www.icmai.in

CMA STUDENTS' INTERMEDIATE

E- bulletin

VOL: 2, No.: 9 November, 2017 ISSUE

FOLLOW US ON

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Headquarters: CMA Bhawan, 12, Sudder Street, Kolkata - 700 016
Phone: +91-33-2252-1031/34/35/1602/1492/1619/7373/7143

Delhi office: CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi - 110 003
Phone: +91-11-2462-2156/2157/2158

Behind every successful business decision, there is always a CMA

MESSAGE FROM THE CHAIRMAN

Dear Students,

Greetings,

I hope you have started realising the true meaning of ***"An investment in knowledge pays the best interest"*** as you have started your journey in this professional course. My request to all of you is that gradually try to realise further that ***'Imagination is more important than knowledge' & 'What we learn with pleasure we never forget'***. Hence, apply yourself. Get all the education you can, but then, do something. Don't just stand there and feel that it happens automatically; rather try to make it happen. Try to explore the meaning of education in the correct context and feel really that "***Education is not a problem, education is an opportunity***".

Great academicians are putting down their valuable tips on different subjects and the Directorate of Studies are also trying to energise you in your preparation by the monthly publication of this E-bulletin. I believe that "***Technology will never replace great teachers but technology in the hands of great teachers is transformational***".

Be positive about your target and as the December term of examination is approaching, wishing you all 'Best of luck and effort'. I am faithful about your performances and I believe that you all are equally capable to deliver your best.

Enjoy your reading and appear boldly in your forthcoming examination,

Best wishes to you all,

CMA Manas Kumar Thakur

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

Be a CMA, be a Proud Indian

Contents

Message from the Chairman - i
Knowledge Update - 1
Group : I Paper 5: Financial Accounting (FAC) - 2
Group: I Paper 6: Laws & Ethics (LNE) - 7
Group: I Paper 7: Direct Taxation (DTX) - 10
Group: I Paper 8: - Cost Accounting (CAC)- 18
Group: II Paper: 9, Part - i: Operations Management & Strategic Management - Operations Management (OMSM)- 24
Group: II Paper: 9, Part - ii: Operations Management & Strategic Management - Strategic Management (OMSM) - 29
Group: II Paper: 10: Cost & Management Accounting and Financial Management (CMFM) - 32
Group: II Paper 11: Indirect Taxation (ITX) - 37
Group: II Paper 12: Company Accounts & Audit (CAA) - 41
Practical advice - 44
Personality Stance - 45
Submissions - 49
Examination Time Table - 50
Message from the Directorate of Studies - 51
Photo Gallery - 52

KNOWLEDGE UPDATE

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

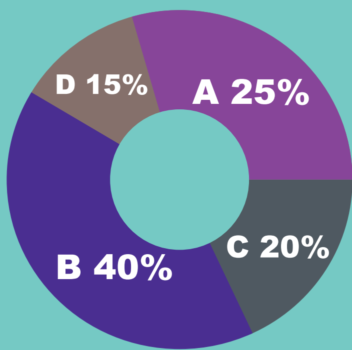
Group - I
Paper - 5
Financial Accounting (FAC)

CMA (Dr.) Nibir Goswami
Associate Professor in Commerce
Vidyasagar Mahavidyalaya, W.B.
He can be reached at:
drnibirgoswami@gmail.com

Your Preparation Quick Takes

Syllabus Structure

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



Learning Objective:

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

ACCOUNTING FOR SPECIAL TRANSACTIONS

SECTION E

INVESTMENT ACCOUNTS (AS – 2, 13)

We have discussed the other topics in this category except Investment Accounts in earlier issues. This section comprises of 20 marks which needs to be studied in detail.

Investments are assets because company makes investment to earn interest or dividend. However unlike other asset account this has some kind of peculiarity and more volatile since we have to keep records of frequent purchase (ex interest or cum interest), sale (ex interest or cum interest), interest payments at certain intervals and valuation at closing date. Therefore investment account is a multicolumn account having three columns each side namely Nominal(where we write the face value of investment), capital/cost(where we write the purchase/sale price) and interest or dividend(where we write the interest or dividend earned).

Before we proceed further two important terms need to be explained. They are ex and cum interest. The word 'ex' means 'without' or 'excluding'. As we use a very colloquial term ex-student which means pass-out students (i.e. the college is without those students now.) Again 'cum' means cumulative or inclusive. In this context a cum interest transaction occurs when the quotation price is cost plus accrued interest while purchasing a security.(i.e. including interest). On the other hand an ex interest transaction occurs when the quotation price is cost only (i.e. excluding interest).

The calculations of cum and ex interest are illustrated through the following example:

ILLUSTRATION –I

On 1.1.2016 200 6% debentures of Rs.100 each of Y Ltd. were held as investment by X Ltd. at a cost of Rs.18200/-. Interest is payable on 31st December every year.

On 1.4.2016 Rs.4000 of such debentures were purchased @ Rs.98 each cum interest

On 1.9.2016 Rs.6000 debentures were sold @ 96 ex interest

On 1.12.2016 Rs.8000 debentures were sold @99 cum interest

On 31.12.2016 Rs.10000 Debentures were sold @Rs.95 cum interest

Prepare investment account in the books of X Ltd.

Ignore taxation.

Solve under weighted average and FIFO method.

SOLUTION :

Workings:

1. **PURCHASE CUM INTEREST: on 1.4.2016**

FIRST CALCULATE THE TIME PERIOD FROM THE DATE OF TRANSACTION TO THE LAST INTEREST PAYMENT DATE:

HERE LAST INTEREST PAID ON 31.12.2015. DATE OF PURCHASE IS 01.04.2016. TIME GAP IS 3 MONTHS (1.1.2016 to 31.03.2016). THIS MEANS INTEREST INCLUDED IN THE PRICE IS FOR THREE MONTHS.

	Rs.
40 debentures @Rs.98 cum interest (40x98)	3920
Less : interest included for three months (4000x6/100x3/12)	60
Cost	**3860**

2. SALE EX INTEREST : on 1.9.2016

HERE LAST INTEREST PAID ON 31.12.2015. DATE OF SALE IS 01.09.2016. TIME GAP IS 8 MONTHS (1.1.2016 to 31.08.2016).

	Rs.
60 debentures @Rs.96 EX interest (60x96)	5760
Interest for 8 months (6000x6/100x8/12)	240
Actual selling price	**5760**

COMPUTATION OF PROFIT/LOSS ON SALE:

Sale price	5760
Less weighted average cost of investment	5515
(18200+3860)/240x60	
Profit on sale	245

3. SALE CUM INTEREST: on 1.12.2016

HERE LAST INTEREST PAID ON 31.12.2015. DATE OF SALE IS 01.12.2016. TIME GAP IS 11 MONTHS (1.1.2016 to 31.11.2016).

	Rs.
80 debentures @Rs.99 cum interest (80x99)	7920
Less Interest for 11 months (8000x6/100x11/12)	440
Actual selling price	7480

COMPUTATION OF PROFIT/LOSS ON SALE:

Sale price	7480
Less weighted average cost of investment	7353
(18200+3860)/240x80	
Profit on sale	127

4. SALE CUM INTEREST: on 31.12.2016

HERE LAST INTEREST PAID ON 31.12.2015. DATE OF SALE IS 31.12.2016. TIME GAP IS 12 MONTHS (1.1.2016 to 31.12.2016).

	Rs.
100 debentures @Rs.95 cum interest (100x95)	9500
Less Interest for 12 months (10000x6/100x12/12)	600
Actual selling price	8900

COMPUTATION OF PROFIT/LOSS ON SALE:

Sale price	8900
Less weighted average cost of investment	9192
(18200+3860)/240x100	
Loss on sale	292

IN THE BOOKS OF X LTD
6% DEBENTURES OF Y LTD ACCOUNT

Date	Particulars	Nominal	Interest	Cost	Date	Particulars	Nominal	Interest	Cost
1.1.16	Balance	20000		18200	1.9.16	Bank	6000	240	5760
1.4.16	Bank	4000	60	3860	1.12.16	Bank	8000	440	7480
1.9.16	P/L A/C			245	31.12.16	Bank	10000	600	8900
1.12.16	P/L A/C			127	31.12.16	P/L A/C			292
31.12.16	P/L A/C		1220						
		24000	1280	22432			24000	1280	22432

The above sum can be solved under FIFO method and in that case the following statement would be required to calculate the profit /loss :

Date	Transaction	Nominal	Capital	Prop. cost	Selling price	Profit/loss
1.1.16	balance	20000	18200			
1.4.16	purchase	4000	3860			
1.9.16	Sale	6000(sold out of opening balance)	5460	18200/20000 x6000	5760	300
1.12.16	Sale	8000(sold out of opening balance)	7280	18200/20000 x8000	7480	200
31.12.16	sale	10000(6000 sold out of opening balance and 4000 sold out of purchase of 1.4.16)	9320	18200/20000 x6000 +3860/4000x 4000	8900	420

You can resolve the above sum under LIFO method also. Please try it.

In the above sum there was no closing balance of investment as all bonds were sold during the year. However, you have to keep in mind if there is balance of investments and market price is given on that date, investment is to be recorded on the basis of the principle " cost or market price whichever is lower".

Best wishes to all.

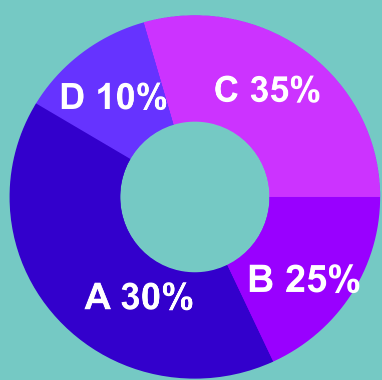
Group - I
Paper - 6
Laws & Ethics (LNE)

CMA (Dr.) Sumita Chakraborty
Jt. Director, Studies
She can be reached at:
studies.jd2@icmail.in

Your Preparation Quick Takes

Syllabus Structure

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



Learning Objectives:

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

Read the Act carefully and try to know the meaning of the contents in it,

All the Acts are having practical implications in the real life world and it will help you to solve the problems in your real life situations once you join in the industry and / or practicing field,

Answers should be specific and to the point,

Please don't try to elaborate your answers adding irrelevant terms and items ; it may penalise you With the Tips given here, please follow the Suggested Answers and Mock Test Papers of the Institute to have a fair idea about writing the paper in the examination.

NEGOTIABLE INSTRUMENTS ACT, 1881

In continuation to our discussion about Negotiable Instruments Act, 1881, here few more aspects discussed:
Holder – Section 8 defines the term 'holder'. The holder of a promissory note or a bill of exchange or cheque is any person entitled in his own name to the possession thereof and to receive or recover the amount due thereon from the parties thereto. Where the note, bill or cheque is lost or destroyed, its holder is the person so entitled at the time of such loss or destruction.

Holder in due course–Section 9 defines the term 'holder in due course. It means any person who for consideration became the possessor of a promissory note, bill of exchange or cheque if payable to bearer, or the payee or the endorsee thereof, if payable to order, before the amount mentioned in it became payable, and without having sufficient cause to believe that any defect existed in the title of the person from whom he derived his title.

Distinction between Holder and Holder in due course:

Holder	Holder in due course
Holder is entitled in his own name to possess the instrument and the amount thereon from parties involved.	Holder in due course possesses the instrument for consideration before maturity and in good faith.
Title of the holder is subject to title of the transferor.	Holder in due course gets a better title than transferor.
Holder may receive the instrument without consideration.	Holder in due course always receives the instrument for consideration.
Holder does not get certain privileges available to the holder in due course.	Holder in due course always gets privileges not available to holder.

Payment in due course- Section 10 defines this expression as payment in accordance with the apparent tenor of the instrument in good faith and without negligence to any person in possession thereof under circumstances which do not afford a reasonable ground for believing that he is not entitled to receive payment of the amount therein mentioned.

Example: Where a bank makes payment in accordance with the apparent tenor of the instrument in good faith and without negligence under circumstances which do not afford a reasonable ground for believing that he is not entitled to receive payment, payment is said to be done in due course. Therefore it is said "A banker's duty in paying a cheque is discharged by payment in due course".

Crossing of Cheques:

Section 123 provides that where a cheque bears across its face an addition of the words 'and company' or any abbreviation thereof, between two parallel transverse lines, or of two parallel transverse lines simply, either with or without the words 'not negotiable' that addition shall be deemed a crossing, and the cheque shall be deemed to be crossed generally.

Section 124 provides that where a cheque bears across its face an addition of the name of a banker, either with or without the words 'not negotiable' that addition shall be deemed a crossing, and the cheque shall be deemed to be crossed specially, and to be crossed to that banker.

Section 125 provides that where a cheque is not crossed, the holder may cross it generally or specially.
Where a cheque is crossed generally, the holder may cross it specially;
Where a cheque is crossed generally or specially, the holder may add the word 'not negotiable';
Where a cheque is crossed specially, the banker to whom it is crossed may again cross it specially to another banker, his agent, for collection.

Endorsement- Meaning of Endorsement:
The term 'Endorsement' can also be pronunciated as 'Indorsement'. This term is said to have been derived from the Latin word 'indorsum', which means 'upon the back' (in = upon; dorsum = back). The 'Indorsement' means signatures of the person which are generally made at the back of the instrument, for the purpose of transfer of rights to another person.

Section 15 of the Act provides that when the maker or holder of a negotiable instrument signs the same, otherwise than as such maker, for the purpose of negation on the back or face thereof or on a slip of paper annexed thereto, or so signs for the same purpose a stamped paper intended to be completed as negotiable instrument he is said to indorse the same and is called the 'indorser'.

Therefore, endorsement (indorsement) means writing of a person's name (other than maker) on the face or back of an instrument or on a slip of paper attached thereto for the purpose of negotiation. The person signing the instrument is known as endorser and the person in whose favour it is endorsed is known as endorsee.

Essentials of a valid endorsement:
(i) It must be on the instrument itself or on a separate slip of paper (called allonge) attached thereto.
(ii) For the purpose of negotiation, it must be signed by the endorser.
(iii) The instrument may contain in addition to the signature of the endorser, the name of the endorsee also. No particular form of words is necessary for endorsement.
(iv) Endorsement is complete when the instrument is delivered to the endorsee with the intention of passing the property in it to the endorsee. Delivery is to be made by the endorser himself or someone on behalf of him.

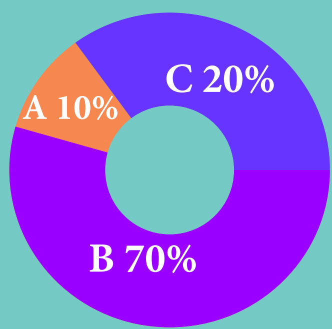
Group - I
Paper - 7
Direct Taxation (DTX)

CA Vikash Mundhra
He can be reached at:
vikash@taxpointindia.com

Your Preparation Quick Takes

Syllabus Structure

A Income Tax Act Basics **10%**
B Heads of Income and Computation of Total Income and Tax Liability **70%**
C Administrative Procedures and ICDS **20%**



Learning Objectives:

Identify the key concepts and functions of direct tax.
Know how to calculate income tax provision's.
Describe how uncertain tax positions are accounted for under the rules.
Gradually you will come to know how to prepare and file tax returns.

Computation of income on basis of estimation

To give relief to small taxpayers from maintenance of books of account and from getting the accounts audited, the Income-tax Act has framed the presumptive taxation scheme u/s 44AD, 44ADA and 44AE.

Computation of Business Profit on Presumptive Basis [Sec. 44AD]		
Applicable to	A resident individual, resident Hindu undivided family or a resident partnership firm **Note:** The provision is not applicable in the following cases: Limited liability partnership firm A person carrying on profession as referred to u/s 44AA A person earning income in the nature of commission or brokerage; or A person carrying on any agency business • A person carrying on the business of plying, hiring or leasing goods carriages referred to in sec. 44AE	
Conditions	a. **Eligible Business**: Assessee must be engaged in any business other than the business referred above. b. **Maximum Turnover**: Total turnover or gross receipts in the previous year of eligible business should not exceed ₹ 2 crore. c. **Restriction on claiming deductions**: The assessee has not claimed any deduction u/s 10AA or 80HH to 80RRB in the relevant assessment year.	
Estimated income	• Where amount of turnover or gross receipts is received by an account payee cheque or account payee bank draft or use of ECS during the previous year or before the due date of filing return of income	6% of such turnover or receipts
	• In any other case	8% of such turnover or receipts
	However, a taxpayer can voluntarily declare a higher income in his return.	

Notes

1. ***No Deduction in respect of expenses***: The estimated income is comprehensive and no further deductions relating to expenses shall be allowed.
2. ***Depreciation***: Depreciation is deemed to have been already allowed. The written down value of asset will be calculated, as if depreciation has been allowed.
3. ***Deductions***: The above estimated income is aggregated with other income of the assessee, from any other business or under any other heads of income. Further deduction under chapter VIA (other than those mentioned above) shall be available to the assessee as usual.

4. ***Brought forward loss*:** Brought forward loss (if any) shall be subtracted from such estimated income as per provisions of this Act.
5. ***Provision is not applicable [Sec. 44AD(4)]***: Where an eligible assessee:
   a. declares profit for any previous year in accordance with the provisions of this section (i.e., specified percentage of the turnover); &
   b. declares **lower** profit (i.e., less than specified percentage of the turnover) for **any** of the **5 assessment years** relevant to the previous year succeeding aforesaid previous,

   then, he shall not be eligible to claim the benefit of the provisions of this section for 5 assessment years subsequent to the assessment year relevant to the previous year in which he has declared lower profit.

E.g. an assessee claims to be taxed on presumptive basis u/s 44AD for A.Y. 2017-18. For A.Y. 2018-19 and 2019-20, he offers income on the basis of presumptive taxation scheme. However, for A.Y. 2020-21, he did not opt for presumptive taxation Scheme. In this case, he will not be eligible to claim benefit of presumptive taxation scheme for next 5 A.Y.s, i.e. from A.Y. 2021-22 to 2025-26

6. ***Effect on the assessee if sec. 44AD(4) is applicable*:** An assessee to whom provision of sec. 44AD(4) is applicable and whose total income exceeds the maximum amount which is not chargeable to tax (i.e., basic exemption limit), he shall be required:

   To maintain books of account and other documents as required u/s 44AA; and

   To get his accounts audited and furnish a report of such audit as prescribed u/s 44AB

Illustration 1

X Co., a firm, is engaged in the business of trading of cloth (turnover of 2016-17 being ₹ 57,80,000, out of which ₹ 25,00,000 has been received in account payee cheque). It wants to claim the following deductions:

Particulars	Amount
Salary and interest to partners [as permitted by sec. 40(b)]	60,000
Salary to employees	4,90,000
Depreciation	2,70,000
Cost of materials used	35,90,000
Other expenses	13,45,000
Total	57,55,000
Net profit (₹ 57,80,000 – ₹ 57,55,000)	25,000

Determine the net income of X & Co. for the assessment year 2017-18 assuming that (i) taxable interest income is ₹ 90,000; (ii) Long term capital gain is ₹ 1,40,000; and (iii) the firm is eligible for a deduction of ₹ 15,000 under sec. 80G.

Solution

Since turnover from business does not exceed ₹ 2 crore, hence sec. 44AD is applicable. However, income computed as per provision other than provision of sec. 44AD is less than estimated income (being 8% of ₹ 57,80,000), hence, the firm may be assessed for such lesser income provided following conditions are satisfied –

a) Maintain books of account as prescribed u/s 44AA; and

b) Get accounts audited u/s 44AB.

Where it maintains accounts and gets it audited

Computation of total income of X & Co. for the A.Y. 2017-18

Particulars	Amount
Profits and gains of business or profession:Income from cloth business	25,000
Capital gains: Long term capital gain	1,40,000
Income from Other Sources: Interest Income	90,000
Gross Total Income	2,55,000
Less: Deduction u/s 80G	15,000
Total Income	2,40,000

It is assumed that all the expenditures are allowed.

Where it does not maintain account or fails to get accounts audited

Computation of total income of X & Co. for the A.Y.2017-18

Particulars	Details	Amount
Profits and gains of business or profession		
Income from cloth business (being 6% of ₹ 25,00,000)	1,50,000	
Income from cloth business (being 8% of ₹ 32,80,000)	2,62,400	4,12,400
Capital gains: Long term capital gain		1,40,000
Income from Other Sources: Interest Income		90,000
Gross Total Income		6,42,400
Less: Deduction u/s 80G		15,000
Total Income		6,27,400

Computation of Professional Income on Presumptive Basis [Sec. 44ADA]	
Applicable to	Any resident assessee
Conditions	a. **Engaged in Profession**: Assessee must be engaged in any profession referred to in sec. 44AA (i.e., Legal, medical, engineering, architectural profession or profession of accountancy, technical consultancy, interior decoration, etc.) b. **Maximum Receipts**: Gross receipts of the assessee in the previous year should not exceed ₹ 50 lakh.
Estimated income	50% of the gross receipts. However, a taxpayer can voluntarily declare a higher income in his return.

Notes

1. ***Deduction u/s 30 to 38***: The estimated income is comprehensive and no further deductions u/s 30 to 38 shall be allowed.
2. ***Depreciation***: Depreciation is deemed to have been already allowed. The written down value of asset will be calculated, as if depreciation has been allowed.
3. ***Deductions***: The above estimated income is aggregated with other income of the assessee, from any other business or under any other heads of income. Further deduction under chapter VIA shall be available to the assessee as usual.
4. ***Brought forward loss***: Brought forward loss (if any) shall be subtracted from such estimated income as per provisions of this Act.
5. ***Effect if assessee declares lower income***: An assessee can declare his income lower than the estimated income as per provision of this section and whose total income exceeds the basic exemption limit,in such case he will have to:

   Maintain books of account and other documents as required u/s 44AA; and

   Get his accounts audited and furnish a report of such audit as prescribed u/s 44AB.

Note: Assessee can change his option from year to year

Business of plying, leasing or hiring goods carriage [Sec. 44AE]	
Applicable to	All assessee engaged in the business of plying, hiring or leasing goods carriage.
Condition	**Number of carriages:** Assessee must not own more than 10 goods carriages at any time during the previous year. *Owner* of carriages includes a buyer under hire purchase or installment system even if the whole amount is unpaid. *Goods carriage* means any motor vehicle constructed or adapted for use solely for the carriage of goods, or any motor vehicle not so constructed or adapted when used for the carriage of goods;
Estimated income	Income from each goods carriage shall be ₹ 7,500 p.m. (or part of a month) 1. Income shall be calculated from the month when assessee acquired the goods carriage whether it has been put to use or not. 2. An assessee can declare higher income.

Notes:

1. ***Deduction u/s 30 to 38***: The estimated income is comprehensive and no further deductions u/s 30 to 38 shall be allowed.
2. ***Deduction u/s 40(b)***: In the case of a firm, deduction in respect of remuneration and interest to partner u/s 40(b) shall be further deductible from income so computed.
3. ***Depreciation***: Depreciation is deemed to have been already allowed. The written down value of asset will be calculated, as if depreciation has been allowed.
4. ***Deductions***: The above estimated income is aggregated with other income of the assessee, from any other business or under any other heads of income. Further deduction under chapter VIA shall be available to the assessee as usual.
5. ***Brought forward loss***: Brought forward loss (if any) shall be adjusted from such estimated income.
6. ***Maintenance of books of account and audit***: An assessee, who estimates income from such business as per section 44AE, or a higher income, is not required to -

   Maintain books of account u/s 44AA; and

   Get his accounts audited u/s 44AB

   - in respect of his income from such business.

   However, he has to comply with the requirements of both sec. 44AA and 44AB in respect of his other businesses. Further to note that in computing the monetary limits u/s 44AA and 44AB, the gross receipts or income from the said business shall be excluded.
7. ***Effect if assessee declares lower income***: An assessee can declare his income lower than the estimated income as per provision of this section. In such case he will have to

   Maintain books of account and other documents as required u/s 44AA; and

   Get his accounts audited and furnish a report of such audit as prescribed u/s 44AB *irrespective of amount of turnover or gross receipts*.

Note: Assessee can change his option from year to year.

Illustration 2

Mr. Sukhvinder is engaged in the business of plying goods carriages. On 1st April, 2016, he owns 10 trucks (out of which 6 are heavy good vehicles). On 2/5/2016, he sold one of the heavy goods vehicles & purchased a light goods vehicle on 6th May, 2016. This new vehicle could however be put to use only on 15-6-2016.

Compute the total income of Mr. Sukhvinder for the A.Y. 2017-18, taking note of the following data:

Particulars	Amount	Amount
Freight Charges collected		8,70,000
Less: Operational expenses	6,25,000	
Depreciation as per Sec. 32	1,85,000	
Other Office expenses	15,000	8,25,000
Net Profit		45,000
Other business and non-business income		70,000

Solution

Alternative 1) Direct estimation of income u/s 44AE

Vehicle	No. of vehicle	Details	Amount
Light	4	₹ 7,500 * 4 vehicles * 12 months	3,60,000
Heavy	5	₹ 7,500 * 5 vehicles * 12 months	4,50,000
Heavy	1	₹ 7,500 * 1 vehicle * 2# months	15,000
Light	1	₹ 7,500 * 1 vehicles * 11# months	82,500
Income from business of plying goods carriage			9,07,500
Add: Other business and non-business income			70,000
Total Income			9,77,500

Income shall be calculated from the month when assessee acquired the property whether it has been put to use or not. For this purpose, any fraction of the month shall be considered as month.

Alternative 2) Computation of income as per the provision of sec. 28 to 38

Particulars	Amount	Amount
Freight charges collected		8,70,000
Less: Expenditure related to business		
Operational expenses	6,25,000	
Depreciation u/s 32	1,85,000	
Other office expenses	15,000	8,25,000
Income from business of plying goods carriage		45,000
Add: Other business and non-business income		70,000
Total Income		1,15,000

Since Mr. Sukhvinder has lower taxable income in alternative 2 hence his total income is ₹ 1,15,000. But to claim such lower income than the estimated income (computed in alternative 1) as per provision of section 44AE, he will have to —
- Maintain books of account as required u/s 44AA; and
- Get his accounts audited.

Test your knowledge

Choose the correct answer:

1. The presumptive taxation scheme of section 44AD cannot be adopted by ___________.
   a. Resident Individual
   b. Resident HUF
   c. Resident Firm
   d. Limited Liability Partnership
2. A person who is carrying on any agency business and a person who is earning income in the nature of commission or brokerage cannot adopt the provisions of section 44AD
   a. True
   b. False
3. While computing income as per the provisions of section 44ADA, separate deduction on account of depreciation is available.
   a. True
   b. False
4. A person opting for the presumptive taxation scheme of section 44AD will _________ to pay advance tax in respect of income from business covered under section 44AD.
   a. Be liable
   b. Not be liable
5. The presumptive taxation scheme of sec. 44AE can be adopted by a person who is engaged in the business of plying, hiring or leasing of goods carriages and who does not own more than _________ goods vehicles at any time during the year.
   a. 50
   b. 30
   c. 10
   d. 5

Answer

1:	d	2:	a	3:	b	4:	a	5:	c

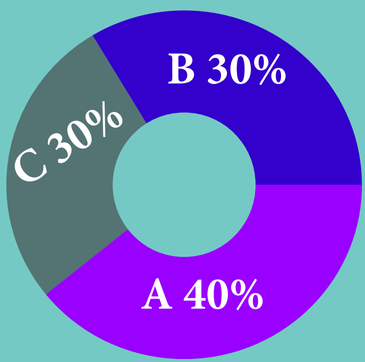
Group - I
Paper - 8
Cost Accounting (CAC)

CMA (Dr.) Sumita Chakraborty
Jt. Director, Studies
She can be reached at:
studies.jd2@icmail.in

Your Preparation Quick Takes

Syllabus Structure

A Introduction to Cost Accounting **40%**
B Methods of Costing **30%**
C Cost Accounting Techniques **30%**



Learning Objectives:

Before taking the examination, it is necessary to read thoroughly the study material first.
After that select the suitable text book or reference books available in the market for your further study and follow them.
Next, follow the question papers of previous years and you will be able to get a general idea about the trend or pattern of questions generally set for this type of examination.
So, if you want to score high marks then along with practical problems you have to answer properly the theoretical part.
Due to lack of theoretical concepts they cannot score good marks not only in the theoretical part but also in tricky problems.
Prepare notes on the theoretical part to improve your performance in the examination.

December term of examination is approaching, hence, in this edition we have discussed few topics both theoretically and have some numerical problems covering from different chapters of your syllabus.

Q. State the two objectives of Cost Accounting?

Answer:
The main two objective of Cost accounting are as follows:

(i) To ascertain the costs under different situations using different techniques and system of costing.

(ii) To determine the value of closing inventory for preparing financial statements of the concern.

Q. What are the essential pre-requisites of integrated accounting system?

Answer:

Essential pre-requisites of Integrated Accounting System:

The essential pre-requisites of integrated accounting system include the following:

(i) The management's decision about the extent of integration of the two sets of books. Some concerns find it useful to integrate upto the stage of primary cost or factory cost while other prefer full integration of the entire accounting records.

(ii) A suitable coding system must be made available so as to serve the accounting purposes of financial and cost accounts.

(iii) An agreed routine, with regard to the treatment of provision for accruals, prepaid expenses, other adjustment necessary for preparation of interim accounts.

(iv) Perfect coordination should exist between the staff responsible for the financial and cost aspects of the accounts and an efficient processing of accounting documents should be ensured.

Under this system there is no need for a separate cost ledger. Of course, there will be a number of subsidiary ledgers; in addition to the useful Customers Ledger and the Bought Ledger, there will be : (a) Stores Ledger; (b) Stock Ledger and (c) Job Ledger.

Q. Difference between Cost Accounting policy and Cost Accounting system.

Answer:
Cost Accounting Policy of a company should state the policy adopted by the company for treatment of individual cost components in cost determination.
The Cost Accounting system of a company, on the other hand, would provide a flow of the cost accounting data/information across the activity flow culminating in arriving at the cost of final product/activity.

Q. Difference between Job Costing and Process Costing.

Answer:

The main points of difference between job Costing and Process Costing are as follows:

	Job Costing	Process Costing
1.	Each job is carried out against specific order.	Process costing has continuous flow.
2.	Costs are collected and ascertained for each job separately.	Costs are collected and ascertained for each process separately.
3.	Costs are calculated only on completion of job	Process costs are calculated at the end of each period.
4.	There may or may not be any work in progress.	There is always some WIP because of continuous nature of production.

Q. State Equivalent Unit.

Answer: Equivalent production represents the production of a process in terms of completed units. i.e. it means converting the incomplete units into its equivalent units (notionally completed units). E.g. 100 units 60% complete means 60 units 100% complete. This method is used when costs are being apportioned between WIP and the completed units. In each process an estimate is made of the percentage completion of WIP and equivalent production of WIP is found by the following formula:
Equivalent units of WIP = Actual number of units in WIP x Percentage of work completed.
Hence, equivalent production = 2,000 units x 25% = 500 units

Q. State the need for reconciliation of cost and financial accounts. Also state the reasons for difference in profit between the two accounts.

Answer:
The profit shown between the two accounts differs for several reasons when Accounts are not maintained on integrated system. As the two accounts are maintained separately and independently of each other, the profit as per two accounts will differ giving rise to need of reconciliation. Reasons for differences that arise are as under:

Items of financial nature not recorded in cost Accounts like Rent received, interest received, Bad debts etc.

Items charged to profit and loss account but not recorded in cost accounts like corporation tax, Dividend etc.

Over/under absorption of overheads in cost accounts

Difference in valuation of inventory

Abnormal losses and gains.

Q. Distinguish between Indifference Point and Break-Even Point with regard to their definition and purpose.

Answer:
With regard to definition:
The cost in Indifference Point analysis tool determines the point at which there is no difference in cost between two alternative methods.
Whereas, Break-even Point is the level of sales at which total sales revenue is equal to total costs and there is neither profit nor loss to the firm. At Break-even Point, total contribution equals fixed cost.
Purpose:
Indifference Point is used to compare two strategies. This analysis can be used to decide between different cost structures or selling prices.
Whereas, Break-even Point is used for profit planning.

Q. Depreciation charged in costing books is Rs 12,500 and in financial books is Rs. 11,200. What will be the financial profit when costing profit is 5,000?

Answer:
The required financial profit will be = Rs. [5,000 + (12,500 – 11,200)] = Rs. 6,300

Q. The budgeted working conditions for a cost centre are as follows :

Normal working per week	**42 hours**
Number of machines	**14**
Normal weekly loss of hours on maintenance	**5 hours per machine**
Number of weeks works per year	**48**
Estimated annual overheads	**Rs. 1,24,320**
Actual result in respect of a 4 week period are :	
Overhead incurred	**Rs. 10,200**
Machine hours produced	**2,000**

On the basis of the above information you are required to calculate :

(a) The machine hour rate.

(b). The amount of under or over-absorption of overhead.

Soln:

(a). Effective working hours p.a.

= Normal working hours – Normal loss due to maintenance

= (14 x 42 x 48) – (14 x 5 x 48) = 24,864 hours Overhead rate per machine hour = Rs. 1,24,320/24,864 hours = Rs. 5 per machine hr.

(b). Under-absorbed overhead = Actual overhead – Overhead absorbed

= Rs.10,200 – (2,000 hours x Rs. 5 per hr.) = Rs. Effective working hours per week = 4 week x 42 hours per week x 14 machines

= 2,352 hours

Q. The cost per unit of a product manufactured in a factory of ZENION LTD. amounts to Rs.160 (75% variable) when production is 10,000 units. If the production increases by 25% what would be the cost of production per unit?

Answer:

Variable Cost per unit = Rs.160 x 0.75 = Rs. 120

Fixed Cost per unit = (160 -120) = Rs.40

Total fixed Cost = 10,000 x 40 = Rs. 4,00,000

Total Cost per unit when production is 12,500 units (10,000 x 1.25)

$$= 120 + \frac{400000}{12500}$$

= 120 + 32

= Rs. 152

Q. ANKIT LTD. operates a throughput accounting system. The details of product B-1 per unit are as under:

Selling Price	**Rs. 30**
Material Cost	**Rs. 12**
Conversion Cost	**Rs. 15**

Time on bottleneck resources 6 minutes

Calculate the Return per hour for Product B-1

Answer:

$$\text{Return per hour for Product B-1} = \frac{\text{Selling Price - Material Cost}}{\text{Time of bottle neck resuorce}}$$

$$= \frac{30\text{-}12}{6 \text{ minutes}} \times 60 \text{ minutes}$$

$$= \frac{18}{6} \times 60 = \text{Rs. } 180$$

Q. The budgeted annual sale of firm is Rs. 120 lakh and 20% of the same is cash sales. If the average amount of debtors of the firm is Rs. 16 lakhs, what will be the average collection period of credit sales?

Answer:

Credit Sale = Rs. 120 – Rs. 24 = Rs. 96

Hence, Avg. collection period = Debtors /Credit sales per month

=16 /(96/12) = 16 /8 = 2 month

Q. The opening and closing balances of Plant and Machinery of Gupta & Co, are Rs.2,00,000 and Rs.2,80,000 respectively. Depreciation charged during the year is Rs.20,000 (under Straight Line Method) and Rs.35,000 (under Diminishing Balance Method).
Calculate the additions made during the year, in the above two situations.

Answer:

(i) Additions for the year = Rs. 2,80,000 + Rs. 20,000 – Rs. 2,00,000
= Rs. 1,00,000 (Under Straight Line Method)

(ii) Additions for the year = Rs. 2,80,000 + Rs. 35,000 – Rs. 2,00,000
= Rs. 1,15,000 (Under Diminishing Balance Method)

Q. A television Company manufactures several components in batches.
The following data relate to one component:

Annual demand	**32,000 units**
Set up cost/batch	Rs. **120**
Annual rate of interest	**12%**
Cost of production per unit	**Rs. 16**

Calculate the Economic Batch Quantity (EBQ).

Answer:

$$\text{E.B.Q} = \sqrt{\frac{2AS}{C}}$$

Where, A = Annual demand,
S = Set up cost per batch,
C=carrying cost per unit per year,

$$\text{E.B.Q} = \sqrt{\frac{2 \times 32{,}000 \times 120}{16 \times 0.12}}$$

= 2,000 units.

Q. **A lorry starts with a load of 25 tonnes of goods from station A. It unloads 5 tonnes at station B and rest of goods at station C. It reaches back directly to station A after getting reloaded with 18 tonnes of goods at station C. The distance between A to B, B to C and then from C to A are 60 kms. 100kms, and 150 kms respectively. Compute 'Absolute tones – kms' and 'Commercial tones – kms'.**

Answer:

'**Absolute tones – kms**': It is the sum total of tones – kms. arrived at by multiplying various distances by respective load quantities carried. Mathematically it is:

= 25 tonnes × 60 kms + 20 tonnes × 100 kms + 18 tonnes × 150 kms.

= 6,200 tonnes – kms.

'**Commercial tones – kms**' = Average load × Total kms. travelled.

$$= \left(\frac{25+20+18}{3}\right) \text{tones} \times 310 \text{ kms.}$$

= 6,510 tonnes – kms.

Q. **Sales for two consecutive months of a company are Rs. 3,80,000 and Rs. 4,20,000. The company's net profit for these months amounted to Rs. 24,000 and Rs. 40,000 respectively. There is no change in P/V ratio or fixed costs. What is the P/V ratio?**

Answer.

$$\text{P/V Ratio} = \frac{\text{Contribution}}{\text{Sales}} = \frac{\text{Change in contribution}}{\text{Change in sales}} = \frac{\text{Change in profit}}{\text{Change in sales}}$$

$$= \frac{40{,}000 - 24{,}000}{4{,}20{,}000 - 3{,}80{,}000} \times 100 = 40\%$$

Q. **The budgeted annual sales of a firm is Rs. 80 lakhs and 25% of the same is cash sale. If the average amount of debtors of the company is Rs. 5 lakhs, what is the average collection period?**

Answer.

Average collection period = Credit sales/ Avg. debtors per month

$$= \frac{8000000 \times 75\ \%}{500000} = 12 \text{ months.}$$

Q. Selling price of a product is Rs. 5 per unit, variable cost is Rs.3 per unit and fixed cost is Rs.12,000. Then what will be the break-even point in unit?

Answer:

Contribution = Sales - Variable Cost
= 5 - 3
= 2

Break-even point = Fixed cost/Contribution per unit
= 12,000/2
= 6,000 units

Practice those things meticulously and from your study materials ; success will follow.

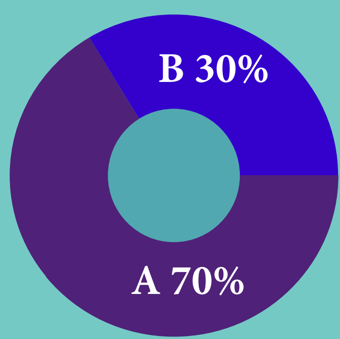
Group - II
Paper - 9 , Part - i
Operations Management & Strategic Management (OMSM) - Operation Management

CMA Ankan K Bandyopadhyaya
He can be reached at:
abanerjee8533@gmail.com

Your Preparation Quick Takes

Syllabus Structure

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



Learning Objectives:

Operations Management develops skills in problem solving, project management, communication, and managing effectively in team-based work environments.

Eventually, student's ability for leadership positions in the production and service industries gets increased.

To solve business processes, it helps to apply knowledge of fundamental concepts of operations management and helps to apply knowledge of approaches to operational performance improvement.

Operations Management

In this month's issue let us discuss Forecasting.

Forecasting is the basis of all management planning namely sales and marketing planning, production planning, manpower planning etc.

Forecasting is a scientific method to form information for the future with the help of studies on three dimensions of time-past, present and future.

The basis of forecasting lies in studying past, present and future trends, present and future actions and their effects.

Methods of Forecasting:

Extrapolation--- This is the easiest method.

If production capacity needed in the past three years were 105, 115, 125 units, then we could safely extrapolate these data to forecast that the production capacity needed in the coming year would be 135 units. This is illustrated in the following fig (1)

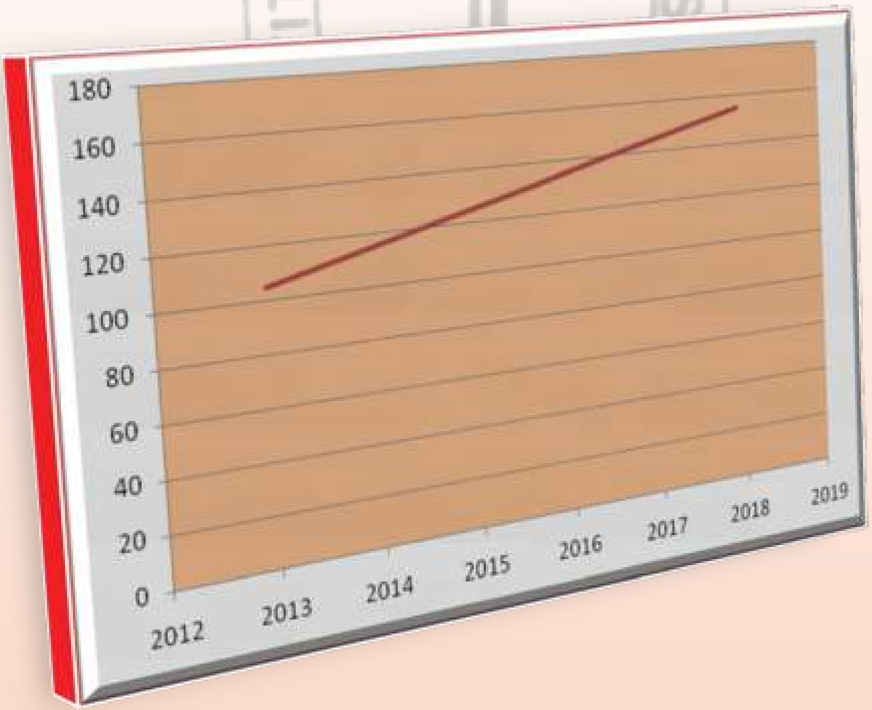


Fig: 1 Year Vs Production

This sort of extrapolation is simplest because previous data is all linear. But if there are upward or downward swings and swings are temporary / random in nature then an average taken over a number of past years or time periods is more reliable as a forecast for future. There are two types of average methods--- Continuous averaging or discrete averaging.

Moving Averages method—Discrete averaging method:

Under this method periods in the past beyond a certain number are not considered for the analysis.

Illustration1:

The following table shows the actual production units for the last ten months till August 2017. What will be the forecast for September, 2017 on moving average basis?

Month	Actual Production (units)
November,16	200
December,16	250
January,17	400
February, 17	510
March,17	600
April,17	480
May,17	620
June,17	380
July,17	520
August,17	700
Total	4660

Ans: Forecast for September = 4660/10 = 466.

Illustration 2:

If in illustration 1, the method is discrete and we want to find out the forecast for October, 17, if actual production of September, 17 was 480.

Ans: Total of actual production from December,16 to September,17 = 4660-200+480 = 4940. So forecast for October on discrete moving average basis will be 4940/10 = 494.

Under this method please note that under illustration 2, we are moving without considering the data for the month of November, 16--- meansperiods in the past beyond a certain number are not considered for the analysis. This method shows that history is important for future prediction but history beyond a certain point losses its relevance. This method is called Simple Moving Average method and our illustration is called 10 monthly moving average.

This type of moving average reveals that the moving average with a base of n-periods (here n =10) is in fact an equal weighted average with a weight of 1/n (here 1/10) to each of the preceding n values and a zero weightage to all the previous values.

However we can also forecast values by giving differential weights to the values entering into moving average calculation. For example in our illustration we can give the weights to the 10 months' values as follows:

Month	Actual Production (units)	Weights
November,16	200	1
December,16	250	2

January,17	400	3
February, 17	510	4
March,17	600	5
April,17	480	6
May,17	620	7
June,17	380	8
July,17	520	9
August,17	700	10
Total	4660	55

To find out the forecast value under this weighted moving average method we have to find out the sum-total of (column3 x column 2) = 28880.

Forecast value is = 28880/(sum of the weights) = 28880/55 = 525.09.

Another method of forecasting is Trend projection. For this method, a trend line is fitted to the given time series data and then projections are made into future using this line. The trend line may be linear or curvilinear.

In this module we will discuss only linear trend line with the following illustration.

Illustration 3:

Fit a straight line trend to the following data on average monthly domestic demand of steel ingots (in millions) and project the demand for the year 2017.

Year	Demand
2010	90
2011	94
2012	100
2013	103
2014	108
2015	110
2016	114

Linear trend line like any other straight line is represented by the equation $Y_t = a + b X$, where

Y_t = the trend value which is to be predicted;

a = the Y –axis intercept;

b = slope of the trend line;

X = the independent variable, the time;

$b = (\Sigma XY - n\bar{X}\bar{Y}) / (\Sigma X^2 - n\,\bar{X}^2)$ and $a = \bar{Y} - b\,\bar{X}$

Year	X	Demand, Y	XY	X^2
2010	0	90	0	0
2011	1	94	94	1
2012	2	100	200	4
2013	3	103	309	9
2014	4	108	432	16
2015	5	110	550	25
2016	6	114	684	36
Total	21	719	2269	91

We have from the table –

$\bar{X} = \Sigma X / n = 21/7 = 3,\ \bar{Y} = \Sigma Y/n = 719/7 = 102.71$

$b = (\Sigma XY - n\ \bar{X}\bar{Y}) / (\Sigma X^2 - n\,\bar{X}^2) = (2269 - 7{*}3{*}10$

$a = \bar{Y} - b\,\bar{X} = 102.71 - 4 * 3 = 90.71$

So forecast for 2017 = Y_{2017} = 90.71 + 4 * 7 = 118.71, counting from 2010, year 2017 is 7.

Suggestions:

The study note2 on Demand Forecasting is the easiest. Problems are simple and very scoring. In this write up only a simple process of linear trend line computation is shown. But the study note has few more varieties on the same sort of problems. I am reiterating, need to be read the study note thoroughly. This portion may attract several short questions. So theoretical understanding is to be perfect.. Study note problems are required to be practiced thoroughly instead through a bird's eye view. For supplementary readings one can refer Quantitative Techniques in Management by N. D. Vohra.

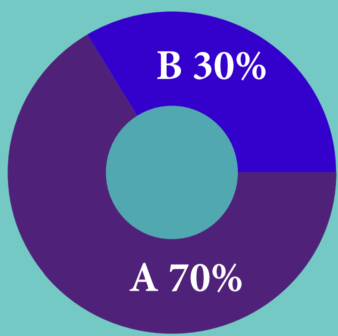
Group - II
Paper - 9 , Part - ii
Operations Management & Strategic Management (OMSM) - Strategic Management

CMA (Dr.) Sumita Chakraborty
Jt. Director, Studies
She can be reached at:
studies.jd2@icmail.in

Your
Preparation
Quick
Takes

Syllabus Structure

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



Learning Objectives:

The course will follow in general terms the strategy development process from audit to formulation of strategic plans, their implementation and evaluation.

Students will be introduced to strategic management in a way so that their understanding can be better.

The ultimate aim of the course is to develop students as future managers who will add value by 'strategically managing' the organisation's resources and capabilities.

Strategic Management

Strategy: strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives.

Features of Strategy:

(i) Strategy is important to foresight, the uncertain events of firms/industries .
(ii) Strategy deals with long term developments rather than routine operations. For example innovations or new products, new methods of productions, or new markets to be developed in future.
(iii) Strategy is created to deal behaviour of customers and competitors.
(iv) Strategy is a well defined roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization's strengths and to minimize the strengths of the competitors.

Strategic management:

Strategic management is defined by William F. Glueck as "a stream of decisions and actions which leads to the development of an effective strategy or strategies to help achieve objectives."

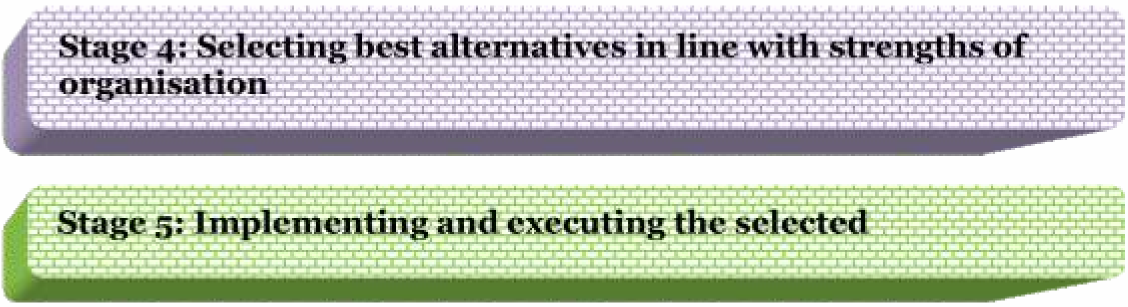
Strategic Management Framework:

The basic framework of strategic management involves five stages:
Stage 1: in this stage, organisation analyse about their present situation in terms of their strengths, Weaknesses, opportunities and threats.
Stage 2: in this stage, organisations setup their missions, goals and objectives by analysing where they want to go in future.
Stage 3: in this stage organisation analyses various strategic alternatives to achieve their goals and objectives. the alternatives are analysed in terms of what business portfolio/product mix to adopt, expansion, merger, acquisition and divestment options etc are analysed to achieve the goals.
Stage 4: in this organisations select the best suitable alternatives in line with their SWOT analysis
Stage 5: this is implementation stage in which organisation implement and execute the selected alternatives to achieve their strategic goals and objectives.

Stage 1: Where are we now? Analysis of present situation

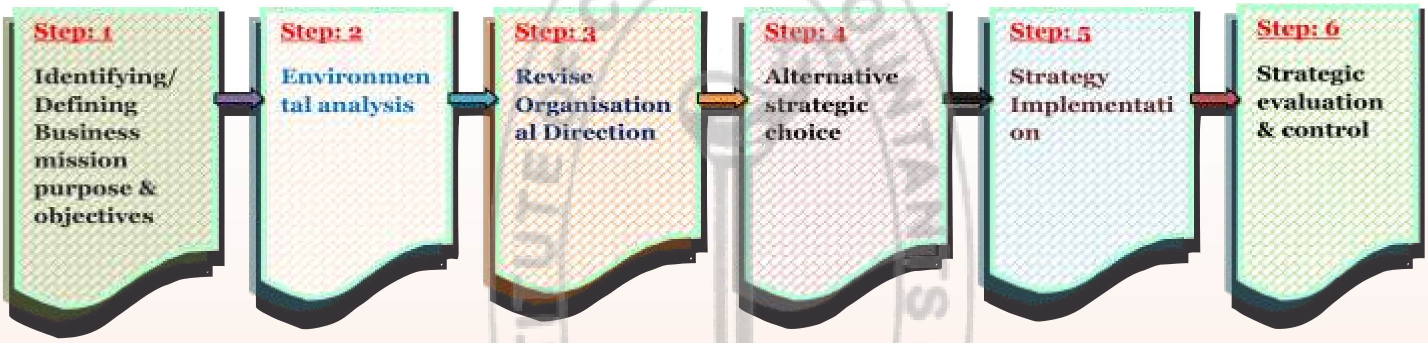
Stage 2: Where we want to go? Setting goals and objectives for future

Stage 3: Analyses of various alternatives to achieve the goals and objectives



Strategic Management Framework

Steps of Strategic Management Process:



Major Steps in Strategic Management Process

Formal strategies contain three elements:
1. goals to be achieved.
2. policies that guide or limit action.
3. action sequences or programs that accomplish goal.

Effective strategic revolve around the key concepts or thrust area such as customer satisfaction or customer focus.

Mission and Strategy: mission sets the direction for the strategic development of the organisation. As Drucker remarks in his Managing for the Future, the mission "focuses the organisation on action. It defines the specific strategies needed to attain the crucial goals. It creates a disciplined organisation.
As Drucker suggests three fundamental questions would help to clearly define / redefine the business and formulate/reformulate the mission. These questions are:
What is our business?
What will our business be?
What should our business be?

Mission is meaningless unless it is adequately supported by other essential inputs.

Strategic Levels in Organisation:

There are primarily three levels of strategies in the organisation:
1. corporate Level
2. Business Level
3. Functional Level

An equally great responsibility for managers at the operational level is strategy implementation: the execution of corporate and business-level plans.

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

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

Your Preparation Quick Takes

Syllabus Structure

A Cost & Management Accounting **50%**
B Financial Management **50%**

Learning Objectives:

The paper Cost & Management Accounting and Financial Management (Group II; Paper 10) is a unique blend of theoretical elaborations and practical illustrations. The aim of this paper is to equip the students with a working level knowledge regarding the two disciplines and prepare a ground for a few advanced level papers like Strategic Financial Management (Final Group 3: Paper 14), Strategic Cost Management decision Making (Final Group 3:Paper 15) and Strategic Performance Management and Business Valuation (Final Group 4: Paper 20) in the CMA Final Course. The entire syllabus of the paper is segregated into two segments namely Cost & Management Accounting (Section A: Full Marks 50) and Financial Management (Section B: Full Marks 50). Each of the individual sections has further been divided into five chapters each highlighting a specific aspect of the subject concerned. In this section of e- bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.

Cost & Management Accounting and Financial Management
Section B

Chapter 9: Dividend Decision Theories:

The dividend theories proposed by Walter and Gordon advocate that dividend decision do have significant impact on the market price of shares of the concerned firm. Hence dividend policy is quite a relevant decision area for a firm. However, there are others who believe that dividend policy has no bearing on the share price and hence is totally irrelevant. Among these alternative propositions, Modigliany and Miller hypothesis is widely acknowledged.

Modigliani and Miller Hypothesis on Dividend Policy:

According to M-M hypothesis, the dividend policy of the firm is irrelevant. It has no effect on the wealth of the shareholders. The value of the firm is determined by its earning potential or profitability of its investment policy and not by any event of dividend declaration. The relative share of dividend and retained earnings in the total earnings has nothing to do with the value of the firm.

- **Assumptions:**

M-M hypothesis is based on a number of assumptions. These are -

1. The firm operates in a perfect capital market. The implications of this assumption are –
   a) Information availability to all market participants at free of cost.
   b) Non existence of any transaction cost.
   c) Inability on the part of an individual investor to affect the market price of shares.
2. Taxes either do not exist or there is no tax differential between dividend and capital gain.
3. The investment policy of the firm is fixed. Hence, financing new projects through retained earnings or by raising new capital does not change the operating risk of the firm.
4. All investors are rational i.e. they have no preference for dividend over capital gain.
5. All investors are perfectly certain about the future investment programs and future profits of the firm.

- **Concept of Terminal Value per Share:**

According to M-M, terminal value per share is the price of share at the end of the period (say one year). This is calculated by the formula,

$$P_1 = \frac{\text{Owners' Equity}}{\text{No.of Equity Shares}} = \frac{\text{Share Capital+Retained Earnings}}{\text{No.of Equity Shares}}$$

As per M-M, there is an inverse relationship between dividend and Terminal Value per share.

- **Substance/ Main Theme:**

M-M argues that value depends on earnings of the firm and is unaffected by the pattern of income distribution. Suppose, a firm which pays dividend has to raise funds externally to finance its investment plans. When the firm pays dividend, its advantage is offset by external financing. This means the terminal value of the share declines. Thus the wealth of the shareholders – dividend plus terminal price – remains unchanged. As a result, the present value per share after dividends and external financing is equal to the present value per share before the payment of dividend. Hence, the shareholders are indifferent between payment of dividend and retention of earnings.

This can be easily understood from the following example.
Suppose a firm X Ltd. has 100000 outstanding equity shares and a net asset of Rs. 3000000 represented by its shareholders' fund (i.e. share capital + retained earnings). So, its current terminal value per share is Rs. 30 (i.e. 3000000/100000). Now suppose, it has decided to pay a dividend of Rs. 5 per share. Due to the payment of dividend, the shareholders' fund will get reduced by Rs. 500000 and the revised terminal value will be Rs. 25. Thus the shareholders get Rs. 5 per share as dividend but at the same time suffer a capital loss of Rs. (30-25) = Rs.5 due to decline in the terminal value. Hence their total wealth per share remains the same. Again, if new shares are required to be issued to collect the amount paid as dividend, that can be issued at the terminal value i.e. Rs. 25. So the new shareholder also gets the share at the fair value. As an alternative if the firm decides not to pay dividend, the value per share will remain at Rs. 30 and even if an investor sells a part of his holding he will generate exactly Rs.30 from the market. Thus his wealth will remain unchanged. Hence, whatever be the decision, the value of the firm will be unchanged.

- **Formula:**

According to M-M, the current market price per share can be determined as follows -

$P_0 = \frac{D_1+P_1}{1+K}$ where, D_1 = Dividend per share at the end of the year, P_1 = Price (Terminal value) per share at the end of the year, K= cost of capital, P_0 = Current price per share.

- **Proof of M-M Hypothesis:**

The very basic proposition of M-M hypothesis is that the value of any firm is indifferent to dividend payment. This proposition can be proved mathematically as follows.
As per M-M, the current market price per share is equal to the present value of dividend likely to be paid at the end of the period plus the market price per share at the end of the period. i.e. –
$P_0 = \frac{D_1+P_1}{1+K}$ ....(i) where, D_1 = Dividend per share at the end of the year, P_1 = Price (Terminal value) per share at the end of the year, K= cost of capital, P_0 = Current price per share.
Now multiplying both sides of the equation by **n** we get –

$nP_0 = \frac{nD_1+nP_1}{1+K}$ ....(ii)
Now let **m** be the number of additional shares to be issued at price P_1.Hence the total value of the firm at the beginning of the period will be

$$nP_0 = \frac{nD_1+nP_1+mP_1-mP_1}{1+K}$$ (i.e. introducing and then cancelling the term mP_1)

$$= \frac{nD_1+(n+m)P_1-mP_1}{1+K} \quad ....(iii)$$

Now, if **I** be the new investment required by the firm, then,
I = Retained earnings + Proceeds from new issue
or, $I = (E - nD_1) + mP_1$ (where E = total earnings)
or, $mP_1 = I - (E - nD_1)$
or, $mP_1 = I - E + nD_1$
Putting the value of mP_1 in equation (iii), we get,

$$nP_0 = \frac{nD_1+(n+m)P_1-(I-E+nD_1)}{1+K}$$

$$\text{or, } nP_0 = \frac{nD_1+(n+m)P_1-I+E-nD_1}{1+K}$$

$$\text{or, } nP_0 = \frac{(n+m)P_1-I+E}{1+K}$$

It can be seen that the formula does not contain any dividend term. Hence value of the firm is indifferent to dividend policy. Whatever be the policy the value of the firm will always remain the same.

- **Case Study:**

X Ltd. belongs to a risk class for which the appropriate price-earnings ratio is 10. It currently has 25000 equity shares selling at Rs. 10 each. The company is contemplating the declaration of Rs. 0.80 dividend per share at the end of the current financial year which has just started. Given the assumption of Modigliani and Miller, answer the following:

1. What will be the price of the share at the end of the year (i) if dividend is not declared; (ii) if dividend is declared?
2. Assume that the firm paying the dividend has net profit of Rs. 50000 and makes investment of Rs. 100000 during the period, how many new shares must be issued?
3. If the firm decides not to pay any dividend, how many new shares will it require to issue?
4. What will be the value of the firm: (i) if dividend is not declared; (ii) if dividend is declared?

Solution:

Given, Price-earnings ratio (P/E) = 10

So, cost of capital (K) = $\frac{1}{\text{Price—earnings ratio}} = \frac{1}{10} = 0.10$

Current market price per share (P_o) = Rs. 10

We know that, as per M-M, current market price per share (P_o) = $\frac{D_1+P_1}{1+K}$ where D_1 = Dividend per share at the end of the year, P_1 = Price (Terminal value) per share at the end of the year

a) (i) Price per share at the end of the year when dividend is not declared (i.e. D_1 = 0):

Conditionally, 10 = $\frac{0+P_1}{1+0.10}$

or, P_1 = 10*1.1

or, P_1 = 11

(ii) Price per share at the end of the year when dividend is declared (i.e. D_1 = 0.80):

Conditionally, 10 = $\frac{0.80+P_1}{1+0.10}$

or, 0.80+P_1 = 10*1.1

or, P_1 = 11 – 0.80

or, P_1 = 10.20

a) New shares to be issued when dividend is declared:

Given, I = amount of investment required = Rs. 100000

E = Earnings i.e. net profit available = Rs. 50000

D_1 = Dividend per share at the end of the year = Rs. 0.80

P_1 = Price per share at the end of the year = Rs. 10.20

n = existing number of shares = 25000

m = Number of new shares to be issued

Conditionally, mP_1 = I – (E - nD_1)

or, m*10.20 = 100000 – (50000 – 25000*0.80) or, m*10.20 = 70000

or, $m = \frac{70000}{10.20}$ = 6863 (app.)

a) New shares to be issued when dividend is not declared:

Here, $D_1 = 0$

Conditionally, $mP_1 = I - (E - nD_1)$

or, m*11 = 100000 – (50000 – 25000*0)

or, m*11 = 50000

or, $m = \frac{50000}{11}$ = 4545 (app.)

b) (i) Valuation of the firm when dividend is not paid:

Value of the firm $(nP_0) = \frac{(n+m)P_1 - I + E}{1+K}$

$$\text{or, } nP_0 = \frac{\left(25000+\frac{50000}{11}\right)11-100000+50000}{1+0.10}$$

$$\text{or, } nP_0 = \frac{275000+50000-100000+50000}{1+0.10}$$

$$\text{or, } nP_0 = \frac{2750000}{1+0.10}$$

or, nP_0 = 250000

Hence, value of the firm is Rs. 250000

(ii) Valuation of the firm when dividend is paid:

Value of the firm $(nP_0) = \frac{(n+m)P_1 - I + E}{1+K}$

$$\text{or, } nP_0 = \frac{\left(25000+\frac{70000}{10.20}\right)10.20-100000+50000}{1+0.10}$$

$$\text{or, } nP_0 = \frac{255000+70000-100000+50000}{1+0.10}$$

$$\text{or, } nP_0 = \frac{2750000}{1+0.10}$$

$$\text{or, } nP_0 = 250000$$

Hence, value of the firm is Rs. 250000

Note: It can be seen that value of the firm has remained indifferent to dividend policy adopted.

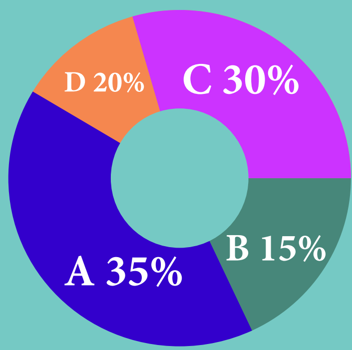
Group - II
Paper - 11
Indirect Taxation (ITX)

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

Your Preparation Quick Takes

Syllabus Structure

A Canons of Taxation - Indirect Tax & Central Excise **35%**
B Customs Law **15%**
C Servce Tax **30%**
D Central Sales Tax and VAT **20%**



Learning objectives:

The concept of tax and the objective for its levy
The concept of direct and indirect tax and the differences between the two
The basic features of indirect taxes
What are the principal indirect taxes
As to how the indirect taxes are administered in the country

Revision of Service tax

Service tax is a tax levied by Central Government of India on services provided or agreed to be provided excluding services covered under negative list and considering the Place of Provision of Services Rules, 2012 and collected as per Point of Taxation Rules, 2011 from the person liable to pay service tax. Person liable to pay service tax is governed by Service Tax Rules, 1994 he may be service provider or service receiver or any other person made so liable. It is an indirect tax wherein the service provider collects the tax on services from service receiver and pays the same to government of India. Few services are presently exempt in public interest via Mega Exemption Notification 25/2012-ST as amended up to date and few services are charged service tax at abated rate as per Notification No. 26/2012-ST as amended up to date. Presently from 1 June 2016, service tax rate has been increased to consolidated rate at 14% +0.5%+0.5%= 15% of value of services provided or to be provided. The service tax rate now is consolidated rate as education cess and secondary higher education cess are subsumed with 2% of "Swach Bharat Cess(0.50%)" has been notified by the Government.

From 15 November 2015, the effective rate of service tax plus Swachh Bharat Cess, post introduction of Swachh Bharat Cess, was 14.5%. Currently, Swachh Bharat Cess and Krishi Kalyan Cess would also be levied on all services on which Service Tax is being levied and therefore, the Service Tax (including Swachh Bharat Cess and Krishi Kalyan Cess) applicable from 1 June 2016 has become 15%.

Rates

Service Tax which started out at a nominal 5% is now at 15%

It was increased to 14% for transactions that happened on or after 1 June 2015 and then for transactions that occurred on or after 15 Nov 2015, the new *Swachh Bharat* Cess at 0.5% was also added to the Service Tax. Therefore, the effective rate became 14.5% with effect from 15 Nov 2015.

For transactions that occurred on or after 1 June 2016 this tax is at 15%.

2016 Union budget of India has proposed to impose a cess, called the *Krishi Kalyan* Cess, at 0.5% on all taxable services effective from 1 June 2016. The current service tax is at 15%.

Krishi Kalyan Cess:-

With introduction of Krishi Kalyan Cess at 0.5% w.e.f June 1, 2016, effective rate of Service tax would eventually go up to 15%, which was earlier increased to 14% (with subsumation of Education Cess and Secondary and Higher Education Cess) from 12.36% w.e.f June 1, 2015 and Swachh Bharat Cess at 0.5% on value of all taxable services imposed w.e.f November 15, 2015. Krishi Kalyan Cess, which was announced during the 2016–17 Budget, has become applicable from 1 June. A tax of 0.5% would be levied over and above the Service Tax and Swachh Bharat Cess. Till 31 May 2016, the Service Tax rate was 14.5%. With Krishi Kalyan cess, the service tax would increase to 15%. While Swachh Bharat Cess was levied to conduct cleanliness drive in India, the new cess has been levied for the purpose of financing and promoting initiatives to improve agricultural growth.

Krishi Kalyan Cess CENVAT Credit Rules

CENVAT Credit will be available on Krishi Kalyan Cess. CENVAT (central value added tax) credit, whose rules will be revised according the change in service tax, will be available to service providers on the cess they are pay..

Small scale Exemption

Service tax is only liable to be paid in case the total value of the service provided during the financial year is more than ₹10 lakh (US$15,000). If the value of services provided during a preceding financial year is less than ₹10 lakh (US$15,000), only then this exemption is applicable in the current financial year. It is optional for he wants to avail this exemption or not.

Declared Services

In the year of 2012, service tax laws have witnessed a paradigm shift when the taxation shifts from positive list of services to negative list of services. At that time, another concept of declared service was introduced by the Government of India via Section 66E of Finance Act, 1994.

Declared service is the deeming fiction of law. It provides the lawmakers with an arbitrary power to declare any activity as a service. Section 65B(22) defines the declared service as any activity carried out by a person for another person for consideration and declared as such under section 66E. Further, the definition of service under section 65B(44) also specifically covers the declared service under the definition of service.

This section is also one of the vital sections of Finance Act, 1994. Any service included under this section will be liable to service tax straight.

Negative List

Budget 2012 revamped the taxation provisions for services by introducing a new system of taxation of services in India. In the new system all services, except those specified in the negative list, are subject to taxation. Earlier the levy of service tax was based on positive list—specified 119 taxable services.

As per clause (34) of section 65B of the Finance Act, 1994, the term "Negative List" means the services which are listed in section 66D;government service

Registration of Service Tax

As per Service Tax Law it is mandatory for the following categories of persons obtain registration:-

Every person liable to pay service tax under Reverse Charge

An input service distributor

Ever provider of taxable service whose aggregate value of taxable service exceeds 9 lakhs in a financial year.

Every person mentioned above will have to get them registered under the service tax law **within 30 days** from the date of commencement of such service or business.

Whereas in case of service provider whose aggregate value of taxable service not exceeded 9 lakhs in a financial year **not need to obtain registration**, where in case he has obtained registration he is liable to payment of service tax only if the value of taxable services exceeds 10 lakhs rupees.

Payment of Service Tax

As per Rule 6(1) of Service Tax Rules 1994 Service tax is paid to the credit of the central government by **5th or 6th** as the case maybe **immediately following the calendar month** (**5th or 6th** as the case maybe immediately following the quarter in case of **partnership,individual and proprietary firm**) in which the service deemed to provided as per rules framed in this regard.

The time limit for the payment of Service Tax as follows:-

1. By the 6th day of immediately following calendar month if the duty is deposited by electronically through internet banking and
2. by the 5th day of immediately following calendar month in any other case.

In case of individuals and partnership firms whose aggregate value of taxable services provided from one or more premises is fifty lakh rupees or less in the previous financial year, the service provider shall have the option to pay tax on taxable services provided or agreed to be provided by him up to a total of rupees fifty lakhs in the current financial year, in which payment is received.

Service Tax Return

Every person liable to pay service tax shall himself assess the tax and shall submit a half yearly return in From ST-3 or ST-3A in case of provisional assessment as the case may for the months covered in the half-yearly return. Every assessee shall submit the half yearly return by the 25th of the month following the particular half-year.

The half years for this purpose will cover

1st half year 1 April to 30 September due date for the return is 25 October

2nd half year 1 October to 31st march due date for the return is 25 April.

Late filing of Return

Where the return is furnished after the date prescribed for submission of such return, the person liable to furnish the said return shall penalty for the period of delay of as

1. fifteen days from the date prescribed for submission of such return, an amount of five hundred rupees;
2. beyond fifteen days but not later than thirty days

from the date prescribed for submission of such return, an amount of one thousand rupees; and

3. beyond thirty days from the date prescribed for submission of such return an amount of one thousand rupees plus one hundred rupees for every day from the thirty first day till the date of furnishing the said return:

The total amount of penalty for delayed submission of return, shall not exceed Rs.20,000/-

i.e., maximum penalty is penalty as calculated above or Rs.20,000/- whichever is lower.

Records

According to Rule 5 of Service Tax Rules, 1994, a record include computerized data and means the record as maintained by an assessee in accordance with the various laws in force from time to time. Records maintained as such shall be acceptable to Central Excise Officer.

Every assesse shall furnish to the Superintendent of Central Excise at the time of filing of first return after 28-12-2007 a list in duplicate, of all the records prepared or maintained by the assessee for accounting of transactions in regard to

(a) providing of any service,

(b) receipt or procurement of input services and payment for such input services;

(c) receipt, purchase, manufacture, storage, sale, or delivery, as the case may be, in regard of inputs and capital goods;

(d) other activities, such as manufacture and sale of goods, if any.

and all other financial records maintained by him in the normal course of business. This intimation may be sent along with a covering letter while filing the service tax return for the first time.

All such records shall be preserved at least for a period of five years immediately after the financial year to which such records pertain.

Invoice

Rule 4A prescribes that taxable services shall be provided and input credit shall be distributed only on the basis of a bill, invoice or challan. Such bill, invoice or challan will also include documents used by service providers of banking services (such as pay-in-slip, debit credit advice etc.) and consignment note issued by goods transport agencies. Rule 4B provides for issuance of a consignment note to a customer by the service provider in respect of goods transport booking services.

Every person providing taxable service shall issue an invoice/bill/challan within **30 days** (**45 days** in case of banking and other financial service providers) from the date of completion of such service or receipt of any amount for such taxable service.

The invoice/bill/challan signed by such person or a person authorized by him in respect of taxable service provided or agreed to be provided and such invoice, bill or, as the case may be, challan shall be serially numbered and shall contain the following, namely :-

(i) the name, address and the registration number of such person;

(ii) the name and address of the person receiving taxable service;

(iii) description and value of taxable service provided or agreed to be provided; and

(iv) the service tax payable thereon:

In case the provider of taxable service is a banking company or a financial institution including a non-banking financial company, or any other body corporate or any other person, providing service to any person an invoice, bill or, as the case may be, challan shall include any document, by whatever name called, whether or not serially numbered, and whether or not containing address of the person receiving taxable service but containing other information as prescribed above.

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

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

Your Preparation Quick Takes

Syllabus Structure

A Accounts of Joint Stock Companies **50%**
B Auditing **50%**

Learning Objectives:

Apply appropriate judgment derived from knowledge of accounting theory, to financial analysis and decision making

Effectively define the needs of the various users of accounting data and demonstrate the ability to communicate such data effectively, as well as the ability to provide knowledgeable recommendations.

Prepare financial statements in accordance with Generally Accepted Accounting Principles.

Demonstrate an understanding of current auditing standards and acceptable practices, as well as the impact of audit risk on the engagement.

GAAP

In the context of Corporate Accounting, Accounting may be defined as the art of recording, classifying and summarising in significant manner in terms of money, transactions and events which are, in part at least of financial character and interpreting the results thereof.

Accounting as an information system is very helpful to parties interested in such as owners, creditors, investors etc. Generally Accepted Accounting Principles(GAAP) are the basic foundations of Accounting structure. To make the Accounting information convey the same meaning to all parties, Accountants from all over the world have developed certain rules, procedures and conventions which represent a consensus view of good Accounting practices and are generally referred to as GAAP. These principles have been developing over the years from experience, necessity, reason, custom and usage etc. Accounting principles provides room for a general law or rule adopted or prophased as a guide to action, a settled ground or basis of conduct or practice.

Accounting principles can be classified into two broad categories:

a) Accounting concepts- entity, going concern, Accounting period, matching, money measurement, dual aspect, cost, realisation and accrual.
b) Accounting conventions-consistency, materiality, conservatism and full disclosure.

Accounting standards: In the present era financial reporting has gained significant importance as it provides information about the economic resources of an enterprise. Sound financial reporting is prerequisite for boosting investors' confidence. Financial information about an entity needs to be reliable, free from bias and comparable. Such financial reporting is achievable only if they are prepared and presented using Accounting Standards.

The Britishers introduced the term Standards in place of principles in 1969 when they set up the Accounting Standards Steering Committee. The Americans adopted the same term during the formation of Financial Accounting Standard Board (FASB) in 1973. Considering the significance of Accounting Standards, the Institute of Chartered Accountants of India (ICAI), being the premier standard setting body in the country has been engaged in formulation of Accounting Standards since 1977.

In the present economic scenario Accounting Standards are considered to be an integral part of Financial Reporting get extreme importance from the point of view of allocation of economic resources.

The Accounting Standards lay down the principles for recognition and measurement of various items or transactions and specify the disclosure and presentation requirements for the same. The ASB is engaged in formulation of Accounting Standards in order to discharge its responsibility towards establishment of sound financial reporting system. In addition to formulation of new Accounting Standards the Board reviews and revises the Standards from time to time considering the changed conditions.

The Companies Act as well as many other statutes require that Financial statement of an enterprise should give a true and fair view of its Financial position and working results.

In globalised world to maintain a uniformity in Accounting Standards all over the world the International Accounting Standards Committee was formed in 1973. The Institute of Chartered Accountants of India and the Institute of Cost Accountants of India are both the members of IASC. The committee issues Standards which do not have any legal imposition but are of great persuasive value. Since 2001, the IASC was renamed as IASB- International Accounting Standard Board

International Financial Reporting Standards (IFRS) promotes global Accounting Standards and are used in many parts of the world including European Union. The Institute of Chartered Accountants of India undertakes a project to update all existing Accounting Standards to be compatible with IFRS.

Accounting is a fast evolving field of study. It is now tuning into the modern technology and providing Accounting to the greater world in least possible time. New pronouncement of direct and GST requires an integrated and computerised Accounting system which provides measurement and disclosures obeying GAAP. Companies Act as revised in 2013 requires that every profit and loss Accounts and Balance Sheet of the Company shall comply with the Accounting Standards. Cash Flow Statements made mandatory in respect of Accounting period commencing on or after 1.4.2001

The economic decisions that are taken by users of Financial Statements require an evaluation of the ability of an enterprise to generate cash and cash equivalence and of timing and certainty of their generation. GAAP is required to provide information in order to evaluate the enterprise in non biased way.

Students of Company Accounts must be aware of GAAP to solve many problems in practical field. In coming days of Examination you may get answers if you think in the light of GAAP. You must enjoy the subject Accounting as it embraces measurement and disclosure that is logic and beauty.

PRACTICAL ADVICE

ABOUT YOUR STUDIES - INTERMEDIATE 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

Personality Stance

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

01.00 Thomas Alva Edison

I am astonished to learn that Thomas Alva Edison had only three months of schooling before he was considered by his teacher, "too stupid to learn", and was sent home. Nancy Edison – Thomas's mother, became very mad and decided to teach Thomas herself. However, she did encourage him to be self-educated. So, he spent most of his time in the library reading books, especially scientific books. His mother later bought him the Dictionary of Science, and he read it all.

Before Thomas Alva Edison was ten, he had already read History of England, Decline and Fall of the Roman Empire, History of the World, Burton's Anatomy Of Melancholy, The Age of Reason and a number of works on Practical Chemistry. Likewise, when he was ten years old he set up his own chemical laboratory in the basement of his house. At the same time, life for Thomas was not an easy one. When he was twelve, he took up a job as a newspaper boy. He sold newspapers, candy, books, fruits, and other snacks to passengers of trains.

At fifteen, Thomas purchased a small printing press located at the train station. His turning point came when he rescued the son of the railway station-master. To show his appreciation to Edison, the station-master taught Edison the art of telegraphy. Eventually, when Edison was seventeen, he became one of the most expert telegraph operators.

Edison continued to spend time and money on self-improvement, and as a result he gained the equivalent of many college degrees, although he had only three months of formal education. Edison realized his weakness and used the brains of others. He had a pool of 61 talented people, consisting of chemists, engineers, model makers, scientists, mathematicians and skilled mechanics. During his lifetime, he patented more than 1,100 inventions.

One of his inventions was the electric light bulbthat changed the world and technology forever. Thomas succeeded in this invention only after failing more than 10,000 times. Thereafter, everyone accepted that Thomas was a wizard, and gave him the name "Wizard of Menlo Park".

02.00 Personality

Personality is the combination of characteristics or qualities that form an individual's distinctive character. Personality reflects 'Wisdom in Reality'. Personality reflectors include multi-dimensional aspectssuch as knowledge, maturity, communication, team play, skill traits and also the looks

02.01 Knowledge

Knowledge refers to the exposition, facts, information, and skills acquired by a person through education and experience. Knowledge includes the theoretical aspects as also the practical understanding of a subject. Knowledge is divine; Knowledge is eternal; and Knowledge reflects the intrinsic strengths of an individual. In relation to any career planning, knowledge may be split into two parts, viz. knowledge relating to the subject proper and knowledge relating to general topics.

> Knowledge is divine; Knowledge is eternal; and Knowledge reflects the intrinsic strengths of an individual.

02.02 Maturity

Maturity is the ability to respond to a situation in an appropriate manner. This response is generally instinctive. Maturity comes out of thoughtful application of knowledge, diligent mental balance, flexible approach towards consideration of issues, contained temperament and reasoned logic. Maturity is the attitude that can be articulated through experience and exposure. A mature person is perceived to possess the ability to keep up long-term commitments in a fair manner.

> Maturity is the ability to respond to a situation in an appropriate manner.

02.03 Communication

Effective communication adds value to personality. Every career crafter should understand and carve out basic communication skills. Your body stance, words, and voice

> Effective communication adds value to personality.

are the primary reflectors of your communication whereas clarity about the contents of the subject matter reveals your thoroughness.

02.04 Team Play

One of the challenges facing the enterprises, all across, is to find team-oriented employees. Team Play inculcates team orientation. Team playrefers to the collective efforts of the team members with mutual support to each other.

Team play refers to the collective efforts of the team members with mutual support to each other.

A team is defined as group of individuals who are committed to achieving common goals; who meet regularly to identify and solve problems; who work and interact effectively together; and who produce optimal economic and motivational results. Impact of team play is visible when a group of players with mediocre talent outperforms a team of superstars. The factors of team play include leadership, adaptability and team spirit.

02.05 Skill Traits

Skill Traits, in our analysis, refer to language proficiency and any special skills that you may possess over your peers. Proficient language propels oratory skills leading to an edge in your convincing power. Special skills such as knowing an additional alien language, related vocational skills, etc. provide you an added advantage on your competitors.

Skill Traits refer to language proficiency and any special skills that you may possess over your peers.

02.06 Looks

Recall the age old saying 'First impression is the best impression'. It is your looks that give out the first impression about you. Looks refers to your external appearance. It is a mixture of your attire, expressions and confidence.

Looks refers to your external appearance.

Attire is the dress code and refers to the clothing that you wear. Attire is to differ from occasion to occasion and from place to place. Depending on the occasion and place, the dress codes range from traditional and formal to smart casual, business casual, and casual. Expression is the manner or form in which a thing is expressed. Expressions include words and phrases as also the gestures and postures. Expressions are a part of nonverbal communication skills. Confidence is the feeling of self-assurance arising from one's appreciation about one's own capabilities. Confident people end to inspire confidence in their audience, their peers, their bosses, their customers, and their friends. And gaining the confidence of others is one of the important means in which a self-confident person carves out success.

03.00 Evaluation of Personality

Now is the stage to have a comprehensive self-evaluation of your personality. Mirror out your own evaluation in terms of a true assessment of your overall personality. Allot marks for each of the attributes and draw your score in comparison to the bench mark. Analyze your current situation. Before you can even do any planning, clearly and realistically identify your starting point.

The desirable assignment, to your personality stance, in a total score of 200is 50 marks for knowledge, comprising 30 for the subject and 20 for the general; 25 for maturity at the rate of 5 being awarded to each of the constituents i.e. thoughtfulness, mental balance, flexibility, temperament and logic; 25 for communication consisting of 6 for body stance, 6 for words, 6 for voice and 7 for contents; 25 for team play by earmarking 13 for leadership and 6 each for adaptability and team spirit; 25 for skill traits comprising 12 marks for language proficiency and 13 marks for social skills; and 25 marks for looks comprising 9 for attire, 8 for expressions and 8 for confidence.

Appended hereto is a Model Personality Evaluator that charts out the details of Mr. Anan, an illustrative character of Cost Manger.

04.00 Quick Take

Recall the fact that Thomas Alva Edison is the 'Visionary' who had beenwritten-off as 'Stupid' by his school teacher. Education alone will not make you successful, although it helps lot. Edison was successful because he was creative and had carved out a strong inventive personality. Gear yourself to Get Set GO. Thomas Alva Edison is staring at you. Here is Wishing you all the very Best!

Model Personality Evaluator

Serial		Item	Max. Score	Assessed Score	Remarks
1		**Knowledge**			
	a	Subject Knowledge	30	25	Good
	b	General Knowledge	20	16	Good
	c	Sub Total	50	41	Good
2		**Maturity**			
	a	Thoughtfulness	5	4	Good
	b	Mental Balance	5	4	Good
	c	Flexibility	5	3	Average
	d	Temperament	5	3	Average
	e	Logic	5	4	Good
	f	Sub Total	25	18	Fair
3		**Communication**			
	a	Body Stance	13	11	Good
	b	Words	12	10	Good
	c	Voice	12	10	Good
	d	Clarity	13	11	Good
	e	Sub Total	50	41	Good
4		**Team Play**			
	a	Leadership	13	9	Fair
	b	Adaptability	6	5	Good
	c	Team Spirit	6	5	Good
	d	Sub Total	25	19	Fair

5	**Skill Traits**				
	a	Language Proficiency	12	10	Good
	b	Special Skills	13	11	Good
	c	Sub Total	25	21	Good
6	**Looks**				
	a	Attire	9	7	Fair
	b	Expressions	8	6	Fair
	c	Confidence	8	6	Fair
	d	Sub Total	25	19	Fair
7	**Total**		200	160	Good

Rating criteria: 95% and above = Excellent; 90% to 94% = Very Good; 80% to 89% = Good; 65% to 79% = Fair: 50% to 64% = Average

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

Examination TIME TABLE

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Day & Date	Intermediate Examination Syllabus-2012 Time 2.00 p.m. to 5.00 p.m.	Intermediate Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
10th Dec, 2017 Sunday	Financial Accounting	Financial Accounting
11th Dec, 2017 Monday	Laws, Ethics and Governance	Laws & Ethics
12th Dec, 2017 Tuesday	Direct Taxation	Direct Taxation
13th Dec, 2017 Wednesday	Cost Accounting & Financial Management	Cost Accounting
14th Dec, 2017 Thursday	Operation Management and Information Systems	Operations Management & Strategic Management
15th Dec, 2017 Friday	Cost & Management Accountancy	Cost & Management Accounting and Financial Management
16th Dec, 2017 Saturday	Indirect Taxation	Indirect Taxation
17th Dec, 2017 Sunday	Company Accounts and Audit	Company Accounts & Audit

Message from the Directorate of Studies

Dear Students,

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

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

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

Essentials for Preparation:

❖ Conceptual Understanding & Overall Understanding of the subject both should be clear
❖ Candidates are advised to go through the study material provided by the institute in an analytical manner.
❖ Student should improve basic understanding of the subject with focus on core concepts,
❖ The candidates are expected to give to the point answer, which is a basic pre-requisite for any professional examination,
❖ To strengthen the answers candidates are advised to give answers precisely and in a structured manner,
❖ In-depth knowledge about specific terms required. Write question numbers correctly and prominently.
❖ Proper time management is also important while answering.

Be Prepared and Get Success;

GOODBYE AND GOOD LUCK TO ALL OF YOU!

PHOTO GALLERY

Glimpses of CFO & HR Discussion Meet - Skill Development & Employability-Agenda for Economic Development organized by the Institute at Bhubaneswar on 22.10.2017.

Glimpses of CFO & HR Discussion Meet - Skill Development & Employability-Agenda for Economic Development organized by the Institute at Bhubaneswar on 22.10.2017.

PHOTO GALLERY

Tashia Batstone, CPA Canada Senior Vice-President, External Relations and Business Development being welcomed by CMA Sanjay Gupta, President of the Institute.

CMA Sanjay Gupta, President, CMA Amit A. Apte, CCM and CMA P. Raju Iyer, CCM met Dr. Viral V. Acharya, Dy Governor, Reserve Bank of India regarding matters of the profession

FOLLOW US ON

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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

Phone: +91-33-2252-1031/34/35/1602/1492/1619/7373/7143

Delhi office: CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi - 110 003

Phone: +91-11-2462-2156/2157/2158

Behind every successful business decision, there is always a CMA