, attend to the work during the day, board a return flight in the evening and be home by night. The journey having been from to home on the same day, the air traveller does not have to incur any hoteling cost. Therefore, an air traveller would opt for train travel only if the to &fro train fare and hoteling cost put together are less than the to &fro air fare. The challenging equation, thus, is "To &Fro Train Fare + Rest Room Tariff" should be less than "To &Fro Air Fare".

04.09Learning Track

The capacity for every train trip remains fixed; once the train is scheduled the seats and berths acquire the nature of perishability; trip based marginal costs are practically nil; the demand for travel can be influenced by the pricing mechanism; passenger market is segmented with different categories of travellers; and the facility of advance booking exists. All the major features of yield management are, thus, visible in the Indian Railway Model.

General wait list for the reserved accommodation is an age old tradition of the Indian Railways and reflects a chance overbooking whereas RAC is a programmed overbooking, both the measures being in the direction of augmenting the passenger capacity utilisation. Differential pricing strategy is put to use by IR through the medium of demand driven tatkal and real time based clone trains. Both of these measures are premium revenue propellers.Auto up-gradation and lower fares during slack season and are aimed at improving the capacity utilisation and generating marginal revenues.Nonfare revenue is a movement towards next best utilisation of the idle resources.Sure Pricing is a market prone approach.

These are the endeavours that can provide the Indian Railways a competitive posture towards perfecting affordable passenger fares and compatible goods tariff; These are the endeavours that shall be pursued for effective and efficient implementation; And these are the endeavours that can make Indian Railways a role model Cost Leader! In the entire process, Yield Management could be the cutting edge for the Indian Railways.

05.00 Quick Bite

If customer is the King, Yield Management is the Strategy!

Group - III
Paper - 16
Direct Tax Laws and International Taxation (DTI)

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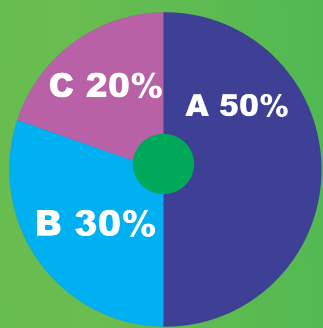
Your Preparation Quick Takes



Syllabus Structure

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

Learning Objectives:

To develop basic idea about the problem of International double taxation
To get acquainted with the methods of reliefs
To have acquaintance with the basic provisions of the provisions of the Indian Income-tax Act regarding reliefs for double taxation.

Introduction :

In this age of liberalization, privatization and globalization (LPG) trade and commerce have become more free than it was before and global exposure to our business and personal incomes have become commonplace. However, as far as taxation is concerned, and when such incomes arise to a person or business entity in consequences of inter-country transactions, it can lead to the problem of double taxation.

International double taxation has deleterious effects as taxation of the same income by two or more countries would constitute a prohibitive burden on the tax-payer and it can strike at the root of the idea of globalization itself.

In India, the basis of taxation of such international income is arrived at in a combination of (i) source basis taxation, and (ii) residence basis taxation. In consequence, the same income may be taxed both in India as well as the country from where it is earned. However, in order to provide relief to the taxpayers from such an oppressive burden of double taxation, it is an international practice to provide relief from double taxation.

Method of relief: The reliefs, as aforesaid, may be granted in two ways:

A. Bilateral relief: In this method the Governments of the concerned countries may enter into double taxation avoidance agreement (DTAA). This kind of arrangements are implemented through the following methods:

(i) Exemption method: in this method, one country gives up its right to tax the income concerned. Here, generally the country of residence of the taxpayer gives up its right and the country from where the income is earned enjoys the sole right to tax the income.

(ii) Tax credit method: Here, the tax liability of the resident taxpayer is arrived at on the basis of his global income, but a credit for tax paid in the foreign country is given to the taxpayer against his tax liability.

B. Unilateral relief: Here, one country may unilaterally give up its right to tax the income.

In India, relief for avoidance of double taxation is done in both the ways. The relevant provisions of the Income-tax Act 1961 are contained in sections 90, 90A and 91 as under.

Agreement with foreign countries or specified territories: With a view to providing relief for double taxation, the Central Government may enter into an agreement with the Government of any country outside India or specified territory outside India:

(a) for the granting of relief in respect of:
  (i) income on which have been paid both income-tax under this Act and income-tax in that country or specified territory, as the case may be, or
  (ii) income-tax chargeable under this Act and under the corresponding law in force in that country or specified territory, as the case may be, to promote mutual economic relations, trade and investment, or

(b) for the avoidance of double taxation of income under this Act and under the corresponding law in force in that country or specified territory, as the case may be, or

(c) for exchange of information for the prevention of evasion or avoidance of income-tax chargeable under this Act or under the corresponding law in force in that country or specified territory, as the case may be, or investigation of cases of such evasion or avoidance, or

(d) for recovery of income-tax under this Act and under the corresponding law in force in that country or specified territory, as the case may be.

Adoption by Central Government of agreement between specified associations for double taxation relief [Section 90A]: Any specified association in India may enter into an agreement with any specified association in the specified territory outside India and the Central Government may, by notification in the

Official Gazette, make such provisions as may be necessary for adopting and implementing such agreement:

(a) for the granting of relief in respect of:
  (i) income on which have been paid both income-tax under this Act and income-tax in any specified territory outside India; or
  (ii) income-tax chargeable under this Act and under the corresponding law in force in that specified territory outside India to promote mutual economic relations, trade and investment, or

(b) for the avoidance of double taxation of income under this Act and under the corresponding law in force in that specified territory outside India, or

(c) for exchange of information for the prevention of evasion or avoidance of income-tax chargeable under this Act or under the corresponding law in force in that specified territory outside India, or investigation of cases of such evasion or avoidance, or

(d) for recovery of income-tax under this Act and under the corresponding law in force in that specified territory outside India.

Countries with which no agreement exists [Section 91]: If any person who is resident in India in any previous year proves that, in respect of his income which accrued or arose during that previous year outside India (and which is not deemed to accrue or arise in India), he has paid in any country with which there is no agreement under section 90 for the relief or avoidance of double taxation, income-tax, by deduction or otherwise, under the law in force in that country, he shall be entitled to the deduction from the Indian income-tax payable by him of a sum calculated on such doubly taxed income at the Indian rate of tax or the rate of tax of the said country, whichever is the lower, or at the Indian rate of tax if both the rates are equal.

If any person who is resident in India in any previous year proves that in respect of his income which accrued or arose to him during that previous year in Pakistan he has paid in that country, by deduction or otherwise, tax payable to the Government under any law for the time being in force in that country relating to taxation of agricultural income, he shall be entitled to a deduction from the Indian income-tax payable by him:

(a) of the amount of the tax paid in Pakistan under any law aforesaid on such income which is liable to tax under this Act also; or

(b) of a sum calculated on that income at the Indian rate of tax, whichever is less.

<u>Questions for discussion:</u>

1. **What is meant by Double Taxation Avoidance Agreement?**
2. **In the context of Double Taxation Avoidance Agreement, explain the meaning of the term 'bilateral relief".**
3. **What is unilateral relief?**

Group - IV
Paper - 17
Corporate Financial Reporting (CFR)

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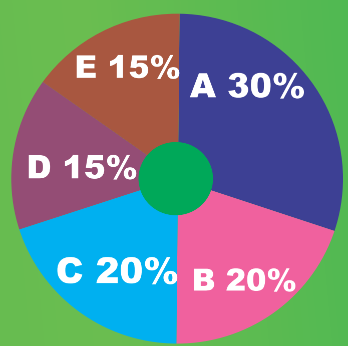
Your Preparation Quick Takes

Syllabus Structure

A GAAP and Accounting Standards **30%**
B Accounting if Business Comminations & 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.

Financial Instruments: Recognition and Measurement

FINANCIAL INSTRUMENTS – CONCEPT:

- **Financial instruments** are monetary contracts between parties. They can be created, traded, modified and settled. They can be cash (currency), evidence of an ownership interest in an entity (share), or a contractual right to receive or deliver cash (bond).

- **International Accounting** Standards IAS 32 and 39 define a financial instrument as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity".

CLASSIFICATION OF FINANCIAL INSTRUMENT:

Financial instruments can be either cash instruments or derivative instruments:

- **Cash instruments:** Instruments whose value is determined directly by the markets. They can be securities, which are readily transferable, and instruments such as loans and deposits, where both borrower and lender have to agree on a transfer.

- **Derivative instruments:** Instruments which derive their value from the value and characteristics of one or more underlying entities such as an asset, index, or interest rate. They can be exchange-traded derivatives and over-the-counter (OTC) derivatives.

SCOPE:

The scope of Recognition and Measurement of Financial Instrument has been discussed in IAS 39.

Scope exclusions:

IAS 39 applies to all types of financial instruments except for the following:

- interests in subsidiaries, associates, and joint ventures accounted for under IAS27Consolidated and Separate Financial Statements, IAS28Investments in Associates, or IAS31Interests in Joint Ventures (or, for periods beginning on or after 1 January 2013, IFRS10Consolidated Financial Statements, IAS27Separate Financial Statements or IAS28Investments in Associates and Joint Ventures); however IAS 39 applies in cases where under those standards such interests are to be accounted for under IAS 39.

- The standard also applies to most derivatives on an interest in a subsidiary, associate, or joint venture.
  - employers' rights and obligations under employee benefit plans to which IAS19Employee Benefits applies;
  - forward contracts between an acquirer and selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date;
  - rights and obligations under insurance contracts, except IAS 39 does apply to financial instruments that take the form of an insurance (or reinsurance) contract but that principally involve the transfer of financial risks and derivatives embedded in insurance contracts;
  - financial instruments that meet the definition of own equity under IAS32Financial Instruments: Presentation;
  - financial instruments, contracts and obligations under share-based payment transactions to which IFRS2Share-based Payment applies;
  - rights to reimbursement payments to which IAS37Provisions, Contingent Liabilities and Contingent Assets applies.

Leases

IAS 39 applies to lease receivables and payables only in limited respects:

- IAS 39 applies to lease receivables with respect to the derecognition and impairment provisions
- IAS 39 applies to lease payables with respect to the derecognition provisions
- IAS 39 applies to derivatives embedded in leases.

Financial guarantees

IAS 39 applies to financial guarantee contracts issued. However, if an issuer of financial guarantee contracts has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, the issuer may elect to apply either IAS 39 or IFRS 4Insurance Contracts to such financial guarantee contracts. The issuer may make that election contract by contract, but the election for each contract is irrevocable.

Accounting by the holder is excluded from the scope of IAS 39 and IFRS 4 (unless the contract is a reinsurance contract).

Loan commitments

Loan commitments are outside the scope of IAS 39 if they cannot be settled net in cash or another financial instrument, they are not designated as financial liabilities at fair value through profit or loss, and the entity does not have a past practice of selling the loans that resulted from the commitment shortly after origination. An issuer of a commitment to provide a loan at a below-market interest rate is required initially to recognise the commitment at its fair value; subsequently, the issuer will re-measure it at the higher of

(a) the amount recognised under IAS 37; and

(b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18.

An issuer of loan commitments must apply IAS 37 to other loan commitments that are not within the scope of IAS 39 (that is, those made at market or above). Loan commitments are subject to the derecognition provisions of IAS 39.

Contracts to buy or sell financial items

Contracts to buy or sell financial items are always within the scope of IAS 39 (unless one of the other exceptions applies).

Contracts to buy or sell non-financial items

Contracts to buy or sell non-financial items are within the scope of IAS 39 if they can be settled net in cash or another financial asset and are not entered into and held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale, or usage requirements. Contracts to buy or sell non-financial items are inside the scope if net settlement occurs.

The following situations constitute net settlement:

- the terms of the contract permit either counterparty to settle net
- there is a past practice of net settling similar contracts
- there is a past practice, for similar contracts, of taking delivery of the underlying and selling it within a short period after delivery to generate a profit from short-term fluctuations in price, or from a dealer's margin, or
- the non-financial item is readily convertible to cash

Weather derivatives

Although contracts requiring payment based on climatic, geological, or other physical variable were generally excluded from the original version of IAS 39, they were added to the scope of the revised IAS 39 in December 2003 if they are not in the scope of IFRS 4.

DEFINITIONS

IAS 39 incorporates the definitions of the following items from IAS 32Financial Instruments: Presentation:

- Financial instrument
- Financial asset
- Financial liability
- Equity instrument.

CLASSIFICATION OF FINANCIAL ASSETS

IAS 39 requires financial assets to be classified in one of the following categories: [IAS 39.45]

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Loans and receivables
- Held-to-maturity investments

Those categories are used to determine how a particular financial asset is recognised and measured in the financial statements.

Financial assets at fair value through profit or loss:

This category has two subcategories:

- **Designated in initial recognition:** The first includes any financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss.
- **Held for trading:** The second category includes financial assets that are held for trading. All derivatives (except those designated hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are held for trading.

Available-for-sale financial assets (AFS)

These are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as

(a) loans and receivables,

(b) held-to-maturity investments or

(c) financial assets at fair value through profit or loss.

AFS assets are measured at fair value in the balance sheet. Fair value changes on AFS assets are recognised directly in equity, through the statement of changes in equity, except for interest on AFS assets (which is recognised in income on an effective yield basis), impairment losses and (for interest-bearing AFS debt instruments) foreign exchange gains or losses. The cumulative gain or loss that was recognised in equity is recognised in profit or loss when an available-for-sale financial asset is derecognised.

Loans and receivables:

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading or designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Loans and receivables for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, should be classified as available-for-sale. Loans and receivables are measured at amortised cost.

Held-to-maturity investments:

These are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held-to-maturity investments are measured at amortised cost. If an entity sells a held-to-maturity investment other than in insignificant amounts or as a consequence of a non-recurring, isolated event beyond its control that could not be reasonably anticipated, all of its other held-to-maturity investments must be reclassified as available-for-sale for the current and next two financial reporting years. Held-to-maturity investments are measured at amortised cost.

CLASSIFICATION OF FINANCIAL LIABILITIES

IAS 39 recognises two classes of financial liabilities:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities measured at amortised cost using the effective interest method

The category of financial liability at fair value through profit or loss has two subcategories:

- Designated. a financial liability that is designated by the entity as a liability at fair value through profit or loss upon initial recognition
- Held for trading. a financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future

RECOGNITION:

Initial Recognition:

- IAS 39 requires recognition of a financial asset or a financial liability when, and only when, the entity becomes a party to the contractual provisions of the instrument, subject to the following provisions in respect of regular way purchases.

Regular way purchases or sales of a financial asset:

- A regular way purchase or sale of financial assets is recognised and derecognised using either trade date or settlement date accounting.
- The method used is to be applied consistently for all purchases and sales of financial assets that belong to the same category of financial asset as defined in IAS 39 (note that for this purpose assets held for trading form a different category from assets designated at fair value through profit or loss). The choice of method is an accounting policy.
- IAS 39 requires that all financial assets and all financial liabilities be recognised on the balance sheet. That includes all derivatives. Historically, in many parts of the world, derivatives have not been recognised on company balance sheets. The argument has been that at the time the derivative contract was entered into, there was no amount of cash or other assets paid. Zero cost justified non-recognition, notwithstanding that as time passes and the value of the underlying variable (rate, price, or index) changes, the derivative has a positive (asset) or negative (liability) value.

MEASUREMENT:

Initial measurement

Initially, financial assets and liabilities should be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Measurement subsequent to initial recognition

Subsequently, financial assets and liabilities (including derivatives) should be measured at fair value, with the following exceptions:

- Loans and receivables, held-to-maturity investments, and non-derivative financial liabilities should be measured at amortised cost using the effective interest method.
- Investments in equity instruments with no reliable fair value measurement (and derivatives indexed to such equity instruments) should be measured at cost.
- Financial assets and liabilities that are designated as a hedged item or hedging instrument are subject to measurement under the hedge accounting requirements of the IAS 39.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, or that are accounted for using the continuing-involvement method, are subject to particular measurement requirements.

DERECOGNITION OF A FINANCIAL ASSET:

The basic premise for the derecognition model in IAS 39 is to determine whether the asset under consideration for derecognition is:

- an asset in its entirety or
- specifically identified cash flows from an asset or
- a fully proportionate share of the cash flows from an asset or
- a fully proportionate share of specifically identified cash flows from a financial asset

Once the asset under consideration for derecognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

DERECOGNITION OF A FINANCIAL LIABILITY:

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

DISCLOSURE:

In 2003 all disclosures about financial instruments were moved to IAS 32, so IAS 32 was renamed Financial Instruments: Disclosure and Presentation. In 2005, the IASB issued IFRS 7 Financial Instruments: Disclosures to replace the disclosure portions of IAS 32 effective 1 January 2007. IFRS 7 also superseded IAS 30Disclosures in the Financial Statements of Banks and Similar Financial Institutions.

Group - IV
Paper - 18
Indirect Tax Laws & Practice (ITP)

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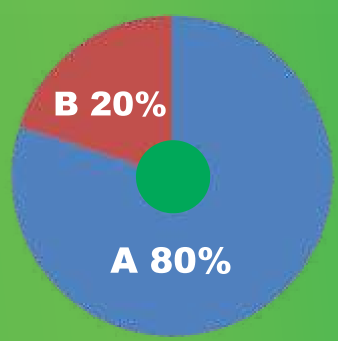
Your Preparation Quick Takes



Syllabus Structure

A Advanced Indirect Tax - Laws & Practice **80%**

B Tax Practice and Procedures **20%**

Learning objectives:

After studying this section, you will be able to:

- Introduce the types of audits that are conducted under the Central Excise Act;
- Understand and analyse the provisions of Valuation Audit u/s 14A of the Central Excise Act, 1944;
- Understand and analyse the provisions of Special Audit u/s 14AA of the Central Excise Act, 1944

Differentiate between such Valuation Audit & Special Audit.

VALUATION AUDIT AND SPECIAL AUDIT UNDER THE CENTRAL EXCISE

Introduction

Central excise is one of most important indirect taxes that is levied on the event of manufacture or production of excisable goods. The ascertainment of amount of central excise duty, and the CENVAT credit available thereon are two important dimensions in the study of central excise. However, the assessees, knowingly or unknowingly, might commit some mistake, error, or fraud regarding the valuation exercise and/ or regarding the amount of CENVAT credit availed off by the manufacturer/ service provider. In this regard, it happens to be a responsibility of the department to ensure the correctness of such CENVAT credit availed/ utilised by the manufacturers and service providers. It is for this objective that special audit is specified under the Central Excise Act. Such central excise audits are of two types of audit namely, 'Valuation Audit' and 'Special Audit' have been provided under Sec. 14A and Sec. 14AA respectively of the Central Excise Act, 1944. In the subsequent sections, the provisions of Valuation Audit and Special Audit has been separately discussed and the differences between these two types of audit have been highlighted.

Valuation Audit [Sec. 14A of Central Excise Act, 1944]

The provisions regarding Valuation Audit under Central Excise Act have been analysed in detail as follows:

- ***On whom applicable:*** A Manufacturer/ producer of goods or any person.

- ***Who can order Valuation Audit***: Any Central Excise Officer (not below the rank of an Assistant Commissioner of Central Excise). However, previous approval of the Principal Commissioner or Chief Commissioner of Central Excise is required in this regard.

- ***Primary purpose of conducting Valuation Audit***: Ensuring correct declaration or determination of assessable value of excisable goods.

- ***When can such Valuation Audit be ordered***: At **any stage of enquiry, investigation or any other proceedings** if such Central Excise Officer, having regard to:
  - o the nature and complexity of the case; and
  - o the interest of revenue,

  is of the opinion that ***the value has not been correctly declared or determined***.

  NB: Such audit can be ordered notwithstanding that the accounts of the manufacturer have been audited under any other law for the time being in force or otherwise.

- ***Who can be appointed as the Valuation Auditor***: A Cost Accountant or Chartered Accountant, nominated by the Chief Commissioner of Central Excise.

- ***Scope of Valuation Audit (i.e. What is to be audited)***: The Central Excise Officer may direct such manufacturer or such person to get the ***accounts of his factory, office, depots, distributors or any other place***, as may be specified, audited.

  NB: The manufacturer shall be given an opportunity of being heard in respect of:
  - o any material gathered on the basis of the audit under this section; and
  - o proposed to be utilised in any proceeding under this Act or rules made thereunder.

- ***Submission of Valuation Audit Report***: The auditor conducting such Valuation Audit has to submit a report of such audit:
  - o duly signed and certified by him;
  - o within the period specified by the Central Excise Officer;
  - o mentioning therein such other particulars as may be specified.

- ***Time limit for submission of Valuation Audit Report***: Generally, the Valuation Audit Report has to be submitted within the period specified by the Central Excise Officer. However, the

Central Excise Officer may extend the said period by such further period(s) as he thinks fit. Such extension is in time is allowed on the basis of an application made to him in this behalf by the manufacturer or the person and for any material and sufficient reason. However, the aggregate of the period originally fixed and the period or periods so extended shall not, in any case, exceed 180 days from the date on which the direction under this section is received by the manufacturer or the person.

- ***Expenses of Valuation Audit***: The expenses and fees for conducting the Valuation Audit shall be paid by the Department.

Special Audit [Sec. 14AA of Central Excise Act, 1944]

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 tax/ duty on final product/ service. CENVAT credit is allowed to the manufacturers and service providers for avoiding the cascading effect of the taxes levied. However, at times, there might be some error, whether intentional or unintentional, regarding the amount of CENVAT credit availed off by the manufacturer. In this regard, it happens to be a responsibility of the department to ensure the correctness of such CENVAT credit availed/ utilised by the manufacturers. It is for this objective that special audit is specified under the Central Excise Act. The provisions of Special Audit under Central Excise Act have been analysed as under:

- ***On whom applicable***: A Manufacturer or producer of goods.
- ***Who can order Special Audit***: Principal Commissioner or Commissioner of Central Excise.
- ***When can such Special Audit be ordered***: If the Principal Commissioner or Commissioner of Central Excise has **reason to believe** that:

(a) the credit or utilization of duty by a manufacturer is ***not within the normal limits*** having regard to:

- o the nature of the excisable goods produced or manufactured,
- o the type of inputs used and
- o other relevant factors, as may be deemed appropriate; or

(b) the credit of duty has been availed or utilized ***by reason of fraud, collusion or any willful mis-statement***.

NB: Such audit can be ordered notwithstanding that the accounts of the manufacturer have been audited under any other law for the time being in force or otherwise.

- ***Who can be appointed as the Special Auditor***: A Cost Accountant or Chartered Accountant, nominated by the Principal Commissioner or Commissioner of Central Excise.
- ***Scope of Special Audit (i.e. What is to be audited)***: The Principal Commissioner or Commissioner of Central Excise may direct the concerned manufacturer to get the ***accounts of his factory, office, depot, distributor or any other place as may be specified***, audited.

NB: The manufacturer shall be given an opportunity of being heard in respect of:

- o any material gathered on the basis of the audit under this section; and
- o proposed to be utilised in any proceeding under this Act or rules made thereunder.

- ***Submission of Special Audit Report***: The auditor conducting such Special Audit has to submit a report of such audit:
  - o duly signed and certified by him
  - o within the time specified by the Principal Commissioner or Commissioner of Central Excise
  - o mentioning therein such other particulars as may be specified.

NB: There is no scope for extension of time limit in case of special audit.

- ***Expenses of Special Audit***: The expenses and fees for conducting the Special Audit shall be paid by the Department.***'Valuation Audit u/s 14A' vs 'Special Audit u/s 14AA'***

The two types of Central Excise audit namely, Valuation Audit and Special Audit can be differentiated as under:

Point of Difference	Valuation Audit	Special Audit
Primary objective	To check whether assessable value has been correctly determined or not.	To prevent any misutilisation or erroneous availment of CENVAT credit.
On whom applicable	A Manufacturer/ producer of goods or any person.	A Manufacturer or producer of goods
Ordering authority	Any Central Excise Officer (not below the rank of an Assistant Commissioner of Central Excise).	Principal Commissioner or Commissioner of Central Excise
Prior Approval for ordering audit	Prior approval of the Principal Commissioner or Chief Commissioner of Central Excise is required in this regard.	No prior approval is required for conducting this audit.
Nomination of Auditor	The Valuation Auditor has to be nominated by the Chief Commissioner of Central Excise.	The Special Auditor has to be nominated by the Principal Commissioner or Commissioner of Central Excise.
Extension of time limit for submission of Audit Report	The time limit set for Valuation Audit can be extended (but total period shall be upto 180 days from the date of direction of audit).	The time limit set for the Special Audit can never be extended.

Group - IV
Paper - 19
Cost & Management Audit (CMAD)

CMA S S Sonthalia,
Practicing Cost Accountant
Bhubaneswar
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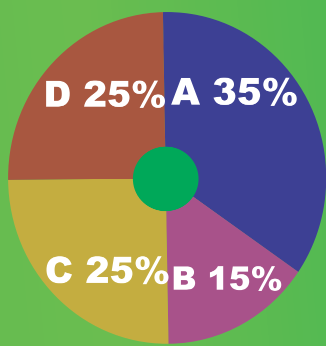
Your Preparation Quick Takes



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

Understanding - CAS – 24 - Treatment of Revenue in Cost Statements

Introduction

The cost sheet is the assembly of the each major elementsof cost to derive at the Cost of Production / Service, Cost of Sales and Margin of the product / service. This requirement is mandated to the Companies, under the Rule 5(2) of Companies (Cost Records and Audit) Rules 2014. The Cost Auditor has to follow the CAS 24, in compliance to the Cost Auditing Standard 103 to ascertain and assure true and fair view of cost of production/service and margin. The margin as reflects in cost is represents the effective margin for the year/period based on efficiency of operation, as it does not take into account non cost expenses and income. Therefor understanding about treatment of revenue very imperative for arriving at proper margin

The term Revenue, as per CAS-24 is having the same meaning as assigned in the Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules 2006 or in the Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules 2015, as applicable. The terms Revenue and Sales Realisation denote the same meaning and are used interchangeably.

Recognition and Treatment of Incomes / Revenues

'Revenue from operations' is generally recognised at the net value excluding indirect taxes and trade discount. Sometime, revenue is presented at the gross value including excise duty and the excise duty is presented as deduction from such gross value of the revenue. However, for the purpose the Abridged Cost Statement of Part – B 2 / C 2 of Annexure to the Cost Audit Report, only the Net Sales Realisation of the particular product under audit (for which the cost sheet is drawn) excluding discounts and taxes are to be taken for the calculation of Margin.

Furthermore, the 'Revenue from operations' also includes 'Other Operating Revenue'. Other Operating Revenue is the incidental income arising in the course of ordinary activities of an entity but not arising from the sale of main goods or services. These incomes are to be analysed for their appropriate treatment. The examples of such incomes are

a) Sale of scrap
b) Government subsidies or incentives received
c) Sale of by products
d) Revenue from sale of inputs, utilities, intermediate products, and shared or support services
e) Revenue generated from utilization of assets created under the CSR program
f) Sale of defectives, second-grade products, rejects, spoilage, and waste products.
g) Interest on deposits and Divided Income
h) Insurance claim received

The treatment of above mentioned items are discussed in details as follows:

a) Sale of Scrap

The scrap sold can be broadly categorized in 2 categories i.e. Operational scrap and Other scrap. The operational scrap arises during the normal production process and they can't be avoided. Theinputs of such scrap is the same as the inputs required in the production of product or rendering of service. If those scrap are sold then such amount received is to be setoff in the cost incurred under the head of 'Other Overheads' of the Abridged Cost Statement. Furthermore the periodicity of the occurrence of scrap is to be taken in account. Only the scrap of current period is to be set off against cost and the scrap belonging to prior period should be considered as Non-Cost Income.

The Other scrap for example: sale of scrap machinery, construction scrapetc. are to be considered as Non-Cost Income and are to be excluded from Cost Sheet.

b) Government subsidies or incentives received :

The subsidies / incentives including export incentives received for the sale of product or rendering service is to be identified and allocated to the particular product / service and is to be included in the Net sales realisation. The subsidies / incentives received for an expenditure incurred is to be identified and is to be set off against the particular expenditure and the net amount is to be taken up in Cost Sheet.

c) **Sale of joint products and by-products**

By-product are the products with relatively low value produced incidentally in the manufacturing of the product or service.Revenue from sale of goods or services shall be measured separately for sale of each type of by-products. If a by-product is further processed before sale, sales realisation of such by-product shall be net of further processing cost. Alternatively, the proceeds from the by-product can be adjusted against the cost incurred as recovery under the head of 'Other Overheads'.

d) **Revenue from sale of inputs, utilities, intermediate products, and shared or support services**

Revenue from sale of inputs, utilities, intermediate products, and shared or support services shall be adjusted against the cost of purchase or cost of production of the related input or services. It is necessary to understand the accounting process that the organisation has followed to record such transactions. Ultimately it is to be established that the Purchases of inputs /utilities / intermediate products as the case may be, has already given the impact before calculation of consumption of inputs for the period.

e) **Revenue generated from utilization of assets created under the CSR programme**

The revenue generated shall not be considered in determining the profit or loss in Cost Accounts. The revenue generated as well as the costs incurred in CSR are to be taken as Non-Cost items and excluded from the Cost Sheet.

f) **Net Sales realization of defectives, second-grade products, rejects, spoilage, and waste products**

The items considered here are only those items that has the following characteristics:

- They have no or insignificant value
- They are disposed off without further treatment
- They are incidental to production process

Revenue from such above mentioned items shall be adjusted against the cost of production of related goods sold under the head of 'Other Overheads' of the Cost Sheet.

In case the occurrence of such items is not incidental to production process then such sales should be considered as Non-Cost item.

g) **Interest on deposits and Divided received**

Often the organisation receives interest on deposits. The necessity of the deposits made are to be evaluated. There can be broadly 2 circumstances.

- Deposits required to be made to enable to carry production / provision of service. Eg. Security deposit for Electricity connection.
- Deposits made in nature of investment or due to excess cash not required for production. Eg. Fixed deposits made in bank due excess cash balance

The interest received in case of security deposit as mentioned above is to be setoff /netted with interest cost. In case the deposit is in nature of investment or due to excess cash balance, the interest received thereon is to be treated as a Non-Cost itemas it has nothing to do with the production process.

h) **Insurance claim received**

The insurance claim received during the year needs examination with regard to the claims related to earlier year or current year.

The claims received related to earlier year to be treated as non cost income, whereas claims received related to current year to be netted of with the expenses incurred on repairs.

In view of the all above during the course of audit, the Cost Auditor should use his / her considered review of occurrence of costs / incomes to arrive at the proper treatment of each items. The importance lies in the nature of the transaction and costs and not in the name of the costs. While the other incomes result in increase in profit / deduction of loss in Financial Statements, such other incomes that have no connection with normal production process are to be excluded from the Cost Sheet and are to be shown in the Reconciliation Statement. Furthermore, the periodicity of the items involved is to be given attention to. Any prior period items are to be considered as Non-Cost and taken to Reconciliation Statement but only after considering the normal business process of the concerned organisation.

Group - IV
Paper - 20
Strategic Performance Management and Business Valuation (SPBV)

Dr. Amalendu Bhunia
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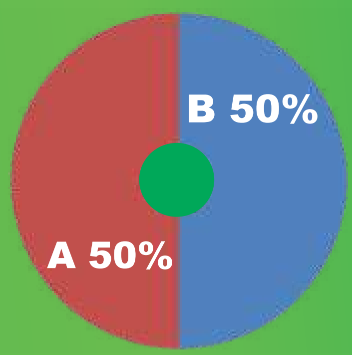
bhunia.amalendu@gmail.com

Your Preparation Quick Takes



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 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!

Corporate Sustainability

Sustainability is described as meeting the requirements of the current without negotiating the capability of potential generations to meet up theirs. It includes economic development, environmental protection, and social development, that casually denoted as people, planet and profits. The idea of sustainability is an influential strength that has extracted companies' participation in different economic, environmental, social, legal and political matters. Sustainability integration within a company's core policy has become crucial for a company's goodwill and financial accomplishment. The primary goals of corporate sustaianibility are the sustainable economic growth whilst promoting jobs and stronger economies as well as the better standard of life in terms of education and healthcare.

Sustainability in corporate finance is rigorously linked to socially responsible investing but it is silent about increasing profits and shareholder gains in the long-run. It is a combination of usual and sustainable investment optimization that focused on the accomplishment of better social and environmental performance for upholding the financial surplus return.

Corporate sustainability is progressing from greenwashing and branding to a business essential because glamorous international companies use sustainability development in making opportunities intended for business expansion, innovating fresh products and services, and building revenue. Global businesses and international investors use sustainability performance information as well as appear away from a company's financials in creating business and investment decisions. Corporate sustainability is a cost or a compulsion that decelerates competence and delays the progress of profitable growth of a business. Generally, business managers have started to identify corporate sustainability as a prospect rather than as a requirement and regularly redefining the method so that businesses can understand and generate value. This has been determined and persuaded by superior prospects and obligations from different stakeholders about the level of transparency of companies operational actions. Besides, the increase of unlike corporate sustainability reporting standards and stringent public guidelines are placing extra force on companies to increase their sustainability practices. Nevertheless, the short-run prevalent make prospective hurdles for companies to invest more in long-run sustainability practices.

The relationship between corporate sustainability performance and financial performance is a hot topic in recent times. It has been observed that corporate sustainability performance and financial performance are positively and negatively related. Also, there exists a causal relationship between the two (Karlsson, 2015). Advocates of a positive relationship between corporate sustainability performance and financial performance often obtain their arguments from stakeholder theory. According to stakeholder theory, corporates are accountable to the stakeholders. Freeman (1984) recommended that a company's stakeholders are (a group or an individual) influenced by the accomplishment of the organisation objectives. Donaldson and Preston (1995) suggested that stakeholder theory can be divided into descriptive, normative and instrumental stakeholder theory. The descriptive stakeholder theory is apprehensive with how unlike stakeholders are concentrated by the company when the normative stakeholder theory spotlights on the honest and principled arguments focused on showing stakeholder-oriented managers. Lastly, the instrumental stakeholder theory is aimed at to exploring the importance of the profit or wealth-increasing possibilities. According to instrumental stakeholder theory, sustainability practices can then be inspired by self-interest as well as means to augment profit and shareholder value. Because superior sustainability performance of a company may attract additional resources, enhance market prospects, pricing premiums and attract employees. Consequently, managing stakeholder relations may effect in competitive advantages. However, Instrumental stakeholder theory through stakeholder and agency theory proposed that the firm is a nexus of contracts between the company and all its stakeholders. In this background, a company that promotes an ethical culture is supposed to be capable to restrain opportunistic behaviour amongst its employees and gaining a positive standing as well as association with its external and internal stakeholders. Then agency and transaction costs are reduced (Karlsson, 2015). Consequently, instrumental stakeholder theory entails that profitability and sustainability are not jointly restricted, however, a company's moral thoughts may be considered as a competitive advantage. But according to Cornell and Shapiro (1987), the firm value is reliant on the capability to confirm clear and inherent contracts with different stakeholders. Its breakdown may damage the company's goodwill and reduce the profitability.

Advocates of a negative relationship between corporate sustainability performance and financial performance often obtain their arguments from Friedman (1970) theory. He quarreled that corporates engaging in sustainability actions incur additional costs, accordingly decreasing their net financial performance because additional costs and administrative loads may influence the corporation bottom line negatively and it may potentially cause competitive drawbacks for the company. Consequently, a spotlight on corporate sustainability confronts the usual aim of companies that maximize the shareholder value.

Advocates of a causal affiliation where high levels of sustainability performance bring about higher financial performance habitually look for notional support in the social impact hypothesis theory and the good management theory, both mainly based on instrumental stakeholder theory.

Social impact hypothesis theory emphasizes the significance of embedded stakeholder requirements. In particular, weakening to correctly convince ambiguous demands of stakeholders may effect in market shocks that may potentially influence the status of the company. This may sequentially effect in negative shock of its financial performance and influence the value of the firm. This theory props up an augment in financial performance if the firm correctly reacts to different non-investor stakeholders' requirements. In the same way, the good management theory suggests that overall corporate performance will perk up whilst the needs of different stakeholders are dealt with. If a company maintains good relations with employees, it may create self-esteem, productivity, and happiness within its personnel and therefore perk up productivity.

Again, several researchers quarrel that corporates can "flourish by doing good" since meeting the requirements of non-shareholding stakeholders makes shareholder value. They furthermore presume that by not meeting the requirements of non-shareholding stakeholders, corporates can obliterate shareholder value owing to consumer refuses, the failure to engage the most brilliant people and by paying disciplinary fines to governments. On the other hand, other researchers quarrel that the amalgamation of environmental and social policies could obliterate shareholder wealth. Sustainability may be an agency cost as managers get personal advantages from addressing environmental and social matters, however doing so has negative financial inferences for their organizations.

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

PRACTICAL ADVICE

ABOUT YOUR STUDIES - FINAL COURSE

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

Appear For Examination

Solve Exercises given in Study Notes

Assess Yourself

Read The Tips

Read Study Notes & MTPs

Behind every successful business decision, there is always a CMA

Submission

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.

I am CMA Vijay Pal Singh and I am a regular reader of e-bulletin which is being published every month and uploaded in our Institutes website for students. During my studies I always studied and referred Students Newsletter that helped me a lot to update my self and keep on doing value addition.

CMA Vijay Pal Singh
vijay007pal@gmail.com

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.

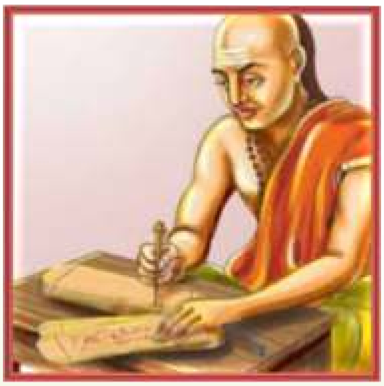
Please put your opinions so that we can make your e-bulletin everything that you want it to be.

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

SWOT Matrix

CMA (Dr.) Sreehari Chava
Cost & Management Consultant,
Nagpur, Maharastra,
He can be reached at:
sreeharichava@yahoo.co.in

Acharya Chanakya



Over two thousand three hundred years ago, one fiery afternoon, a bare footed fuming scholar was taking long strides in a jungle road. Suddenly he was struck by a piercing thorn in his foot. The scholar dug out the thorn along with its bush, burnt it to aches, mixed the ashes in water, and drank the water. A bewildered youngster who witnessed the entire episode greeted the scholar and sought enlightenment about the actions of the scholar. Pleased by the inquisitive youngster, the scholar explained that his actions are demonstrative as to how one should eliminate the evil powers from the surface of the mother earth.

The scholar was Acharya Chanakya and the youngster was Chandragupta Maurya. It was a chance meeting which laid foundations to the medieval Indian history. The moment they met, Chanakya was impressed by the young boy's personality and intelligence. He was able to sense the great military and executive abilities in Chandragupta and immediately took on the mentorship. And, Chandragupta became a willing disciple. Eventually Chanakya articulated Chandragupta's rise as the first Maurya emperor.

Chanakya was not just a teacher to Chandragupta; but also a friend, well-wisher and advisor. Chandragupta was not just a student to Chanakya; but also a perpetuator of gurus's dreams and wishes. Chanakya inspired Chandragupta to extend Mauryaempire from Bengal in the east to Afghanistan in the west, to the Himalayas and Kashmir in the north, and to the Deccan Plateau in the south. It was the largest empire yet seen in Indian history. Chanakya may, thus, be regarded as one of the earliest visionaries who envisaged the united India spanning the entire subcontinent.

Chanakya'sArthashastra discusses monetary and fiscal policies, welfare, international relations, and war strategies in detail. The text also outlines the duties of a ruler. As such, Chanakya is considered as the pioneer of the field of economics and political science in India, and his work is thought of as an important precursor to Classical Economics and to Modern Costnomics.

All said Chanakya is a mixture of Innovative Academics, Shrewd Politics and Welfare Economics – a Role Model Guru that every searching student would love to seek!

02.00 Role Model

The first thing that any aspiring professional can do to is to think of a Role Model. A role model is perceived as the person whose behaviour, example, or success can be emulated by others., especially by younger people. A role model stands for a clear set of values and is a perpetual inspirer.

A role model stands for a clear set of values and is a perpetual inspirer.

The term "role model" is credited to sociologist Robert K. Merton, who coined the phrase during his career. Merton hypothesized that individuals compare themselves with reference groups of people who occupy the social role to which the individual aspires. An example being the way young fans will idolize and imitate professional athletes or entertainment artists.

A person's chosen role models may have a considerable impact on his or her career opportunities and choices. The suitability of a role model depends, in part, on the admirer's perceived commonality with the model, who should provide an image of an ambitious yet realistic goal. For example, Benjamin Franklin served as the role model for countless nineteenth-century white businessmen, including several notables.

Parent role models also significantly influence a person's "education and training aspirations, task self-efficacy, and expectancy for an entrepreneurial career". It is well said that: "Being a role model is about being true to one self".

Acharya Chanakyastands tall not only in being a role model to Chandragupta, but also to a fleet of leading personalities from several walks of life. So, start with the analysis of the values,attitudes,behaviours, and the success factors that your role model stands for; And draw inspiration.

03.00 SWOT Matrix

Second important thing that a career seeker should do is to draw an SWOT matrix of own personality. A SWOT matrix is a framework for analyzing individual's strengths and weaknesses as well as the opportunities and threats (challenges) that one faces. This helps an individual to focus on strengths, remedy weaknesses, take the greatest possible advantage of opportunities and counter the threats.

The SWOT matrix enables identification of gaps in an individual and helps preparation to be the best candidate for the position being aspired.Here are a few sample questions that can help formulation of the SWOT matrix for an individual.

03.01 Strengths

What advantages do you have that others don't have (for example, skills, certifications, education, or connections)?

What do you do better than anyone else?

What personal resources can you access?

What do other people (and your boss, in particular) see as your strengths?

Which of your achievements are you most proud of?

What values do you believe in that others fail to exhibit?

Are you part of a network that no one else is involved in? If so, what connections do you have with influential people?

03.02 Weaknesses

What tasks do you usually avoid because you don't feel confident doing them?

What will the people around you see as your weaknesses?

Are you completely confident in your education and skills training? If not, where are you the weakest?

What are your negative work habits (for example, are you often late, are you disorganized, do you have a short temper, or are you poor at handling stress)?

Do you have personality traits that hold you back in your field? For instance, if you have to conduct meetings on a regular basis, a fear of public speaking would be a major weakness.

03. 03 Opportunities

What new technology can help you? Or can you get help from others or from people via the Internet?

Is your industry growing? If so, how can you take advantage of the current market?

Do you have a network of strategic contacts to help you, or offer good advice?

What trends (management or otherwise) do you see in your company, and how can you take advantage of them?

Are any of your competitors failing to do something important? If so, can you take advantage of their mistakes?

Is there a need in your company or industry that no one is filling?

Do your customers or vendors complain about something in your company? If so, could you create an opportunity by offering a solution?

Could you share some of your colleague's projects to gain experience?

Is there any new role or project that forces you to learn new skills, like public speaking or international relations.

Do you have specific skills (like a second language) that could help with the process of a company expansion or acquisition?

03.04 Threats (Challenges)

What obstacles do you currently face at work?

Are any of your colleagues competing with you for projects or roles?

Is your job (or the demand for the things you do) changing?

Does changing technology threaten your position?

Could any of your weaknesses lead to threats?

04.00 Quick Bite

'Chance Meeting' with Chanakya was the opportunity that Chandragupta could convert into his 'Core Strength'.So, step back and look at yourself from the perspective of compatible employability.Choose a role model and be inspired.Think in terms of work experience, education, training, skill development, talents and abilities, technical knowledge, and personal characteristics. Map yourself; identify the gaps; and Pour in the fillers to build the gaps; and do reap the benefits of any chances that you may come across.

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.
10th Dec, 2017 Sunday	Corporate Laws and Compliance	Corporate Laws & Compliance
11th Dec, 2017 Monday	Advanced Financial Management	Strateginc Financial Management
12th Dec, 2017 Tuesday	Business Strategy & Strategic Cost Management	Strategic Cost Management-Decision Making
13th Dec, 2017 Wednesday	Tax Management & Practice	Direct Tax Laws and International Taxation
14th Dec, 2017 Thursday	Strategic Performance Management	Corporate Financial Reporting
15th Dec, 2017 Friday	Corporate Financial Reporting	Indirect Tax Laws & Practice
16th Dec, 2017 Saturday	Cost & Management Audit	Cost & Management Audit
17th Dec, 2017 Sunday	Financial Analysis & Business Valuation	Strategic Performance Management and Business Valuation

Behind every successful business decision, there is always a CMA

Message from the Directorate of Studies

Dear Students,

For the smooth and flawless 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 you 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 beginning 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;

Photo Gallery

CMA Sanjay Gupta, President along with other dignitaries during the Inaugural Session of ASSOCHAM Global Summit on Corporate Restructuring, Insolvency Resolution and Sustainability held on August 19th, 2017 at Mumbai.

CMA Sanjay Gupta, President and CMA H Padmanabhan, Vice-President of the Institute greeting Shri Tapan Ray, IAS, Secretary to the Government of India, Ministry of Corporate Affairs in the presence of CMA P Raju Iyer, Council Member.

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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Behind every successful business decision, there is always a CMA