



# CMA Students Newsletter

Vol.3: June 30, 2013

## Getting Ready for December 2013\_Syllabus 2012



From Directorate of Studies to our Future Leaders

Dear Friends,

As you all are much aware that under "Syllabus 2012" first term of examination will be held in December, 2013, it is apt that some information and guidance is shared for your information and convenience. The objective is to equip your thought process and streamline your actions to gain adequate knowledge of subjects and getting ready for Syllabus 2012.

You all may be aware about the features of this Syllabus 2012. We are now widely recognized by statutes as **CMA** from erstwhile CWAs.

**CMA – Transforming Accountants from Ledger to be Leaders of the Profession**



This is one of the important stimulant for ours introducing the Syllabus 2012, which aims to address various issues leading to effective and efficient managerial decision-making. The successful completion of each of the courses, viz., Foundation, Intermediate or Final, increases the potential for employment in respective levels at different sectors/areas.

**The FIRST LAP:**



## Foundation:

- (1) Must have a thorough reading of the study materials and its contents. Refer MCQ Bank in website.
- (2) Try to understand the reasoning/logic of each and every issue, which you are not comfortable with. Who knows, that may be one of the question which may come your way in the Examinations and future too.

- (3) Try to attain maximum in-depth knowledge of the subjects
- (4) Since, this is a MCQ pattern of Examination – select the right choice only and not the optimum choice.
- (5) Solve the "Practice Papers" and RTPs to be released from the month of August, 2013 and onwards
- (6) Appear for 'Mock Test' – the required updates (i.e. date, time and mode of appearing) would be informed by September 2013.

**As you start the "sprint" of your CMA Career:**



## Intermediate:

There is a change from topic-wise weightage to section-wise weightage in all the papers. Hence, we suggest that there should not be any selective study.

- (1) Ensure that all topics are adequately covered.
- (2) Avoid making selective study of some chapters, as you are entering into an area of uncertainty.
- (3) For practical (non-lab based) papers, like Papers 5,7,8,9,10,11,12 (company accounts portion), especially refer to the wide range of illustrations available in the study materials. Try to solve them on your own. This will help to increase your analytical and application skills.
- (4) For Practice refer to "Test Papers for Postal Students", available in our website [www.icmai.in](http://www.icmai.in) under students\_ downloads section. Some more Practice Test Papers would also be uploaded in the website and also sent to your e-mail ids from August, 2013. The answers to those are to be sent to "Directorate of Studies, CMA Bhawan, 12, Sudder Street, Kolkata-700016."
- (5) **In Paper 5 & 12**
  - (i) Must give special emphasis on Accounting Standards and its application
  - (ii) Must attend questions and answers for all sections.
  - (iii) All workings must form part of your answer. Do not forget to refer/write the working number in your solution.
  - (iv) Revised Schedule VI and its application must be made /displayed wherever required.



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## (6) In Paper 6, 7, 11,12

- (i) Must write the provisions correctly. Sometimes examples are better expressive than written statements. Hence, citing suitable examples with related case laws would provide an edge over others.
- (ii) Mentioning correct sections/sub-sections is much appreciable, but it is always better to omit than to commit a mistake. If you are unable to remember the correct section number, then please do not quote any other number. If you quote such wrongly, then you are writing a different law.
- (iii) Read the provisions thoroughly. Start writing them after your reading is over. Remember, it is said that effectiveness of reading gets reflected when you start writing them. There is no need to write descriptively, rather, you may write the main phrases/ major points. This will help you to make a better representation even during the Examination. It is always advisable, to start the descriptive answers, by writing/highlighting the major points first, followed by detailed description.

There is one more advantage in this above prescribed method of answering:

"Since you have mentioned all the points at first, even if you fail to detail/explain any of them, due to paucity of time or otherwise, it creates an impression on the examiner, based on the points which are already detailed therein".

Hence, it is always advisable to attempt and write those answers, which are best known to you, during an examination.

## (7) In Paper 7 & 11 ( practical problems/illustrations)

- (i) Must have a thorough understanding of the provisions. Must study all the illustrations provided in the Study Materials.
- (ii) Start solving the "Practice Test Papers" once they are uploaded in the website in August,2013.
- (iii) Solve the Practical problems must be in accordance with the prescribed/applicable law. While practicing, develop the habit of writing the provisions also. This will improve your writing skills and the same can be sharpened over the practice period. You will derive immense benefit during examinations.
- (iv) Read the questions very carefully. Utilize the first 15 minutes of your reading time. Remember, for some questions asked, the answer may be embedded in the question itself.

Example: Say in Paper 7, a question is asked as, to fill in the blank:

"Annual Value of a House Property, which is not let out will be .....

**Interpretation of this question:**

- ❖ There is only one House Property, as the word "a House Property" is used;
- ❖ Since the H.P is not let out, then it is "Self-occupied".

Answer: "NIL". [Annual Value of a House Property, which is not let-out is NIL]

Remember, this is just an example and there can be a wide range of examples, which may be cited.

The art of reading the provisions of law, enhances our understanding and knowledge further. This also adds value to our writing skills in future too.

As we are gearing up to grab the professional opportunities and responsibilities coming the CMA way, it is imperative that we must get ourselves fully equipped and knowledgeable to meet the expectations of stakeholders.

## (8) In Paper 8 & 10

These are papers based on Generally Accepted Cost Accounting Principles and techniques therein. There is a major transformation, especially in the designing of contents as compared to Paper 8 under Syllabus 2008.

Some notable value additions:

- (i) Elements of Cost – like Materials, Employee and Overheads are strictly based on CAS (Cost Accounting Standards). The calculation is strictly as per the applicable standards.
- (ii) Greater emphasis on application and analysis
- (iii) Introduction of Financial Management with 40% weightage in Paper 8
- (iv) Introduction of Managerial Economics – basics in Paper 10 [Section C].
- (v) Introduction of basics of "Cost Accounting Record Rules and Cost Audit Report Rules,2011" – to give an overview of the need, importance and methods of maintaining cost records
  - ❖ Students should thoroughly study the contents provided in the study materials.
  - ❖ Solve the "Test Papers for Postal Students" (available in the website) and "Practice Test Papers"( to be uploaded in August 2013)
  - ❖ Equal emphasis on both the sections of Paper 8 [Sec A- Cost Accounting and Sec-B ; Financial Management]
  - ❖ Must practice illustrations given in Section C of Paper 10. Application of these techniques forms the basis of managerial decision-making.

## (9) In Paper 9

This paper is having a unique combination of Operations Management & Information System. It is known to us that "Information" is the basis of "Knowledge". The role of a CMA is much widened and strengthened with utilization of available information for improving efficiency and effectiveness in operations. Students should note the logic of placing "Paper 9 – Operations Management & Information System", in the midst of "Paper 8 – Cost Accounting and Financial Management" and "Paper 10 – Cost & Management Accountancy".



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- ❖ Paper 8 gives us the basics of cost accounting and generally accepted cost accounting principles and techniques
- ❖ Paper 8 also depicts the basics of financial management.

The role and responsibilities of CMAs are even wide spread than as compared to any other hardcore finance professionals. We must know / possess a first-hand idea – especially in fields of managing finance and ascertaining cost of funds.

- ❖ These acquired knowledge, now forms the basis to make effective application in operations management
- ❖ The strength of this Paper 9 – operations management vests on the effective application of some basic operations research techniques like linear programming, assignment, transportation, queuing theory, simulation, inventory models. These would help our students to grasp and acquire the domain knowledge. Further, since these are practical/mathematical based applications, these would help them to secure/obtain good marks.
- ❖ Now, with the application of information technology and having some basic idea of ERP and SAP – relevant modules, as is used by corporate bodies, the employability would definitely increase manifolds.
- ❖ After gaining adequate basic knowledge from Paper 8 and Paper 9, now the student is to study Paper 10 – Cost and Management Accountancy – which is an application of that knowledge only.
- ❖ Students are advised to understand the bondage and interlinking amongst different papers under Syllabus 2012.

#### Suggestions:

There may arise issues, which may be raised, especially regarding the technique adopted for solving problems on “Transportation”. We appreciate that there may be different paths/roads that may be demonstrated by your faculties/mentors, but all roads would lead to the same destination/goal. Hence, you may follow the most appropriate and acceptable method. All workings and notes must form a part of your answer.

#### (10) In Paper 12 (Auditing portion)

It is a general belief that Auditing is a theoretical subject. This is a gross mistake. The effectiveness of audit is achieved only when a person is fully aware of different other statutes. Say,

- (i) You are finalizing accounts – where there is a Closing stock. As an auditor, your duty is to ascertain whether there is a correct Valuation of Inventory or not
- ❖ Hence, you must be aware of CAS-6 (Material Cost) as well as AS-2 (Valuation of Inventories).
- ❖ Remember, a wrong valuation may tilt the reported profit of the organization.
- ❖ Even, this shall affect the Assessable Value in Central Excise. (An important portion covered in Paper 11).
- ❖ Also this will affect calculation of “Business profits” (covered in Paper 7).

Hence, determining correct valuation is of immense importance.

- (ii) You want to ascertain the correctness of value of any Asset or Liability -

- ❖ as an auditor, you must have exclusive domain knowledge of asset and liability accounting
- ❖ knowledge of applicable accounting standards
- ❖ Knowledge of business process (this is which is mentioned in Paper 9- Section A, SN1).

Hence, we may conclude the Auditing is not a theoretical subject. However, for fitness of things, we only require to detail the process/procedures, which apparently give a view of being theoretical in nature.

#### Suggestions:

- ❖ Understanding of applicable laws, standards, process, procedures helps an auditor to seek proper explanation and information from the management, while an audit work/assignment is undertaken.
- ❖ Obtain domain knowledge, enrich yourself – qualify in the Finals and join CMA Profession/Family as a “Practitioner”.

## Final Course

For each of the subjects in Final Course, special emphasis is given on Case Study Analysis. cursory views of different subjects are laid down for your guidance:

#### (1) Paper 13 – Corporate Laws & Compliance

A student at this stage is required to have adequate knowledge of corporate laws and compliance requirements. This paper adequately covers Companies Act, SEBI, Industry-specific laws and also Governance, Ethics. While the basics of these were already covered in the Intermediate (Paper 6), here the greater emphasis is on the procedures and compliance issues. You may expect small case lets to be solved which would require analysis, synthesis and effective evaluation.

#### (2) Paper 14 – Advanced Financial Management

The basic framework is aimed to provide a wide spectrum of knowledge and understanding of Financial Markets and its intermediaries, corporate and financial risks, financial decision-making under situations of certainty as well as uncertainty. The basics are already discussed in Paper 8- Section B (Financial Management). The analytical skills of yours would help to be attaining success as CMAs – be in practice or in service.

#### (3) Paper 15 – Business Strategy & Strategic Cost Management

The success of laying a business grossly vests on understanding and study the environment (economic as well as non-economic), forecasting, making effective strategies to gain business success. A theory very well known to us is “Game Theory” .

- (a) Say, today if Coca Cola offers 2 litres of its product/s with an additional 1 litre free of cost, - what is the impact of this business decision, taken by Coca



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Cola on Pepsi? What would be the strategy taken by Pepsi to combat "shifting of consumers" from Pepsi to Coca Cola?

This is interesting to be noted, as to how Coca Cola Company could accommodate 3 litres (2 litres + 1 litre free) of their product at the MRP of 2 litres. What is the cost structure? What was the amount of loading earlier, which has allowed them to even accommodate this extra 1 litre?

The basics of these are found from the financial records (covered in Paper 5), the cost records and its maintenance (covered in Paper 8 and Paper 10). These are interesting facts to ascertain, which would help you as a CMA to take effective strategy and gain competitive advantage.

(b) Say, what is the impact on demand/turnover of your products – if you are making advertisement/sales promotion through a "Celebrity brand ambassador" or "without a celebrity brand ambassador".

Here, I am trying to mention – the effectiveness of "theme" or "Punchline/Tagline" selected for an advertisement.

You all must have watched a recent advertisement by "HAVEL's FAN". The Punchline/Tagline is "HAWA BADAL RAHI HAI".

The theme selected, shall definitely compel us to think about:

- ❖ Our social responsibilities ( when it shows the OLD AGE HOME)
- ❖ Women empowerment – which is adequately addressed [When the 'Bride' expresses his desire to take the 'title/ surname' of the 'Groom;]

We may cite many such examples, like the punch line/tagline of an advertisement paves the path of business success. These are "Business Strategies".

In furtherance herewith, Section B deals with 'Strategic Cost Management'. It may be noted that the basics of these are already covered in Paper 10 – Section A. Now that we are trying to align the business strategies to be taken based on the cost information. On the contrary, we may say, the effectiveness and success of any business strategy depends on how effective we are in managing our costs. The section deals in such relevant areas of cost management, which are very near and dear to a CMA.

Remember, CMAs help business to grow, make profits and sustain. We CMAs do not confine ourselves in reporting only. We work for stakeholders and offer our services for the best interest of the society.

**There is a famous saying, which is stated here for your reference and understanding:**

**"Grow old with me ....the Best is yet to be..."**

#### (4) Paper 16 : Tax Management & Practice

It may be noted that the element of tax component that enters into a unit of a product or service, manufactured or rendered in India, ranges, between 40-48%. CMAs has a major role to play, by making an effective application of Generally Accepted Cost Accounting Principles and its techniques, Cost Accounting Standards for making effective assessment under various tax laws in India. By saying this, we

do propagate the calculation of assessable value (for products under excise laws, imports under customs laws, value of taxable service), valuation under transfer pricing regulations( both on international and domestic transactions), determination of margin of dumping, imposing trade remedy measures – should be made uniform by effective application of Cost Accounting Standards and GACAP.

Example: CAS- 4, issued by the Institute and duly notified by the CBE&C, helps the Revenue Authorities to bring about an uniformity in estimating cost of products which are captively consumed.

Similarly, there are many other standards, say like CAS-2 (Capacity determination) which should be referred by Excise Authorities especially while deriving some meaningful information through ER-7 (Annual Capacity Statement). Even, CAS-5 may be referred for making application in all those industries, who are taking freight abatement under excise laws.

Having domain knowledge of this subject is of immense important for CMAs. You all by this time have already enriched yourselves through study of Papers on Direct Taxation) and Indirect Taxation at the Intermediate level.

In this paper, greater emphasis is given on the procedural aspects, adjudications, appeals in areas of – direct and indirect taxation, with special emphasis on International Transactions.

Also, there would be case lets/case study based questions, which needs to be answered.

We would suggest you to read the case studies/situations and legal interpretations/court decisions, on various aspects – provided in Paper 16 Study Material under this syllabus.

It would be of immense help to you all. Further, please be updated with the "Practice Test Papers" (to be uploaded and even sent to your individual e-mail ids in August, 2013) and RTPs (Revisionary Test Papers) for December, 2013.

The success of a CMA is attained and much recognized when strategic business decisions are taken and implemented through an efficient tax management (and not tax evasion). **Remember, Tax is a Social Cost, which we all need to Pay.**

#### (5) Paper 17 – Strategic Performance Management

This subject widely covers those aspects which helps to make/ascertain 'to evaluate performance' of a business entity, based on the "Business Strategies" undertaken and executed. It also helps to measure the effectiveness of such "strategic cost decisions" taken by the management.



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It may be noted that this subject contains three sections:

- (i) Section A – deals with performance management aspects – this section is related with the making of 'Performance Appraisal Report', which we will study in Paper 19 – Form III of Cost Audit Report.
- (ii) Section B – deals with IT & Econometric tools which may be effectively applied for measuring performance – you have already had a first-hand knowledge while studying 'Operations Management' in the Intermediate Course
- (iii) Section C – deals with Enterprise Risk Management

Analysis of performance - both in areas of economic performance and non-economic performance are based on different parameters/indicators. CMAs play a vital role in ascertaining these results – which would help them to take corrective decision and/or making of further effective business strategies – to uphold the interest of the stakeholders. Efforts should be made to understand the implication of each of these sections.

#### Suggestions:

- ❖ Please follow the theme which is underlying this subject;
- ❖ Must make a reference to the contents of Study Materials;
- ❖ Follow the 'Practice Test Papers' ( to be uploaded in August ,2013)
- ❖ We will be uploading Case lets/case studies on this paper from August 2013 onwards. These are to be solved and reverted back to us via e-mail.

#### (6) Paper 18 : Corporate Financial Reporting

A subject which deals with disclosure, reporting with transparency. A first measure of business performance analysis which can be ascertained through this reporting. Various schedules and notes hereunder uphold whether there was proper compliance or not.

Say for example:

- (i) An amount of penalty paid to RoC (Registrar of Companies) is identified in the Working Notes, Schedules (forming part of accounts). We may construe, that there was an event of non-compliance as per requirements of Companies Act in India
- (ii) An amount of interest was paid to Tax Authorities ( be under Direct Tax laws or Indirect Tax laws) – holds the fact that there was some deviation from the laid down procedures

Similarly, the manner/ mode of calculation of profits for declaration of dividends – whether it is as per the applicable laws can also be ascertained from the financial reports and related documents, which are published by a business entity.

This subject also deals with:

- (i) preparation of accounts under different business combinations;

- (ii) preparation and consolidation of accounts of holding companies and their subsidiaries;
- (iii) various aspects of external reporting;
- (iv) government accounting standards and procedures
- (v) Sustainability reporting – and its recent developments

#### Suggestions:

Since some of these major issues have been dealt by you all in the Intermediate level:

- ❖ it is imperative to have a thorough reading and understanding of the different accounting standards and its application for evaluation and synthesis
- ❖ must make a reference to the problems/illustrations in the Study Materials;
- ❖ practice illustrations which are representing different situations;
- ❖ understand the logic – what, where and how it is getting changed
- ❖ check the application of accounting standards;
- ❖ special emphasis on the disclosure requirements as per statute/applicable standards

#### (7) Paper 19 : Cost and Management Audit

By this time, you must have made a sketch of the strategy to be adopted keeping in mind the importance of each paper, especially their inter-linkage and bondage.

With the adoption and notification of Companies (Cost Accounting Record) Rules, 2011 and Companies (Cost Audit Report) Rules, 2011, by the MCA, GOI – the role and increasing importance of CMAs are duly recognized.

The Profession is wide open and invites young budding professionals to join the CMA Practice – strengthen the brigade. It may be noted that – while you prepare/maintain Cost records for 'Cost Compliance Report' or 'Cost Audit Report', you may like to make a preferential use of those records, which would facilitate your client to have a fair assessment even under the taxation laws in India. These are emerging professional avenues for CMAs in India.

This paper also contains various audits being termed as audits for 'Management' or Operational Audit. This helps a CMA to have a totalitarian approach, while he is either in acting as an Auditor or a Management Consultant – to prescribe ways and means for sustainable growth and development of such business entity.

#### Suggestions:

Having obtained adequate knowledge especially in making/maintenance of financial records, application of cost accounting standards, generally accepted cost accounting principles and its techniques, a student at this level is expected to be ready to meet the



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expectations of stakeholders/profession and even personal.

- ❖ Refresh your memories by thorough, in-depth reading and analytical understanding of the Cost Accounting Standards
- ❖ Check the application of Generally Accepted Cost Accounting Principles( GACAP)
- ❖ Have a first-hand trial on X-BRL Reporting on a dummy module

We would be organizing such workshops shortly. The details of which would be informed both through the website update as well as on your individual e-mails.

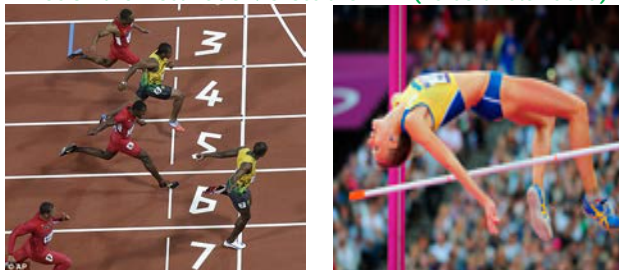
## (8) Paper 20 – Financial Analysis & Business Valuation

A first question which may arise is - why this paper at last?

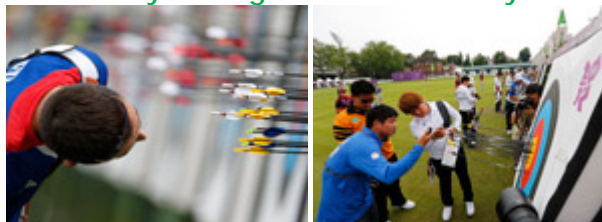
Appreciate, that Analysis of Financial Statements can only be made after the preparation and publication of corporate financial reports. Based on the degree of fairness and correctness, it is advisable to ascertain the value of a business or group of assets or an asset/liability (individually).

We trust that the topics and its contents would enrich the domain knowledge of CMAs to a much greater height.

### Reach the Destination/Cross the BAR (Raise ur Standard)



“Set your Target to Hit the Bull’s Eye”



We all pray for yours’ Success



GOD BLESS

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[For any specific clarification on Syllabus 2012 – please write to us at [studies@icmai.in](mailto:studies@icmai.in)]

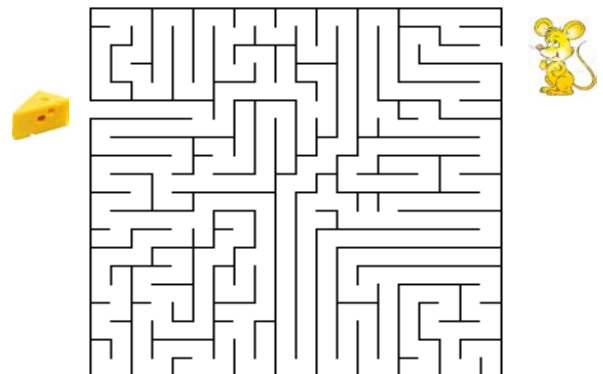


## Find my Partner

[Clue - Pairs from first edition of June 2013]

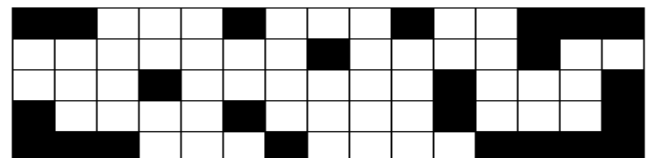
Team A	Team B
A. Price	1. Layout
B. Value	2. Identity
C. Plant	3. delivery
D. Brand	4. Service
E. Competitive	5. leadership
F. Business	6. design
G. Cost	7. Chain
H. Product	8. Arbitrage
I. Self	9. Model
J. Home	10. Advantage

### Who moved my Cheese?



## Fallen Phrase

Find the fallen phrase using the letters below. The letters are arranged in a columnar fashion but in a disorderly manner. For eg column 1 contains N and S. The correct cell is to be identified by you



	A		H																	
T	C	E		K	E	N	E		S											
U	T	C	B	S	S	H	Y	G	E	O										U
N	O	O	R	E	N	T	I	A	I	T	O	O	F							
S	M	C	H	E	I	T	C	L	N	W	Y	F	I	N						