



CMA Students Newsletter

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MANAGEMENT ACCOUNTING AND STRATEGIC MANAGEMENT

(Source :suggested answer)

Q: a) *Manufacturers use a number of trade promotion tools. Give Four Reasons why manufacturers use money to the trader as one of the promotion tools?*

ANS: Manufacturer's award money to the trade for promotional tools, reasons are:-

- To persuade the retailer or wholesaler to carry the brand;
- To persuade the retailer or wholesaler to carry more units than the normal amount;
- To induce retailers to promote the brand by featuring, display, and price reductions; and
- To stimulate retailers and their sales personnel to push the product.

b) *In which sector of products market-skimming pricing practice is used? In which sector of products market-skimming pricing practice is used?*

Ans : Market-skimming pricing is a strategy whereby prices start high and slowly drop over time. This is a prevalent practice in consumer electronics products

(c) *Your research shows that over 53% of all purchases are made on impulse. You advise your packaging design team That the package must communicate many of the sales Tasks. List the sales tasks that packaging must now Incorporate.*

Ans : Packaging may be defined as the general group of activities in the planning of a product. These activities concentrate on formulating a design of the package and producing an appropriate and attractive container or wrapper for a product. The tasks of packaging are:

- Attract attention
- Describe the product's features;
- Create consumer confidence, and
- Make a favourable overall impression.

(d) *"In the maturity stage of Product Life Cycle (PLC) the Market becomes saturated, price competition intensifies And the rate of sales growth slows down."* Suggest five Strategic choices in such a stage of PLC.

Ans : In order to face the situations characterized by

the maturity stage of PLC, alternative marketing and distribution strategies listed below are suggested:-

- Brand-stressing advertising
- Trading down through
- Trading up (strategy opposite to item 2 through
- Proliferation, exclusive or radical, by
- Increase of product availability and point-of-sale services through more distribution outlets/dealers/services centres, etc.

(e) *Write a brief note on 'Sensitivity Analysis'.*

Ans : The "Sensitivity Analysis (SA)" is the study of how the uncertainty in the output of a model (numerical or otherwise) can be apportioned to different sources of uncertainty in the model input. A related practice is uncertainty analysis which focuses rather on quantifying uncertainty in model output. Ideally, uncertainty and sensitivity analysis should be run in tandem. Sensitivity analysis can be useful to computer modelers for a range of purposes including:-

- Support decision making or the develop
- recommendation for decision makers
- Enhancing communication from modelers to decision makers
- Increase understanding or quantification of the system
- Model development

INDIRECT AND DIRECT TAX MANAGEMENT

(Source :Suggested Answer)

Q: (a) *M/s Aurobind Ltd. is a small scale Industrial Unit which is producing glass fibre an excisable Product. As per financial statement for the year 2011-12, it shows a gross sales turnover of 205.10 lakhs inclusive of excise Duty & VAT. There Product glass fibre attract Duty @ 12% and VAT @ 1%. It may be noted that for the year 2010-11, the taxable clearance of MisAurobind Ltd. SSI Unit was ` 160.00 lakhs. Please calculate the excise duty liability under Notification No. 8/2003 dt. 01.03.2003 as the gross sales turnover ` 205.10 lakhs is eligible for examination.*



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ANS: For this problem we have to compute excise duty liability under Notification No. 8/2003 date: 01/03/2003 .

(b) (i) What do you mean by project import under customs Act?

Ans: Project import means, import of machineries required for initial set up of project and also includes raw materials, consumables and spare parts, (10% value of machinery) is allowed to import at concessional or nil rate of duty. Heavy customs duty on imported machinery for project makes project cost very high and may become unviable. The goods are classified under heading 9801, that the clearance of goods be come faster.

(ii) Which projects are eligible for benefit of custom duty?

- Ans:** Project eligible are
- (a) Industrial plan
 - (b) Irrigation Project
 - (c) Power Project
 - (d) Mining Project
 - (e) Project for Oil and Mineral Exploration
 - (f) Other Project specified by the Central Govt.

(iii) What to do to get such benefit?

Ans: To get benefit under Project Import, the Contract for import has to be registered with Customs. Application is required to be made before importation and contract must be registered before order for clearance of goods is made from Customs. The contract can be amended if required. After completion of Project and submission of documents assessment shall be finalized within 60 days. MF (DR) Circular No. 22/2011-CUS dt. 04 May, 2011.

(c) Examine and state the applicability of provisions under Income Tax Act for deductions of Income Tax at source under Iricome Tax Act/rules on following cases for Asst. Year 2012-13.

(i) Mr. K an employee of Central Government is due to receive arrear of salary for the earlier three previous years that are 2008-09 to 2010-11 during the previous year 2011-12. Whether such arrear salary is subject to deduction of tax during previous year 2011-12.

Ans: Arrear of salary for the previous year 2008-09 to 2010-11 are taxable in the previous year 2011-12 on receipt as not taxed earlier on accrual basis in the hands of Mr. K, an employee. The authorized person

of the Central Govt. would be liable to deduct. tax at source from such arrear. However Mr. K can claim relief u/s 89(1) of the Income Tax Act provided the employee would produced the details in the prescribakForm 10E to his employer to consider the relief u/ s 89 while deducting tax at source.

(ii) MIS X Ltd. enter into an agreement with MIS ABC tax at source @2% u/s 194C. Finance department of the view that tax dedu tion should be 10% u/s 194J of Income Tax Act. Consultants for providing engineering services to the Company for a Consideration of ` 10,000 per month. MIS ABC Consultants requires MIS X Ltd. to deduct

Ans: The definition of professional service on which tax is to be deductible under section 194J includes engineering services also. So fee of ` 10,000 per month paid M/S ABC Consultant represent fee for professional Services & the income tax deduction at source on payment is to be made @ 10% under such section that is 194J. M/S ABC Consultants requirement for deduction of tax at source @2% u/s 194C is not correct.

ADVANCED FINANCIAL MANAGEMENT

(Sources : Suggested Answer) *Question 1 It has been suggested that much of the training of management accountants is concerned with cost contol whereas the major emphasis should be on cost reduction. Required:*

1(a) Distinguish between cost control and cost reduction. [3]

Answer – 1(a)

Cost Control	Cost Reduction
i) It is an regulation on cost to keep it in acceptable limits	i) It is a planned approach to reduce the expenditure
ii) It is a preventive function	ii) It is a corrective function
iii) Emphasis on present and past cost	iii) Emphasis on present and future cost
iv) Involves in setting standards and taking corrective steps	iv) Challenges the cost standard



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v) Limited to specified area	v) applied to each and every step
vi) Aims at lower possible cost	vi) Call for change if it leads to lowering of cost

Question 1(b) Give three examples each of the techniques and principles used for (i) Cost control and (ii) cost reduction

Answer 1(b)

i) Three examples of cost control techniques:

- A) Budgetary Control
- B) Standard Costing
- C) Limits on authority to incur expenditure

ii) Three example of cost reduction techniques

- A) Value Analysis
- B) Work study
- C) Variety reduction

Question 1(c)

Discuss the proposition contained in the statement.[6]

Answer 1(c) The statement suggests that the training of management accountants should place the major emphasis on cost reduction. Because of the following:

- i) In a competitive environment, reduced cost will attract the customer.
- ii) For effective competition in companies, Management accountant should be trained to provide information based on cost reduction.
- iii) If emphasis given on cost control, it reduces the concentration, effort on the mechanism of recording and reporting Historic cost.

CORPORATE LAW AND COMPLIANCE

(Source : Suggested answer)

Question 1(a) Discuss the role, membership and operations of a Nomination Committee. [6]

Answer 1(a)

NOMINATION COMMITTEE

Role:

The role of nominee committee is to

- 1) Determine the slate of director nominees for election
- 2) To identify and recommend candidates to fill vacancies occurring between annual shareholder meetings,
- 3) To review, evaluate and recommend changes to the Company's Corporate Governance Guidelines.
- 4) To review the Company's policies and programme

Membership:

- 1) The Member of the committee contains at least 2 Directors.
- 2) Each member independently has to meet the requirements of the board
- 3) The Board can remove and appoint any member

Operations:

- 1) The Committee meets at least twice a year.
- 2) The Committee shall meet periodically in executive session
- 3) The Committee will cause to be kept adequate minutes
- 4) Activities and Action should be reported quarterly on the next meeting
- 5) Committee members will be furnished with copies of the minutes of each meeting.

Question 1(b) In the context of management audit, what is meant by "control risk" vis-a-vis detection of material misstatements in the financial statements? In this regard, what is "Control Risk at the maximum" and "Control Risk at less than the maximum?"

Answer 1(b)

Control Risk :

The client internal control policy and procedure is not effective in the preventing and detecting misstatement in the financial statement.

Control Risk at the Maximum:

- 1) Conclusion based upon the auditor's judgement that the client's internal control policies and procedures do not reduce completely the material errors and / or irregularities.
- 2) The auditor would required to document in his work pare the fact that the control risk is at maximum and not the basis for reaching this conclusion.

- 3) The auditor may decide control risk is at the maximum based upon management accounting technique called cost benefit decisions.

Control risk at less than the maximum

- 1) Based on the initial proceedings the auditor can conclude that control risk is less than maximum.

- 2) To come to the conclusion about control risk , the auditor has to evaluate

- 3) The cost / benefit decision is based upon the audit time involved in extending the auditor's



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understanding of internal controls, cost/benefit of existing his/her understanding in internal control.

Question 1(c)

An understanding has been reached among the manufacturers of cotton to control the price of cotton, but the understanding is not in writing and it is also not intended to be enforced by legal proceedings.-Examine whether the above understanding can be considered as an 'agreement' within the meaning of section 2(b) of the Competition Act,2002. [3]

Answer 1(c)

As per section 2 (b) of the Competition Act 2002" "agreement"includes any arrangement or understanding or action in concert-----

- (i) Whether or not, such arrangement, understanding or action is formal or in writing; or
- (ii) Whether or not such arrangement, understanding or action is intended to be enforceable by legal proceedings; In view of the above definition of agreement; an understanding reached by the manufacturers of Cotton to Control the price of cotton will be an agreement within the meaning of section 2(b) of the Competition Act 2002 even though the understanding is not in writing and it is not intended to be enforceable by legal proceedings



Expand the following

1. IFAC
2. SAFA
3. QRB
4. CAAS

Math Square :

	-		X		-		-41
+		X		+		-	
	-		-		-		-26
X		/		+		X	
	X		-		+		11
+		-		+		/	
	/		X		-		45
31		27		38		-21	

Try to fill in the missing numbers.

- Use the numbers 1 through 16 to complete the equations.
- Each number is only used once.
- Each row is a math equation.
- Each column is a math equation.
- Remember that multiplication and division are performed before addition and subtraction. (The BODMAS Rule)

MATCH THE FOLLOWING

CAS TITLES	RELATED TO
A. CAS 2	1. COST OF UTILITIES
B. CAS 6	2. DIRECT EXPENSES
C. CAS 10	3. PACKING MATERIAL COST
D. CAS 9	4. CAPACITY DETERMINATION
E. CAS 8	5. MATERIAL COST