ICMAI
THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA
भारतीय लागत लेखाकार संस्थान
Statutory Body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)
www.icmai.in

CMA STUDENT E-Bulletin

VOL 10 | NO. 09 | SEPTEMBER 2025

An Initiative of Directorate of Studies

Behind every successful business decision, there is always a CMA

About the Institute

The Institute of Cost Accountants of India (ICMAI) is a statutory body set up under an Act of Parliament in the year 1959. The Institute as a part of its obligation, regulates the profession of Cost and Management Accountancy, enrols students for its courses, provides coaching facilities to the students, organizes professional development programmes for the members and undertakes research programmes in the field of Cost and Management Accountancy. The Institute pursues the vision of cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession. In today's world, the profession of conventional accounting and auditing has taken a back seat and cost and management accountants increasingly contributing towards the management of scarce resources like funds, land and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

The Institute is headquartered in New Delhi having four Regional Councils at Kolkata, Delhi, Mumbai and Chennai, 112 Chapters in India and 11 Overseas Centres. The Institute is the largest Cost & Management Accounting body in the world with about 1,00,000 qualified CMAs and over 6,00,000 students pursuing the CMA Course. The Institute is a founder member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA). The Institute is also an Associate Member of ASEAN Federation of Accountants (AFA) and member in the Council of International Integrated Reporting Council (IIRC), UK.

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Institute Motto

असतोमा सद्गमय तमसोमा ज्योतिर् गमय मृत्योर्मामृतं गमय ॐ शान्ति शान्ति शान्तिः	From ignorance, lead me to truth From darkness, lead me to light From death, lead me to immortality Peace, Peace, Peace

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CHAIRMAN'S COMMUNIQUE

Dear CMA Students,

It gives me immense pleasure to connect with you through the September 2025 issue of the CMA Student E-Bulletin. As the Chairman of the Training & Educational Facilities Committee of ICMAI, I am excited to share the latest developments and initiatives that aim to enhance your learning experience and professional growth.

At ICMAI, our commitment to excellence in education and training remains unwavering. We continuously strive to provide you with the best resources, state-of-the-art facilities, and cutting-edge training programs that will prepare you to excel in the field of cost and management accounting. Your success is our primary motivation, and we are dedicated to supporting you every step of the way.

In today's digital age, leveraging technology to facilitate learning is paramount. We have introduced several innovative learning platforms to ensure that you have access to high-quality education regardless of your location. Our online classes, interactive webinars, and virtual workshops provide you with the flexibility to learn at your own pace while maintaining the highest standards of education.

In addition to theoretical knowledge, practical skills are crucial for your professional development. We have designed a variety of skill development programs that focus on real-world applications and industry-relevant practices. These programs include case studies, simulation exercises, and hands-on training sessions that bridge the gap between academic knowledge and practical implementation.

Our collaborations with leading organizations and industry experts provide you with invaluable insights and opportunities to apply your knowledge in real-world scenarios. Through internships, live projects, and guest lectures, you can gain practical experience and understand the nuances of the industry. These collaborations also open doors to networking opportunities that can be instrumental in your career growth.

At ICMAI, we believe in the holistic development of our students. Alongside academic excellence, we emphasize the importance of soft skills such as communication, leadership, and teamwork. Our comprehensive training programs include workshops and seminars focused on developing these essential skills, ensuring that you are well-rounded professionals ready to take on leadership roles.

I am confident that the initiatives and programs we have implemented will significantly enhance your learning experience and prepare you for a successful career. I encourage you to take full advantage of these opportunities and remain dedicated to your goals.

I extend my best wishes to all of you. Your hard work, determination, and passion are the driving forces behind our efforts. Let us continue to work together to achieve excellence and elevate the standards of the cost and management accounting profession.

Warm regards,

CMA Vinayranjan P.

Chairman, Training & Educational Facilities Committee, ICMAI

CMA FOUNDATION COURSE

Syllabus 2022

Topic

Fundamentals of Business Laws -

Module 3:
Sales of Goods Act, 1930

Business Communication -

Module 5:
Business Communication

FOUNDATION

Paper-1

Fundamentals of Business Laws and Business Communication (FBLC)

SECTION – A: FUNDAMENTALS OF BUSINESS LAWS

MULTIPLE CHOICE QUESTIONS (MCQ)

1. Risk in goods prima facie passes with:

   a) Delivery of goods

   b) Payment of price

   c) Ownership of goods

   d) Approval of goods

2. Ramesh sold a TV to Suresh stating it was brand new. Later, Suresh found it was repaired and second-hand. What right does Suresh have?

   a) Treat contract as cancelled

   b) Ask only for damages

   c) No remedy available

   d) Resell the TV

3. Under a contract, ownership of goods transfers immediately, but seller agrees to deliver after a week. Before delivery, goods were stolen. Who bears the loss?

   a) Seller

   b) Buyer

   c) Both equally

   d) Government

4. Seema sold her car to Rohit. Before delivery, she pledged the car to a bank without informing Rohit. Rohit sues. Which right applies?

   a) Right of resale

   b) Right of lien

   c) Right against seller for breach

   d) Stoppage in transit

5. Priya bought 10 kg of rice from a shop. The rice was unfit for human consumption and caused illness. Which implied term is breached?

   a) Implied warranty of title

   b) Implied condition of fitness

   c) Implied condition of wholesomeness

   d) Implied warranty of quiet possession

6. Under a contract, A agrees to sell his car to B for ₹2 lakh. Before transfer of ownership, B becomes insolvent. A refuses delivery. Is A correct?

   a) No, A must deliver

   b) Yes, A can refuse

   c) Court will decide

   d) A must sell to someone else

7. Manoj sold goods to Sunil, but payment was through a cheque that bounced. Manoj stopped the goods in transit. Which right is this?

   a) Lien

   b) Resale

   c) Stoppage in transit

   d) Repudiation

8. A contract stated "time of delivery is essential." Seller delayed delivery. Buyer cancels contract. Is the buyer right?

   a) Yes, if time was of essence

   b) No, time never essential

   c) Buyer must accept late delivery

   d) Only damages allowed

9. Rohit agreed to buy 100 chairs after inspecting a sample. Chairs supplied were different in quality from sample. Which of the following remedy shall be available?

   a) Only damages

   b) Reject goods & cancel contract

   c) Accept goods at reduced price

   d) No remedy available

10. Unpaid seller includes:

    a) Seller paid in full

    b) Seller paid partly

    c) Seller with cheque dishonoured

    d) Both (b) and (c)

11. Under the Sale of Goods Act, future goods mean:

    a) Goods yet to be manufactured or produced

    b) Goods not in seller's possession

    c) Goods in existence but not owned

    d) Goods in transit

12. A stipulation essential to the main purpose of contract is:

    a) Condition

    b) Warranty

    c) Guarantee

    d) Representation

13. Under a contract, buyer rejected goods but kept them for 2 months without informing seller. Buyer:

    a) Can still reject

    b) Loses right to reject

    c) Can claim damages only

    d) Can demand replacement

14. A delivered goods to B but retained documents of title until payment. Ownership passes:

    a) On delivery

    b) On payment

    c) Immediately

    d) On resale

15. In sale by description, goods differ from description given. Buyer can:

    a) Reject goods & cancel contract

    b) Accept goods at reduced price

    c) No remedy available

    d) Resell goods

16. Under the Sale of Goods Act, future goods mean:

    a) Goods yet to be manufactured or produced

    b) Goods not in seller's possession

    c) Goods in existence but not owned

    d) Goods in transit

17. The rule "Nemo dat quod non habet" means:

    a) No one can sell what he does not own

    b) Seller must disclose defects

    c) Let the buyer beware

    d) None of the above

18. Ram left his expensive watch with a watchmaker for repair. Instead of repairing it, the watchmaker sold the watch to C, an innocent buyer who purchased it in good faith and without knowledge of the fraud. Later, Ram (the true owner) filed a suit to recover the watch from C.

    Under the Sale of Goods Act, 1930, who will get the ownership of the watch?

    a) C, because he bought in good faith

    b) Watchmaker, because he sold it

    c) Ram, the true owner of the watch

    d) Court will decide based on price paid

19. X sells goods to Y, but Y fails to pay and refuses to take delivery within the agreed time. After giving due notice to Y, X resells the same goods to Z, who buys them in good faith. Later, Y sues Z, claiming ownership of the goods. Who will have valid ownership of the goods?

    a) Y, because he was the first buyer

    b) Z, because resale by unpaid seller after default is valid

    c) X, because he is the original seller

    d) Court will decide ownership

20. Ramesh is a mercantile agent authorized to sell goods on behalf of his principal but only within a certain price limit. One day, Ramesh sells the goods to a buyer, Amit, at a price lower than the limit, exceeding his authority. Amit buys the goods in good faith, without knowing about the restriction on Ramesh's authority, and pays the full price. Later, the principal claims the goods from Amit, arguing that Ramesh had no right to sell below the fixed price. Who will get valid ownership of the goods?

    a) The principal, because Ramesh exceeded his authority

    b) Amit, because the sale was by a mercantile agent in the ordinary course of business

    c) Ramesh, since he was the one who sold the goods

    d) Court will decide based on market value

21. B buys a car with the assurance that it is "brand new." Later he finds out it was used before. This is a breach of:

    a) Condition

    b) Warranty

    c) Representation only

    d) Guarantee

22. Rahul goes to a shop and tells the seller that he needs paint suitable for painting the exterior walls of his house, which should withstand heavy rain. The seller sells him a particular brand of paint, assuring him it is appropriate for the purpose. After application, the paint starts peeling off during the first monsoon, causing financial loss to Rahul. Which implied term has been breached in this case?

    a) Implied warranty of quiet possession

b) Implied condition as to fitness for a particular purpose

c) Implied condition as to title

d) Implied warranty against encumbrances

23. Under auction sale, seller used fake bids to inflate price. Buyer later discovered this. Is the sale valid?

a) Yes, valid sale

b) No, void sale

c) Voidable at buyer's option

d) Illegal sale

24. A sells 100 bags of wheat to B and physically delivers the goods. However, A keeps the railway receipt (document of title) in his own name, stating that ownership will pass only when B pays the full price. Before B makes the payment, the goods are damaged in transit. When does the ownership of the goods legally pass to B?

a) On delivery of goods to B

b) On payment of full price by B

c) Immediately on contract of sale

d) On resale by A to another party

25. A project manager sends a detailed progress report via email to the entire team. However, several members fail to check their emails regularly and miss critical deadlines as a result.

Which element of the communication process failed here?

(a) Sender

(b) Channel

(c) Receiver

(d) Feedback

26. A company sends a promotional email to its international clients using only local slang and cultural references familiar to Indian customers. Many foreign clients report confusion about the product's value proposition.

Which aspect of effective business communication was ignored here?

(a) Clarity and simplicity

(b) Feedback mechanism

(c) Formal tone

(d) Completeness

27. Which of the following sequences correctly represents the communication process in business communication?

(a) Sender → Feedback → Channel → Message → Receiver

(b) Message → Receiver → Sender → Channel → Feedback

(c) Sender → Message → Channel → Receiver → Feedback

(d) Receiver → Sender → Message → Channel → Feedback

28. Which of the following best explains the principle of completeness in business communication?

(a) Ensuring the message is brief and concise

(b) Providing all necessary information for decision-making without ambiguity

(c) Using formal language regardless of the audience

(d) Avoiding any kind of feedback mechanism

29. Which of the following is not a feature of effective intercultural communication?

(a) Sensitivity to cultural differences

(b) Using simple and clear language

(c) Assuming uniformity across all cultural groups

(d) Awareness of non-verbal communication norms

30. In business communication, the use of visual aids like charts and infographics primarily aims to:

(a) Reduce the need for verbal communication

(b) Ensure data security

(c) Enhance clarity and retention of information

(d) Avoid intercultural misunderstandings

Answer:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
c	a	b	c	c	b	c	a	b	d	a	a	b	b	a
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
a	a	c	b	b	a	b	c	b	c	a	c	b	c	c

Topic

Fundamentals of Financial Accounting -

Module 1: Accounting Fundamentals

Fundamentals of Cost Accounting -

Module 4: Fundamentals of Cost Accounting

FOUNDATION

Paper-2

Fundamentals of Financial and Cost Accounting (FFCA)

Sl. No.	QUESTIONS	PROPOSITIONS			
		A	B	C	D
1	Which cost increases continuously with the increase in production?	Average cost	Marginal cost	Fixed cost	Variable cost
2	Which of the following is not a determinant of the firm's cost function?	The production function	The price of labour	Taxes	The price of the firm's output
3	Marginal cost changes due to changes in:	Total cost	Average cost	Variable cost	Quantity of output
4	The efficient scale of production is the quantity of output that minimizes:	Average fixed cost	Average total cost	Average variable cost	Marginal cost
5	Economic costs of production differ from accounting costs of production because:	Economic costs include expenditures for hired resources while accounting costs do not	Accounting costs include opportunity costs which are deducted later to find paid out costs	Accounting costs include expenditures for hired resources while economic costs do not	Economic costs add the opportunity cost of a firm which uses its own resources
6	Which cost remains unchanged even when production is zero?	Variable Cost	Fixed Cost	Sunk Cost	Marginal Cost
7	What is the sum of all direct costs called?	Prime Cost	Sunk Cost	Total Cost	Marginal Cost
8	Which of the following is an example of a sunk cost?	Wages paid in current production	Cost of old machinery already bought	Interest on a new loan	Future salary of workers
9	Opportunity cost can be best described as:	Depreciation	The next best alternative forgone	Profit forgone	Cash spent directly
10	Accounting gives information or data on	Financial states of the organisations	Income and Cost for the supervisors	Company's assessment obligation for a specific year	All that mentioned
11	The charges of putting products into a saleable condition ought to be charged to	Balance Sheet	P and L a/c	Trading account	None of the above mentioned
12	The Bank Reconciliation Statement is the Part of?	Double-entry system	Not a Part of the Double-entry system	Bank Statement	None of all of these
13	Copyrights, Patents, and Trademarks are instances of	Fixed resources	Current resources	Investments	Intellectual property
14	The Cash Book debit balance is equivalent to?	Credit Balance as per passbook	Overdraft as per Cash Book	Debit Balance as per Pass Book	Overdraft as per Pass Book
15	The resources that can be effectively changed over into cash inside a brief period, i.e., 1 year or less, are known as	Investments	Intangible resources	Fixed resources	Current resources

Sl. No.	QUESTIONS	PROPOSITIONS			
		A	B	C	D
16	The customer account is ……when he withdraws the amount from the bank?	Debited	No effect	Credited	None of these
17	What is capital?	Capital is the equity of the stakeholders	Capital is the goods involved in the production	Capital is the total stock	Capital is profit
18	What is the meaning of bankruptcy when it comes to the assets of a business organisation?	Bankruptcy means an organization has lost its money	Bankruptcy means an organisation can no longer earn any profits	Bankruptcy means the assets that the company owned are sold and the funds obtained are used to clear debts	None of these
19	The skills essential for being an accountant are:	Good communications, proficiency in accounting practices, preparing financial statements, analysing data	Time management, critical thinking, accounting organisation capacities	None of these	Only a and b are true
20	Why do fixed assets need to go through depreciation?	A firm has to face depreciation in asset values due to the piling up of liabilities each year.	A reduction in capital worth leads to depreciation.	Wear and tear resulting from repeated operation reduces the efficiency of pieces of machinery or equipment, thus price decreases.	The particular asset's net worth gets reduced with time in the market.
21	The depreciation amount of any fixed asset is never going to beat its _____	Original price	Balance amount	Residual value	Estimated depreciable value.
22	The valuation procedure for stock is cost or net realisable value, whichever is lower. The procedure follows as per	Historical Cost	Going Concern Concept	Money Measurement Concept	Conservatism Concept
23	The balance of the Petty Cash is a / an	Expense	Income	Asset	Liability
24	The value of an asset after deducting depreciation from the historical cost is known as	Fair Value	Market Value	Net Realisable Value	Book Value
25	Purchases book is used to record	All purchases of goods	All credit purchases	All credit purchases of goods	All credit purchases of assets other than goods

Sl. No.	QUESTIONS	PROPOSITIONS			
		A	B	C	D
26	Which of the following items are shown in the income and expenditure account?	Only items of capital nature	Only items of revenue nature which are received during the period of accounts	Only items of revenue nature pertaining to the period of accounts	Both the items of capital and revenue
27	What happens when a bad debt is recovered?	Current asset decreases	Debtor's balance decreases	Profit increases	Owner's fund
28	Which one of the following is not a financial statement?	Trial Balance	P & L Account	Balance Sheet	Fund Flow Statement
29	Which of the following is a transaction of contra entry?	Good sold for cash	Godown Rent paid by Cheque	Drawing by Owner	Cash deposited to Bank
30	Amount set apart to meet loss due to bad debt is a	Provision	Appropriation	Reserve	All of these

Answer:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
D	D	D	B	B	B	A	B	B	D	B	B	D	A	D
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
A	A	C	D	C	D	D	C	D	C	C	C	A	D	A

Topic

Fundamentals of Business Mathematics - Module 2: Algebra

Fundamentals of Business Statistics - Module 6: Correlation and Regression

FOUNDATION

Paper-3

Fundamentals of Business Mathematics and Statistics (FBMS)

In this issue we will carry out MCQs on Algebra & Correlation Regression – refer Module 2 and Module 6 of Study guide.

1. Find the value of x in $14x^2 - 5x - 1 = 0$

(a) x = 1/14 or 1/2

(b) x = -1/7 or 1/2

(c) x = - 1/7 or 1/5

(d) None of the above

2. If sum of roots is greater than product of roots by 15 & assuming coefficient of x^2 be 2, form the quadratic equation.

(a) $2x^2 + 6(6x + 1) = 0$

(b) $2x^2 - 36x + 6 = 0$

(c) $x^2 + 36x + 3 = 0$

(d) $x^2 - 36x + 3 = 0$

3. Form quadratic equation when b = 6, c = -1 & a = (3b/2c)

(a) $9x^2 + 6x + 1 = 0$

(b) $9x^2 - 6x - 1 = 0$

(c) $9x^2 - 6x + 1 = 0$

(d) $9x^2 + 6x - 1 = 0$

4. If sum of roots = 84, value of p for $x^2 + (27p - 3)x = 7/12$

(a) p = - 3

(b) p = - 5

(c) p = 3

(d) p = 5

5. Find the value of z for $2(z^2 + 1) = 5z$

(a) z = - 2 or - 1/2

(b) z = - 2 or 1/2

(c) z = 2 or 1/2

(d) z = 2 or 1/4

6. Form quadratic equation when Product of Roots is thrice of Sum of roots.

(a) $x^2 - 2x + 6 = 0$

(b) $6x^2 - 2x + 1 = 0$

(c) $x^2 + 2x - 6 = 0$

(d) None of the above

7. When sum of roots be 35, value of q for $5x^2 - (8q - 11)x + (12/5) = 0$

(a) q = 5.75

(b) q = 5.50

(c) q = 5.25

(d) q = 6.25

8. Find the value of 'c', when discriminant of the equation is 1, a = 2 & b = 5

(a) c = 2

(b) c = 3

(c) c = 4

(d) None of the above

9. Find the value of q in $6q^2 + q - 2 = 0$

(a) q = - 3/2 or 2

(b) q = 2/3 or -1/2

(c) q = -2/3 or 1/2

(d) q = 3/2 or -2

10. When product of roots equals to 18, find the value of 'c' for the equation - 5x (2 - x) + 15 + c = 0

(a) c = 105

(b) c = 90

(c) c = 85

(d) c = 75

11. If Product of Roots is 8 times of Sum of Roots, while a = 3. Form Equation.

(a) $3x^2 - 3x + 24 = 0$

(b) $x^2 - x + 3 = 0$

(c) $3x^2 + 3x - 24 = 0$

(d) $-3x^2 + 3x + 24 = 0$

12. Find the value of x for $2(x^2 + 1) + 5x = 0$

(a) x = - 1/2 or - 2

(b) x = - 2 or - 2

(c) x = - 4 or - 2

(d) x = - 2 or 4

13. If b_{XY} & b_{YX} are regression coefficients of series X on series Y and regression coefficients of series Y on series X respectively then which one of the following is correct?

(a) b_{XY} & $_{bYX}$ = r, where r is the correlation coefficient

(b) b_{XY} & $b_{YX} = r^2$, where r is the correlation coefficient

(c) b_{XY} & $b_{YX} = -r$, where r is the correlation coefficient

(d) b_{XY} & $b_{YX} = 1/r$, where r is the correlation coefficient

14. Which one of the following is correct?

(a) Correlation analysis ascertains the degree to which one variable is LINEARLY related to another

(b) Correlation analysis ascertains the degree to which one variable is POSITIVELY related to another

(c) Correlation analysis ascertains the degree to which one variable is NEGATIVELY related to another

(d) Correlation analysis ascertains the degree to which one variable is EXCLUSIVELY related to another

15. Which of the following question/s are answered by *Regression & Correlation analysis?*

(a) Is there any relationship between two variables?

(b) What type of relationship exists between two related variables?

(c) How much is the strength of the relationship exists between two related variable?

(d) All the above

16. Regression equation explains

(a) The variation of the independent variable from estimation

(b) The variation of the independent variable from dependent variable

(c) The variation of the dependent variable from independent variable

(d) The variation of the dependent variable from estimation

17. The extent or strength of the association that exists between independent and dependent variables is measured by

(a) r^3

(b) r^1

(c) r^2

(d) $\sqrt{r}$

18. If $\Sigma X=30$, $\Sigma Y=42$, $\Sigma XY=199$, $\Sigma X^2 = 184$, $\Sigma Y^2 = 318$ & $n = 6$, then correlation coefficient between X & Y is

(a) -0.324

(b) 0

(c) -0.458

(d) -0.385

19. The line $y = 13 - 3x/2$ is the regression equation of

(a) y on x

(b) x on y

(c) Both

(d) None

20. Correlation between two variables

(a) Depends on the direction in which the variables move

(b) Depends on the direction in which the r^2 move

(c) Depends on the direction in which the dependent variables move

(d) Depends on the direction in which the independent variables move

21. High degree of negative correlation exists when

(a) When $r > -0.5$ but < -0.75

(b) When $r > -0.75$ but < -1

(c) When $r > 0$ but < -0.5

(d) When $r = -1$

22. There is multiple correlations when

(a) We study the relationship between variable X and variables (Y, Z) taken together

(b) We study the relationship between variable X and variable (Y)

(c) We study the relationship between variable X and a constant term C

(d) All the above

23. The sum of the difference of rank is

(a) 1

(b) -1

(c) 0

(d) None

24. $r_{1.23}$ Indicates

(a) Multiple correlation between variables 1, 2, 3

(b) Multiple correlation between variable 1 and variables 2 & 3 taken together

(c) Multiple correlation between variable 2 and variable 3 keeping variable 1 as constant

(d) Multiple correlation between variable 1 and variable 2 keeping variable 3 as constant

25. Whatever may be the value of r, positive or negative, its square will be

(a) Negative only

(b) Positive only

(c) Zero only

(d) None only

26. The arithmetic mean of b_{xy} & b_{yx} is

(a) Greater than Coefficient of Correlation i.e. $(b_{xy} + b_{yx})/2 > r$

(b) Less than or equal to Coefficient of Correlation i.e. $(b_{xy} + b_{yx})/2 \leq r$

(c) Greater than or equal to Coefficient of Correlation i.e. $(b_{xy} + b_{yx})/2 \geq r$

(d) Less than Coefficient of Correlation i.e. $(b_{xy} + b_{yx})/2 < r$

27. Regression Coefficients are

(a) Independent of change of origin but not of scale

(b) Independent of scale but not of change of origin

(c) Independent of change of origin and of scale

(d) Dependent of change of origin and of scale

28. Which one of the following is correct?

(a) In correlation both variables are considered at par for study purposes, whereas in regression analysis variables are differentiated as dependent and independent variables.

(b) In regression both variables are considered at par for study purposes, whereas in correlation analysis variables are differentiated as dependent and independent variables.

(c) In regression and regression both variables are considered at par for study purposes

(d) In regression and regression variables are differentiated as dependent and independent

29. Correlation is symmetrical in formation,

(a) If $r_{xy}/r_{yx} = 1$

(b) If $r_{xy} = r_{yx}$

(c) If $r_{xy} > r_{yx}$

(d) If $r_{xy} < r_{yx}$

30. Which one of the following is correct?

(a) Correlation gives an absolute measure

(b) Regression & Correlation both give a relative measure

(c) Correlation gives a relative measure

(d) Correlation & Regression both give absolute measure

Answer:

1	b	$14x^2 - 5x - 1 = 0$ or, $14x^2 - 7x + 2x - 1 = 0$ or, $7x(2x - 1) + 1(2x - 1) = 0$ or, $(2x - 1)(7x + 1) = 0$ Hence, x = ½ or -1/7
2	b	PR = 3, SR = 3 + 15 = 18, a = 2 $x^2 - (18)x + (3) = 0$ $2x^2 - 36x + 6 = 0$
3	c	a = (3*6)/(2*-1) = - 18/2 = - 9, b = 6, c = - 1 Sum of roots = - b/a = 6/9, Product of roots = c/a =1/9 $9x^2 - 6x + 1 = 0$
4	a	$- (27p - 3) = 84$ or, $27p - 3 = - 84$ or, $27p = - 81$ or, p = - 3.
5	c	$2z^2 - 5z + 2 = 0$ or, $2z^2 - 4z - z + 2 = 0$ or, $2z(z - 2) - 1(z - 2) = 0$ or, $(z - 2)(2z - 1) = 0$ Hence, z = 2 or ½.
6	a	x^2 - (sum of roots)x + (product of roots) = 0 $x^2 - 2x + 6 = 0$
7	a	$(8q - 11) = 35$ or, $8q = 35 + 11$ or, $8q = 46$ or, q = 5.75
8	c	$b^2 - 4ac = 1$ or, $(5)^2 - 4 * 2 * c = 1$ or, $25 - 8c = 1$ or, $25 - 1 = 8c$ or, $8c = 24$ or, c = 3.
9	c	$6q^2 + q - 2 = 0$ or, $6q^2 - 3q + 4q - 2 = 0$ or, $3q(2q - 1) + 2(2q - 1) = 0$ or, $(2q - 1)(3q + 2) = 0$ Hence, q = 1/2 or - 2/3
10	d	$(15 + c)/5 = 18$ or, $15 + c = 18 * 5$ or, $c = 90 - 15 = 75$
11	a	$x^2 - (1)x + (1 * 8) = 0$ or, $x^2 - x + 8 = 0$ For, a = 3, $3x^2 - 3x + 24 = 0$
12	a	$2(x^2 + 1) + 5x = 0$ or, $2x^2 + 2 + 5x = 0$ or, $2x^2 + 4x + x + 2 = 0$ or, $2x(x + 2) + 1(x + 2) = 0$ or, $(x + 2)(2x + 1) = 0$. Hence, x = - 1/2 or - 2

13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
b	a	d	d	c	d	c	a	b	a	c	b	b	c	a	a	b	c

Suggestions:

The study guide needs to be read thoroughly. Supplementary readings could be made from other resources. In this issue MCQs are based on basic concepts taught in the respective modules/sub modules of the study guide. Students should try to solve individual questions with expertise gathered from studying guide book to understand the correct answer of each question. Formula used here are all covered in study guide. Brief solutions are given as keys in selected problems.

Best Wishes.

Topic

Fundamentals of Business Economics -

Module 2 : Forms of Market

Fundamentals of Management -

Module 5: Fundamentals of Management

FOUNDATION

Paper-4

Fundamentals of Business Economics and Management (FBEM)

Let us start our mock test.

I. Choose the correct answer:

1. Who was the proponent of the scarcity definition of economics?
   A. Samuelson
   B. Robbins
   C. Pigou
   D. Marshall
2. Who invented "Multiplier theory"?
   A. Schumpeter
   B. Samuelson
   C. Keynes
   D. None of the above
3. If the level of expenditure on a commodity remains the same, even if the price of it falls, the price elasticity of demand will be
   A. Greater than unity
   B. Less than unity
   C. Equal to unity
   D. None of the above
4. A point to the left of the mid point of a linear demand curve will have price elasticity of demand which is
   A. Relatively elastic
   B. Relatively inelastic
   C. Unit elastic
   D. None of the above
5. Demand for durable goods usually remains
   A. Relatively elastic
   B. Relatively inelastic
   C. Unitary elastic
   D. None of the above
6. The price elasticity of demand for salt is
   A. Elastic
   B. Perfectly elastic
   C. Inelastic
   D. None of the above
7. When price elasticity of demand is infinity, then MR will be
   A. Greater than price
   B. Equal to price
   C. Less than price
   D. None of the above
8. Law of increasing returns to scale is a
   A. Long run phenomenon
   B. Medium run phenomenon
   C. Short run phenomenon
   D. None of the above
9. As output rises, AFC
   A. Also rises
   B. First falls then rises
   C. Falls but it cannot be zero
   D. None of the above
10. When AVC is rising then
    A. SMC>AVC
    B. SMC<AVC
    C. SMC=AVC
    D. None of the above
11. When AVC curve is rising
    A. SMC curve will also be rising
    B. SMC curve will be falling
    C. SMC curve will be parallel to x-axis
    D. Nothing can be predicted
12. Profit will be maximum when
    A. AR=MR
    B. MR curve cuts the AR curve from below

C. Both A and B

D. None of the above

13. Internal economies of scale occurs when

A. LAC curve sloping downward

B. SAC curve sloping downward

C. LAC curve sloping upward

D. SAC curve sloping upward

14. External economies of scale occurs when

A. LAC curve shifts downward

B. SAC curve shifts downward

C. LAC curve shifts upward

D. SAC curve shifts upward

15. The principal goal of a monopoly firm is assumed to be

A. Sales maximization

B. Revenue maximization

C. Profit maximization

D. None of the above

16. Product differentiation is the other name of

A. Monopoly

B. Discriminating monopoly

C. Monopolistic competition

D. None of the above

17. Kinked demand curve is related to

A. Oligopoly

B. Monopoly

C. Monopolistic competition

D. None of the above

18. Under perfect competition, a firm faces a demand curve which is

A. Downward sloping

B. Parallel to the x- axis

C. Upward rising

D. None of the above

19. What is the name of the central bank of England?

A. Central bank of England

B. Bank of London

C. Bank of England

D. None of the above

20. Inflation can be controlled if

A. Bank rate is increased

B. Govt. bond is sold in the open market

C. CRR is increased

D. All the three above

21. The narrow money in an economy is denoted by

A. M4

B. M3

C. M1

D. None of the above

22. The final step in decision making process is

A. Selection of an alternative

B. Developing alternative

C. Evaluation of alternative

D. Implementation and follow up of decision

23. Free-rein Leadership is also known as

A. Laissez Faire leadership

B. Participative leadership

C. Authoritarian leadership

D. None of the above

24. Selection is a process of rejection hence it is a

A. Positive process

B. Negative process

C. either A or B

D. none of the above

25. T-group training is also called

A. Class room training

B. Apprenticeship training

C. Internship training

D. Sensitivity training

26. Introduction of a person to a job is called

A. Induction

B. Placement

C. Orientation

D. None of the above

27. Vestibule training is considered as a part of

A. Off-the-job training

B. On-the-job training

C. Both A and B

D. None of the above

28. Who takes the initiative in formulating major objectives, strategies, policies

A. Middle management

B. Top management

C. Lower management

D. All of the above

29. Which of the following are called standing plans?

A. Policies

B. Procedures

C. Rules

D. All of the above

30. Carrot and stick approach to motivation is adopted under which system?

A. Exploitative Autocratic

B. Benevolent Autocratic

C. Consultative

D. Democratic

Answer:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
B	C	C	A	B	C	B	A	C	A	D	C	A	A	C
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
C	A	B	C	D	C	D	A	B	D	A	A	B	D	B

So friends,

In the last month I asked you to go through the "straight line" chapter of co-ordinate geometry. I hope all of you have followed my instruction. So this mock test will be a cake-walk for you. Please maintain a record of your performance in all the mock tests. That will indicate your progress in this paper. Of course you should not consult the KEY before you finish off solving the test paper.

Wish you all the best !!!

CMA INTERMEDIATE COURSE

Syllabus 2022

Topic

Module 3:
Sale of Goods Act, 1930

Module 4:
Negotiable Instruments Act, 1881

INTERMEDIATE

Group I - Paper-5

Business Laws and Ethics (BLE)

E-Commerce Contracts under the Sale of Goods Act, 1930

Introduction

The exponential rise of e-commerce has revolutionized commercial transactions in India. Online platforms like Amazon, Flipkart, and Myntra facilitate the sale of goods across geographies with unprecedented speed and convenience. However, the Sale of Goods Act, 1930, enacted in a pre-digital era, primarily governed traditional face-to-face sales. With digital commerce dominating modern trade, its provisions on delivery, payment, risk, and buyer-seller obligations require reinterpretation to ensure legal clarity and consumer protection. This article examines how the Act applies to e-commerce transactions, focusing on performance obligations under Sections 31-44 and related provisions.

Legal Framework for Performance of Contracts

Chapter IV of the Sale of Goods Act deals with the performance of contracts, detailing duties of buyers and sellers, delivery obligations, and risk allocation.

Section 31 states that the seller must deliver goods, and the buyer must accept and pay as per the contract terms.

Section 32 states that payment and delivery are concurrent conditions, i.e., the seller must be ready to deliver goods when the buyer pays, and the buyer must be ready to pay when the seller delivers.

In the context of e-commerce, these provisions operate through mechanisms like prepaid orders, cash on delivery (COD), and escrow payment systems. Platforms often provide a contractual safeguard ensuring that the seller ships the goods only after receiving payment confirmation, while the buyer's funds are released only after successful delivery. This creates a balanced system reflecting the intent behind Sections 31 and 32.

For example, Amazon's "Pay on Delivery" option directly mirrors the principle of concurrent conditions, ensuring simultaneous performance of obligations through digital means.

Delivery of Goods in E-Commerce Transactions

Delivery provisions under Sections 33-36 have been adapted for digital commerce:

Section 33 allows delivery by any method agreed upon by the parties. In online sales, delivery often occurs through third-party logistics, courier services, or warehouse pickups. The case of Elmore v. Stone (1701) established the principle of constructive delivery- where goods are delivered when the seller puts them in possession of a carrier, even before the buyer physically receives them. This principle now governs e-commerce shipments, where risk may pass upon dispatch rather than actual receipt.

Section 34 on part delivery applies when orders are fulfilled in multiple consignments. For instance, a buyer purchasing several items from Flipkart may receive them in different shipments. If the buyer accepts partial delivery, the risk may transfer for that portion, unless the contract specifies otherwise.

Section 36 lays down rules for the time, place, and mode of delivery. In e-commerce, platforms usually specify estimated delivery timelines. Unreasonable delay, unless excused by circumstances beyond control, may constitute a breach of contract, allowing buyers to seek damages or cancellation.

Payment Mechanisms and Risk Transfer

Under Section 32, payment and delivery are concurrent conditions unless otherwise agreed. E-commerce platforms accommodate this through:

- Prepaid payments (credit cards, UPI, net banking) where delivery follows payment;
- Cash on Delivery (COD) where payment follows delivery;
- No-cost EMIs or Buy Now, Pay Later models introducing credit elements governed by additional laws like the Indian Contract Act and Consumer Protection Act.

Risk transfer in online sales often depends on contractual terms. Traditionally, risk passes when goods are delivered to the buyer. But platforms frequently specify whether risk shifts upon dispatch, delivery, or even digital acknowledgment by the buyer. This clarity is crucial when goods are lost, damaged, or delayed during transit.

Buyer's Right to Examine Goods: Section 41

Section 41 gives buyers the right to examine goods before acceptance. In offline transactions, buyers physically inspect goods before purchase. In e-commerce, inspection rights are enforced through return and refund policies, allowing buyers to reject defective or non-conforming goods.

The absence of physical inspection opportunities in online sales strengthens the case for implied conditions on quality, fitness, and description under Sections 14-17. If the goods fail to meet the description or quality standards displayed online, buyers may rightfully reject them, even after delivery.

Doctrine of Caveat Emptor in Online Sales

The principle of caveat emptor ("let the buyer beware") under Section 16 historically placed the onus on buyers to verify goods. However, in e-commerce, buyers rely entirely on digital descriptions, images, and representations,

lacking opportunities for physical inspection. Courts and legislatures increasingly shift towards caveat venditor ("let the seller beware"), holding sellers accountable for accuracy, quality, and merchantability.

The principle that sellers must provide goods fit for the buyer's purpose was established in Baldry v. Marshall (1925), where the buyer relied on a dealer's recommendation for a car suitable for touring, which later proved unfit. The court held the seller liable since the buyer had disclosed the purpose and relied on the seller's skill. This laid the basis for Section 16(1) of the Sale of Goods Act, imposing an implied condition of fitness when the buyer depends on the seller's expertise. In e-commerce, where buyers rely solely on digital descriptions, this principle ensures sellers remain accountable if goods fail to meet advertised purposes.

In Grant v. Australian Knitting Mills (1936), the buyer suffered injury from defective underwear containing excess chemicals. The court held the goods were not of merchantable quality, reinforcing that products must be safe and fit for ordinary use. This principle now protects online buyers where defects may not be visible before purchase, ensuring liability rests with sellers or manufacturers when products fail quality standards.

The Indian case of Aafloat Textiles v. Commissioner of Customs (2009) further held that while buyers must exercise due diligence, they cannot be penalized when they reasonably rely on seller representations that later prove inaccurate. In e-commerce, this safeguards buyer acting in good faith on product descriptions, shifting liability to sellers or platforms for misdescribed or defective goods.

Role of Consumer Protection Laws

The Consumer Protection Act, 2019 supplements the Sale of Goods Act by imposing product liability on manufacturers, sellers, and e-commerce platforms for defective goods or unfair trade practices. It introduces concepts like:

- Right to information on product quality, price, and terms;
- Strict liability for defective goods;
- E-commerce Rules, 2020 mandating transparent refund, grievance redressal, and data protection norms.

This framework strengthens buyer rights beyond traditional contract law, especially in online marketplaces.

Modern Challenges and Need for Reform

Despite contractual adaptations, several issues persist:

- Jurisdictional complexities arise when buyers, sellers, and platforms operate in different states or countries.
- Unilateral platform policies on returns, warranties, and disclaimers sometimes conflict with statutory protections.
- Delay in delivery and defective goods raise questions on risk allocation and remedies under the Sale of Goods Act.

Scholars argue for a unified digital commerce law harmonizing the Sale of Goods Act, Consumer Protection Act, and Information Technology Act to address these gaps comprehensively.

Conclusion

The Sale of Goods Act, 1930, though enacted in a pre-digital era, continues to govern e-commerce transactions through principles on delivery, payment, risk transfer, and implied conditions. Judicial interpretations and consumer laws have adapted its provisions to protect online buyers while preserving commercial certainty for sellers. The shift from caveat emptor to caveat venditor reflects modern realities where buyers rely solely on digital representations. However, growing complexities in cross-border trade, platform liability, and data security necessitate legal reforms integrating traditional contract law with digital commerce realities to ensure balanced protection for all stakeholders.

Rights and Liabilities of Parties under the Negotiable Instruments (NI) Act, 1881

Introduction

The Negotiable Instruments Act, 1881 (hereinafter referred to as the NI Act) was enacted to consolidate and define the law relating to negotiable instruments in India. A negotiable instrument, as defined under Section 13 of the Act, includes promissory notes, bills of exchange, and cheques. These instruments are widely used in business and financial transactions because they provide a reliable substitute for cash and ensure smooth credit operations.

The legal framework surrounding negotiable instruments is not confined merely to their creation and transfer but also to the rights and liabilities of the parties involved. These parties i.e. drawers, drawees, acceptors, makers, payees, endorsers, and holders assume specific legal responsibilities and enjoy certain statutory rights. Understanding this balance of rights and liabilities is crucial for safeguarding commercial confidence and ensuring accountability in financial dealings.

Key Parties under the NI Act

Before examining rights and liabilities, it is useful to identify the primary parties to a negotiable instrument:

Drawer - The person who makes or issues a bill of exchange or cheque.

Drawee - The person on whom the bill or cheque is drawn. Once he accepts, he becomes the "acceptor."

Maker - The person who makes a promissory note.

Payee - The person to whom money is payable.

Holder - A person who is entitled to possess the instrument in his own name and to recover the amount due.

Holder in due course - A holder who obtains the instrument for consideration, before maturity, and without notice of defect in the title.

Endorser and Endorsee - The person who signs and transfers the instrument, and the person to whom it is transferred.

Each of these parties stands in a specific legal relationship, creating corresponding rights and liabilities under the Act.

Liabilities of Parties under the NI Act

The liability of parties is one of the most significant aspects of the NI Act. It establishes who can be held responsible for payment and under what conditions.

1. Liability of the Maker of a Promissory Note (Section 32)

The maker of a promissory note is primarily liable to pay the amount mentioned in the note to the payee or holder. His liability is absolute and unconditional unless expressly stated otherwise in the instrument. Even if the note is lost or destroyed, the maker remains liable, subject to indemnity from the holder.

2. Liability of the Drawer of a Bill or Cheque (Section 30)

The drawer guarantees that the instrument will be accepted and paid according to its tenor. If the instrument is dishonoured, the drawer is liable to compensate the holder, provided proper notice of dishonour has been given. In case of a cheque, the drawer is liable if the bank dishonours it due to insufficient funds or any other valid reason.

Section 138 of the NI Act specifically criminalises dishonour of cheques for insufficiency of funds, creating additional liability.

3. Liability of the Drawee/Acceptor of a Bill (Section 32)

A drawee does not incur liability until he accepts the bill. Once he does, he becomes the acceptor and is primarily liable. His liability is to pay according to the tenor of his acceptance, whether it is general or qualified. If he refuses to honour the bill, the holder may proceed legally against him.

4. Liability of the Endorser (Section 35)

An endorser guarantees that the instrument will be honoured. If dishonoured, he is liable to compensate the holder, provided due notice of dishonour is given to him. His liability is secondary and arises only after dishonour.

5. Liability of Legal Representatives (Section 29)

If a party to a negotiable instrument dies, his legal representatives are liable to the extent of the assets they inherit.

6. Liability of Suretyship (Section 37 & 38)

As per Section 37, the maker, drawer, or acceptor is primarily liable, while endorsers are secondarily liable.

Section 38 clarifies that if multiple parties are jointly liable, the holder can proceed against any of them, unless otherwise agreed.

7. Liability under Section 138-142 (Cheque Dishonour)

Apart from civil liability, Section 138 creates criminal liability for cheque dishonour due to insufficiency of funds. The drawer may face imprisonment (up to two years) or fine (up to twice the cheque amount) or both. Directors and officers of a company can also be made vicariously liable under Section 141.

Rights of Parties under the NI Act

Just as parties incur liabilities, they also enjoy certain rights to protect their legal and financial interests.

1. Rights of the Holder (Sections 8, 9, 36, 43)

i) Right to Possess: The holder is entitled to possess the instrument in his name.

ii) Right to Recover: He has the right to recover the amount due from all parties liable.

iii) Right to Sue in His Own Name: A holder can bring an action in his own name without proving ownership of the underlying debt.

iv) Rights of a Holder in Due Course: A holder in due course enjoys special privileges (Section 36, 42, 43). For instance:

He can claim a better title even if the previous holder had a defective title. All prior parties are liable to him until the instrument is satisfied. He is also insulated against many defences available against ordinary holders, such as fraud in consideration.

2. Rights of the Drawer

The drawer has the right to expect the drawee/acceptor to honour the instrument. If the instrument is dishonoured without fault of the drawer, he can seek damages from the drawee. If he pays the amount upon dishonour, he can recover the sum from the acceptor or other parties liable.

3. Rights of the Drawee/Acceptor

Once the drawee accepts the bill, he gains the right to demand possession of the bill. He may also recover from the drawer or endorser if he pays the bill under mistake or fraud.

4. Rights of the Endorser

An endorser who pays on dishonour is entitled to recover the amount from prior parties. He may also strike out subsequent endorsements to limit liability.

5. Rights of Accommodation Parties (Section 43)

An accommodation party who has signed without receiving consideration has the right to recover the amount he pays from the accommodated party.

6. Rights of Legal Representatives

While they are liable for debts to the extent of inherited assets, legal representatives also retain the right to recover amounts due to the deceased.

Interrelationship of Rights and Liabilities

The NI Act is structured around a balance of rights and liabilities:

i) The maker/acceptor bears primary liability, while other parties carry secondary liability.

ii) A holder in due course enjoys stronger rights, creating greater accountability among prior parties.

iii) Endorsers and drawers serve as guarantors of payment but also enjoy indemnity rights if they are forced to pay.

This web of mutual responsibilities ensures that negotiable instruments remain reliable in commerce.

Judicial Interpretation

Indian courts have played a significant role in interpreting rights and liabilities:

K. Bhaskaran v. Sankaran Vaidhyan Balan (1999) - The Supreme Court clarified that cheque dishonour cases can be tried in multiple jurisdictions where parts of the transaction occurred, strengthening the holder's rights.

ICDS Ltd. v. Beena Shabeer (2002) - The Court held that liability under Section 138 is strict and applies even to guarantors who issue cheques.

M/s. Modi Cements Ltd. v. Kuchil Kumar Nandi (1998) - It was held that even if a drawer issues "stop payment" instructions, he is still liable under Section 138 unless he proves absence of debt or liability.

These rulings underscore the judiciary's inclination to protect the integrity of negotiable instruments.

Conclusion

The Negotiable Instruments Act, 1881 represents a well-balanced framework that assigns clear liabilities while safeguarding corresponding rights. The maker, drawer, and acceptor assume primary liability, ensuring certainty of payment, while endorsers and other parties carry secondary liability. On the other hand, holders especially holders in due course enjoy extensive rights, enabling them to recover amounts without undue hardship.

The Act thus performs a dual role: it guarantees security to parties dealing with negotiable instruments and enforces accountability on those who issue them. By coupling civil remedies with criminal sanctions, particularly in cheque dishonour cases, the law ensures that negotiable instruments continue to serve as the backbone of commercial transactions in India.

Topic

Module 2:
Bills of Exchange, Consignment, Joint Venture

INTERMEDIATE

Group I - Paper-6

Financial Accounting (FA)

Bills of Exchange, Consignment, Joint Venture

Bills of Exchange

A Bill of Exchange is a written, unconditional order by one party (the drawer) to another (the drawee), directing the drawee to pay a certain sum of money to a specified person (the payee) at a fixed or determinable future date. It is commonly used in trade transactions and serves as a negotiable instrument.

Features of a Bill of Exchange

- **In Writing**: The bill must be in writing.
- **Unconditional Order**: It contains an order to pay, which is unconditional.
- **Payment of Money**: The bill only deals with the payment of money, not goods or services.
- **Parties**: There are three parties involved:
  1. **Drawer**: The person who creates the bill.
  2. **Drawee**: The person upon whom the bill is drawn and who is ordered to pay.
  3. **Payee**: The person in whose favour the bill is drawn or who will receive the payment.
- **Certainty of Payment**: The sum of money to be paid must be certain.
- **Stamping**: The bill must be properly stamped, as per legal requirements.

Parties to a Bill of Exchange

- **Drawer**: The party who makes or draws the bill. In a trade transaction, the drawer is typically the seller or creditor.
- **Drawee**: The party who is ordered to pay the money. In most cases, the drawee is the buyer or debtor.
- **Payee**: The party who will receive the payment. The payee can be the drawer or a third party.

Additionally, in some cases:

- **Acceptor**: The drawee becomes the acceptor when they signify their consent to pay the bill by signing it.
- **Endorser**: If the bill is transferred to another party, the original holder who transfers it is called the endorser.
- **Endorsee**: The person to whom the bill is endorsed.

Types of Bills of Exchange

1. **Inland Bill**: A bill that is drawn and payable within the same country.
2. **Foreign Bill**: A bill that is drawn in one country and payable in another.
3. **Trade Bill**: A bill drawn and accepted for the purpose of settling trade-related transactions.
4. **Accommodation Bill**: A bill drawn and accepted not for a trade transaction, but to provide financial assistance to another party.
5. **Demand Bill**: A bill payable on demand or at sight.
6. **Usance Bill**: A bill payable after a specific period.

Advantages of Bills of Exchange

- **Credit Facility**: It provides credit to the buyer, allowing them time to pay.
- **Legal Proof**: It acts as legal evidence of a debt.
- **Negotiable**: It can be transferred to another party, providing liquidity.
- **Risk Management**: It reduces the risk of bad debts as it can be discounted or endorsed.

Disadvantages of Bills of Exchange

- **Strict Deadlines**: Bills have strict deadlines, and missing them can lead to dishonor.
- **Cost of Discounting**: Discounting a bill involves a cost to the drawer.
- **Legal Formalities**: Certain legal procedures (like noting and protesting) may increase complexity.

Consignment

Consignment is an arrangement where goods are sent by the owner (called the consignor) to an agent (called the consignee) for the purpose of sale. The ownership of the goods remains with the consignor until the goods are sold by the consignee. The consignee is responsible for selling the goods on behalf of the consignor and earns a commission on the sales made.

The key feature of a consignment is that it differs from a direct sale in that the goods are not sold to the consignee but only entrusted to them for sale. The consignee acts as an intermediary between the consignor and the customers.

Features of Consignment

- **Ownership**: The ownership of goods remains with

the consignor until the consignee sells them.

- **Risk and Reward**: The consignor bears the risk and rewards of the goods (profit or loss) until they are sold.
- **Commission-based**: The consignee earns a commission based on the sales, and there may be different types of commission structures.
- **Goods Returnable**: Unsold goods may be returned to the consignor, as the consignee has no obligation to purchase them.

Difference between Consignment and Sale

Aspect	Consignment	Sale
Ownership of Goods	Ownership remains with the consignor.	Ownership is transferred to the buyer.
Risk and Rewards	Risk remains with the consignor.	Risk and rewards are transferred to the buyer.
Return of Goods	Unsold goods can be returned to the consignor.	Goods once sold cannot be returned unless defective.
Revenue Recognition	Revenue is recognized when the consignee sells the goods.	Revenue is recognized at the point of sale.
Nature of Transaction	It is an agency relationship.	It is a principal-to-principal relationship.

Advantages of Consignment

- **Risk Mitigation**: The consignor retains ownership and risk until the goods are sold, protecting the consignor from immediate loss.
- **Market Reach**: Consignment helps the consignor expand into new markets without the need for physical presence.
- **Flexibility**: The consignee does not have to purchase the goods outright, reducing the financial burden on the consignee.
- **Commission-Based Payment**: The consignee earns income through commission, motivating them to make sales.

Disadvantages of Consignment

- **Risk of Non-Sale**: There is no guarantee that the consignee will be able to sell the goods, and unsold goods may need to be returned.
- **Delayed Revenue**: The consignor does not receive payment until the goods are sold, which may delay cash inflows.
- **Control Issues**: The consignor has limited control over how the consignee handles the goods or manages sales.

Joint Venture

A joint venture (JV) is a business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task. This task can be a new project or any other business activity. Each party in the joint venture is responsible for profits, losses, and costs associated with it. However, the joint venture is its own entity, separate from the participants' other business interests.

Features of a Joint Venture

- **Temporary Partnership**: A joint venture is usually formed for a specific project or limited time frame. Once the project ends, the venture dissolves.
- **Profit and Loss Sharing**: All parties involved share the profits or losses based on the agreement, which could be proportional or otherwise.
- **Shared Control and Management**: The parties involved usually share decision-making responsibilities, though one party may assume a leadership role.
- **Separate Legal Entity**: A joint venture may be considered a separate legal entity with its own accounting and reporting obligations.
- **Limited Scope**: Unlike partnerships or corporations, the scope of a joint venture is typically focused on a particular project or activity.

Types of Joint Ventures

There are several types of joint ventures, depending on the structure and nature of the collaboration:

- **Equity-Based Joint Ventures**: In this type, both parties contribute capital to a new or existing entity

and receive equity in return. Profits and losses are shared according to ownership interests.

- **Contract-Based Joint Ventures**: Here, the parties enter into a contractual arrangement to collaborate without forming a new entity. This structure is common for short-term projects where forming a new business is not necessary.
- **Project-Based Joint Ventures**: Common in industries like construction or engineering, project-based joint ventures are formed to execute a specific project and are dissolved once the project is completed.

Differences Between Joint Venture and Partnership

Though often confused, joint ventures and partnerships have distinct differences:

- **Duration**: A partnership is typically ongoing, while a joint venture is temporary and project-specific.
- **Scope**: Partnerships involve a broader, ongoing range of business activities, while joint ventures focus on a specific task or project.
- **Legal Entity**: Partnerships are usually separate legal entities, while joint ventures may or may not create a new entity.
- **Regulation**: Partnerships are generally regulated under specific partnership laws, whereas joint ventures are governed by contract law and the terms of the joint venture agreement.

Advantages of Joint Ventures

- **Shared Risks**: The risks of the business are shared between the parties, reducing individual exposure to loss.
- **Access to New Knowledge and Expertise**: Parties gain access to the specialized knowledge, skills, and resources of the other party.
- **Financial Synergy**: Joint ventures provide access to additional financial resources and capital.
- **Market Expansion**: Partners can enter new markets or expand their reach more effectively than they could individually.
- **Efficiency**: A joint venture can create operational efficiencies by pooling resources, technology, or infrastructure.

Disadvantages of Joint Ventures

- **Complex Decision-Making**: As multiple parties are involved, decision-making may be more complex and slower.
- **Potential Conflicts**: Conflicts can arise if the objectives or strategies of the parties differ.
- **Unequal Efforts**: One partner may contribute more effort or resources, leading to disputes over profit distribution.
- **Limited Flexibility**: Once a joint venture is established, partners may find it difficult to exit or change their roles.
- **Risk of Failure**: If the joint venture fails, all parties share the financial loss.

Questions:

1. Who is the person that is required to pay the amount of the Bill of Exchange?

   a) Drawer

   b) Drawee

   c) Payee

   d) Endorser

2. What is the maximum number of days allowed as "Days of Grace" in a Bill of Exchange?

   a) 2 days

   b) 5 days

   c) 3 days

   d) 7 days

3. Which of the following is true about a Demand Bill?

   a) It is payable on demand or sight.

   b) It is payable after a fixed period.

   c) It is only used in foreign trade.

   d) It is used for securing loans.

4. Who is responsible for selling goods on behalf of the consignor in a consignment transaction?

   a) Consignee

   b) Customer

   c) Debtor

   d) Creditor

5. Which of the following is true about consignment transactions?

   a) Goods are sold to the consignee

   b) Consignee purchases goods from the consignor

c) Goods are sent for sale, and ownership remains with the consignor

d) Ownership is transferred to the consignee at the time of consignment

6. What type of commission is paid when the consignee takes responsibility for bad debts?

a) Ordinary Commission

b) Del-credere Commission

c) Overriding Commission

d) Trade Commission

7. A joint venture is typically formed for:

a) A long-term, ongoing partnership

b) A specific project or limited duration

c) Tax-saving purposes

d) Merging two companies permanently

8. In a joint venture, the amount of profit to be shared by each party is usually based on:

a) A fixed rate set by the government

b) The amount of time invested by each party

c) An agreement between the parties

d) Market share percentages

9. Which of the following is true about the difference between a partnership and a joint venture?

a) Both are formed for ongoing business activities

b) A partnership is for ongoing activities, while a joint venture is for a specific project

c) Joint ventures have fewer legal formalities compared to partnerships

d) Partnerships do not share profits, while joint ventures do

10. Which of the following statements about joint ventures is incorrect?

a) Joint ventures are formed to undertake specific projects

b) Joint ventures are usually dissolved after the project is completed

c) Joint ventures must always result in the formation of a new entity

d) The profits of a joint venture are shared among participants as agreed

Answer:

1	2	3	4	5	6	7	8	9	10
b	c	a	a	c	b	b	c	b	c

Topic

Module 2: Heads of Income

INTERMEDIATE

Group I - Paper-7A

Direct Taxation (DT)

Profits and Gains of Business or Profession

The head **"Profits and Gains of Business or Profession"** is the most dynamic and comprehensive component of the Income-tax Act, 1961. It governs the taxation of income earned through commercial, industrial, or professional activities. This segment of the Act covers computation methodology, deductions, allowances, presumptive taxation, and disallowances that ensure a just and equitable tax base. A sound understanding of Sections 28 to 44AB is critical for interpreting real-world business transactions and ensuring compliance with statutory provisions.

Here's a summary of the provisions:

<table>
<tr><th>Sec.</th><th>Particulars</th></tr>
<tr><td>28</td><td>Income chargeable under the head Profits & gains of business or profession:

a) Profits & gains of any business or profession b) Compensation to Management agency c) Income of trade or professional associations d) Export incentive e) Value of any Perquisite from business or profession convertible into money or otherwise f) Remuneration to partner g) Amount received or receivable for certain agreement h) Keyman Insurance Policy i) The fair market value of inventory as on the date on which it is converted into a capital asset. j) Recovery against any capital asset being covered by sec. 35AD</td></tr>
<tr><td></td><td>Income not taxable under the head "Profits and gains of business or profession are a) Rent of residential house property b) Dividend on shares even though the assessee deals in shares c) Winning from lotteries, races etc. d) Exempted income e) Sum taxable under the head 'Capital gains'</td></tr>
<tr><td>30</td><td>Rent, rates, taxes, current repairs & insurance for premises used for the purpose of business or profession shall be allowed.</td></tr>
<tr><td>31</td><td>Current repairs & insurance of plant, machinery & furniture are allowed as deduction.</td></tr>
<tr><td>32</td><td>Depreciation

Conditions

1. Assets must be owned by the assessee

2. Asset must be used (including passive use) for the purpose of business / profession during previous year.

Block of Assets: To fall in the same block, the following two conditions are to be satisfied) Assets must be of same nature; b) Rate of depreciation on such asset must be same.

Calculation of depreciation (at a glance)

<table>
<tr><th>Particulars</th><th>Amount</th></tr>
<tr><td>W.D.V of the block at the beginning of the previous year</td><td>***</td></tr>
<tr><td>Add: Purchase during the previous year</td><td>***</td></tr>
<tr><td></td><td>***</td></tr>
<tr><td>Less: Net Sale consideration of assets sold during the previous year</td><td>(***)</td></tr>
<tr><td>Value of block before depreciation</td><td>XYZ</td></tr>
<tr><td>Less: Depreciation (as a % on XYZ)</td><td>(***)</td></tr>
<tr><td>WDV of the block at the end of the year</td><td>****</td></tr>
</table>

<u>When depreciation is not charged</u>: a) When 'XYZ' (Value of block before depreciation) as computed above is negative. The negative value is to be treated as short term capital gain. b) When 'XYZ' (Value of block before depreciation) is positive but the block does not have any real asset. In such case, the positive value shall be treated as short term capital loss. No depreciation is available on goodwill.

Significance of date of purchase: Where an asset is acquired by the assessee during the previous year and is put to use in the same previous year for less than 180 days, the depreciation in respect of such asset is restricted to 50% of the normal depreciation.</td></tr>
</table>

Sec.	Particulars
	Additional depreciation: Additional depreciation is applicable on any industrial undertaking or assessee engaged in the business of generation, transmission or distribution of power. [Available under old tax regime only] Rate of additional depreciation is 20% (10% if the asset is put to use for less than 180 days + balance 10% is available in the next year) of actual cost of such plant or machinery. *Terminal Depreciation and Balancing Charge*: Applicable to assessee engaged in generation or generation and distribution of power and following straight-line method of depreciation. Terminal depreciation = + ve value of [WDV of assets – (Sale value or Scrap value)] Balancing Charge = - ve value of [WDV of assets – (Sale value + Scrap value)] to the extent of accumulated depreciation. ***Unabsorbed depreciation*:** Depreciation remaining unabsorbed, can be carried forward for *indefinite period* and can be set off against *any income* of the assessee.
35	Scientific research**:** In-house scientific research expenditure whether revenue or capital (except land) shall be allowed if the research is related to business. Expenditures incurred 3 years prior to date of commencement of business shall be allowed in the year of commencement of business. Contribution for scientific research to outside approved research institution, National laboratory, approved University, etc. is eligible for deduction under the old tax regime.
41(3)	**Sale of asset used for scientific research** Without having been used for other purpose, sale consideration to the extent of cost of such asset shall be taxable as business income in the year of sale. The excess of sale consideration over original cost (or indexed cost of acquisition) is taxable as capital gain u/s 45. After being used for other purposes, sale consideration shall be subtracted from relevant block of assets.
35CCC	Expenditure incurred on notified agricultural extension project is eligible for deduction [only under the old regime]
35CCD	Any expenditure incurred by a company on notified skill development project is eligible for deduction
35D	An Indian company or a resident non-corporate assessee, who has incurred certain amount as preliminary expenditure, can claim the total eligible preliminary expenditure as deduction in 5 equal installments. The total eligible preliminary expenditure cannot exceed 5% of cost of project (in case of company, 5% of cost of project or capital employed, whichever is higher). In the first year, audit report must be submitted along with the return.
35DDA	Voluntary retirement compensation shall be allowed to all assessee in 5 equal installments commencing from the year in which such expenditure was paid.
36(1)(i)	Insurance premium for stocks & stores is allowed as deduction.
36(1)(ia)	Insurance premium for life of cattle is allowed as deduction
36(1)(ib)	Insurance premium for health of employees is allowed as deduction if the payment has been made by any mode other than cash.
36(1)(ii)	Bonus or commission to employees is allowed as deduction subject to sec.43B
36(1)(iii)	Amount of interest paid in respect of capital borrowed for the purposes of business or profession shall be allowed as deduction.
36(1)(iiia)	Discount on issue of ZCB shall be allowed on pro rata basis having regard to the period of life of such bond.
36(1)(iv)	Subject to sec.43B, contribution towards RPF & approved superannuation fund is allowed as deduction

Sec.	Particulars
36(1)(iva)	Contribution (subject to max. of 14% of salary of an employee) by an employer towards notified pension scheme u/s 80CCD is allowed as deduction
36(1)(v)	Contribution towards approved gratuity fund created by him exclusively for the benefit of his employees under an irrevocable trust is allowed as deduction subject to sec.43B.
36(1)(va)	Any sum received by an employer from his employees as contribution towards Provident Fund; or Superannuation Fund; or any other fund set up under the provision of the Employee's State Insurance Act, 1948; or any other fund for the welfare of such employees is treated as an income of the employer if it is not credited by the employer to the employee's account in the relevant fund *on or before the due date of crediting such contribution prescribed under the relevant Act*.
36(1)(vi)	Any loss on sale of animals or carcasses is allowed as deduction, provided such animals are used for the purpose of business or profession and either have died or become permanently useless for such purpose.
36(1)(vii)	Any debt or part thereof, which becomes bad shall be allowed as deduction subject to following conditions – a) Debt must be incidental to the business or profession b) The debt has been considered as income of the assessee c) It must have been written off in the accounts of the assessee (or as per ICDS) d) Business must be carried on during the previous year or any part of the previous year e) It must be of a revenue nature
41(4)	Bad debt recovery: Taxable amount shall be [Amount recovered – (Bad debt claimed – Bad debt earlier allowed as deduction)]
36(1)(ix)	Any expenditure incurred by a company for promotion of family planning among its employees shall be allowed as deduction as under - *Revenue Expenditure*: Full amount. *Capital Expenditure*: In 5 equal installments.
36(1)(xv)	Securities transaction tax shall be allowed as deduction
36(1)(xvi)	Commodities transaction tax shall be allowed as deduction
36(1)(xvii)	Expenditure incurred by a co-operative society engaged in the business of manufacture of sugar for purchase of sugarcane at a price which is equal to or less than the price fixed or approved by the Government shall be allowed.
36(1)(xviii)	Marked to market loss or other expected loss as computed in accordance with the ICDS shall be allowed.
37(1)	General deductions: Any expenditure which is not specifically provided in any provisions of the Act shall be allowed as deduction subject to the conditions that a) It must be real and not notional, fictitious or in lieu of distribution of profit. b) It must be expended wholly & exclusively for the purpose of business or profession carried on by the assessee. c) It must have been incurred in the previous year. d) It must not be a personal expenditure. e) It must not be a capital expenditure f) It must be lawful and not have been incurred for any purpose, which is an offence or prohibited (including compounding), under any law. Expenditure incurred by a company as Corporate Social Responsibility is not allowed as deduction u/s 37(1)
37(2B)	Expenditure incurred by an assessee on advertisement in any souvenir, brochure, tract, pamphlet or like, published by a political party is disallowed.

Sec.	Particulars
40	Disallowed Expenditure: The following amounts shall not be deducted while computing income under the head Profits & gains of business or profession – • Interest, royalty, fees for technical services payable to a non-resident or outside India without TDS & its payment; • 30% of any sum payable to a resident on which TDS is deductible but tax has not been deducted or deducted but tax has not been paid within due date of furnishing return of income. • Any consideration to a non-resident without payment of equalization levy, if applicable • Income-tax; • Wealth-tax; • Any payment which is chargeable under the head "Salaries", if it is payable outside India, or to a non-resident, and the tax has neither been paid in India nor deducted there from; • Any payment to a provident fund or any other fund established for the benefit of employees of the assessee in respect of whom the assessee has not made effective arrangement to secure that tax shall be deducted at source from any payment made from the fund, which are taxable under the head 'Salaries'; and • Any tax on non-monetary perquisite actually paid by employer on behalf of employee.
40A(2)	Any payment made by an assessee to a related person shall be disallowed to the extent it is excess or unreasonable as per the Assessing Officer. Related person includes both "Relative" and "Person having substantial interest"
40A(3)	Where any expenditure in respect of which payment is made in excess of ₹ 10,000 (₹ 35,000 in case of payment made to Road transporter) at a time otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account or other electronic mode, such expenditure shall be disallowed.
40A(7)	No deduction shall be allowed in respect of any provision made by assessee for the payment of gratuity to his employees provided such contribution is not towards an approved gratuity fund or for the purpose of payment of gratuity, that has become payable during the previous year.
40A(9)	No deduction shall be allowed in respect of any sum paid by the assessee as an employer towards setting up or formation of, or as contribution to, any fund, trust, company, AOP, BOI, society or other institution for any purpose provided such sum is not by way of contribution towards approved superannuation fund, recognised provident fund, approved gratuity fund.
43B	Deduction in respect of following expenses are allowed only if payment is made on or before the due date for furnishing return of income - • Any sum payable by way of tax, duty, cess, fee, etc. • Bonus or commission to employees. • Interest on loan or borrowing from any public financial institutions, NBFC, etc. • Interest on any loans and advances from a scheduled bank. • Leave encashment. • Contribution to any P.F., superannuation fund, gratuity fund, etc. • Any sum payable by the assessee to the Indian Railways for the use of railway assets. Deduction in respect of the following expenses are allowed only if payment is made within previous year or within specified time -

Sec.	Particulars
	1. Any sum payable by the assessee to a micro or small enterprise (not being trader) beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development Act, 2006 would be allowed as deduction only in that previous year in which such sum is actually paid.
	Deemed Profit Chargeable to tax as Business Income
41(1)	Recovery against any deduction
176(3A) & (4)	Any recovery after discontinuance of business or profession shall be taxable in the hands of recipient.
41(5)	Losses (not being a speculation loss) which arose during the previous year in which business ceased to exist and which could not be set off against any other income of that previous year or any subsequent years. Such loss can be set off against income chargeable to tax u/s 41(1), (3), (4), (4A) without restriction of number of years.
44AA	**Maintenance of accounts** A. ***Person carrying specified profession*:** • Gross receipts > ₹ 1,50,000 in *all 3 years* immediately preceding the previous year: Maintain accounts as per Rule 6F. • Any other case: Maintain such books of account and other documents as may enable the AO to compute their taxable income under the Income-tax Act. B. ***Any persons carrying on a non-specified profession or any business*** • Profit > ₹ 1,20,000 (In case of individual and HUF: ₹ 2,50,000); or total sales > ₹ 10,00,000 (In case of individual and HUF: ₹ 25,00,000), *in any of the three years* immediately preceding the previous year: Maintain such books of account and other documents as may enable the Assessing Officer to compute their taxable income under the Income-tax Act. • Any other case: Not required to maintain any books of account. Penalty for non-compliance of sec.44AA: ₹ 25,000
44AB	Following assessee are required to get their accounts audited a) Assessee carrying on business: if turnover exceeds ₹ 1 crore (for person covered u/s 44AD: ₹ 2 crore) b) Assessee carrying on profession: if gross receipts exceeds ₹ 50 lacs. c) Assessee covered u/s 44AE, 44BB or 44BBB: if declaring lower income. d) Assessee covered u/s 44ADA: if declaring lower income and having income exceeding basic exemption limit. e) Assessee covered u/s 44AD(4) Penalty: Lower of the following a) ½ percent of turnover or gross receipt; or b) ₹ 1,50,000. ***Exception***: If the following conditions are satisfied, then the higher threshold limit of ₹ 10 crore shall be applicable for tax audit for a person carrying on business: a) aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash, does not exceed 5% of the said amount; **and** b) aggregate of all payments made including amount incurred for expenditure, in cash, during the previous year does not exceed 5% of the said payment.
145A	The valuation of inventory shall be made at lower of actual cost or net realisable value computed in accordance with the ICDS
	In following cases if assessee offers no explanation then the amount involved in it shall treated as income of that previous year:
68	If any sum is credited in the books of account of the assessee
69	Unrecorded investments

Sec.	Particulars
69A	Unrecorded money, bullion, jewellery, or other valuable article, which is not recorded in the books of account.
69B	Any investments or bullion, jewellery or other valuable article if the assessing Officer finds that the amount expended on making such investments bullion, jewellery exceeds the amount recorded in this behalf in the books of account.
69C	Any expenditure of which source is unexplained.
69D	Any amount is borrowed on a hundi from, or any amount due thereon is repaid to, any person otherwise than through an account payee cheque.

The provisions governing PGBP aim to align taxation with commercial reality, ensuring only the real income is brought to tax while preventing evasion through artificial claims. For CMA students, mastering this topic is essential as it forms the backbone of direct tax practice. A thorough grasp of allowable/disallowable expenses, presumptive schemes, and audit requirements equips future professionals to provide accurate tax advisory in practical settings.

Topic

Module 5: Goods and Services Tax (GST) Laws

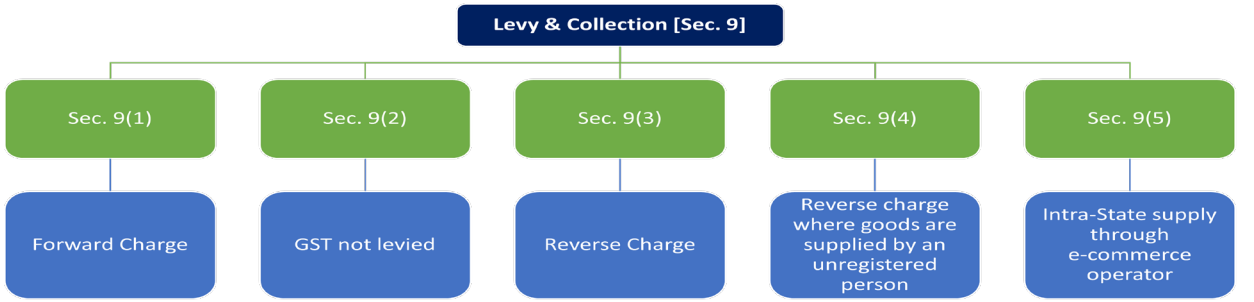
INTERMEDIATE

Group I - Paper-7B

Indirect Taxation (IDT)

Levy and Collection

Article 265 of the Constitution of India mandates that no tax shall be levied or collected except by the authority of law. The charging section is a must in any tax law for levy and collection of tax. Before imposing any tax, it must be shown that the transaction falls within the ambit of the taxable event and that the person on whom the tax is so imposed also gets covered within the scope and ambit of the charging section. The scope of the taxable event being 'supply' has been discussed in the earlier Chapter. This chapter will provide an insight into the chargeability of tax on a supply. Sec. 9 is the charging provision of the CGST Act. It provides the maximum rate of tax that can be levied on supplies leviable to tax under this law, the manner of collection of tax and the person responsible for paying such tax. There are four aspects of levy viz taxable event, tax rate, collection or levy, and the person liable to pay. Sec. 9 of the CGST Act covers all these aspects.



The levy of CGST is governed by the Central Goods and Services Tax Act, 2017. The key provisions related to the levy of CGST are as follows:

1. **Charging Section**: Section 9 of the CGST Act is the charging section that empowers the Central Government to levy CGST on all intra-state supplies of goods and services, except for the supply of alcoholic liquor for human consumption or un-denatured extra neutral alcohol or rectified spirit used for the manufacture of alcoholic liquor, for human consumption. The tax is levied on the value of the supply as determined under Section 15 of the CGST Act.

Alcohol for human consumption	**Power to tax remains with the State**
Five petroleum products – crude oil , diesel, petrol, natural gas and ATF	**GST Council to decide the date from which GST will be applicable**
Tobacco	**Part of GST but power to levy additional excise duty with Central Government**
Entertainment tax levied by local bodies	**Power to tax remains with the State**

2. **Taxable Event**: The taxable event under CGST is the supply of goods or services or both. The term "supply" is defined broadly to include all forms of supply such as sale, transfer, barter, exchange, license, rental, lease, or disposal made for consideration in the course or furtherance of business. Additionally, certain activities specified in Schedule I of the CGST Act are treated as supplies even if made without consideration.

3. **Rate of Tax**: The rate of CGST is notified by the Central Government and cannot exceed 20%. The rates are determined based on the recommendations of the GST Council, which is a constitutional body comprising representatives from the Central and State Governments. The rates vary depending on the type of goods or services supplied.

4. **Reverse Charge Mechanism (RCM)**: In certain cases, the recipient of goods or services is liable to pay CGST instead of the supplier. This is known as the reverse charge mechanism. The government notifies the specific categories of supplies and recipients to whom RCM applies.

5. **Composition Scheme**: To simplify compliance for small taxpayers, the CGST Act provides for a composition scheme. Under this scheme, eligible taxpayers can pay tax at a reduced rate based on their turnover. However, composition taxpayers are not allowed to claim input tax credit and cannot collect tax from their customers.

[1] Sec. 5 in case of IGST Act

6. **Exemptions**: The Central Government has the power to exempt certain supplies from the levy of CGST through notifications. These exemptions are provided to reduce the tax burden on essential goods and services and to promote social welfare. Examples of exempt supplies include healthcare services, educational services, and certain agricultural products.

Collection of CGST

The collection of CGST involves several steps, including registration, issuance of tax invoices, payment of tax, and filing of returns. The key provisions related to the collection of CGST are as follows:

1. **Registration**: Every supplier who makes a taxable supply of goods or services and whose aggregate turnover exceeds the threshold limit is required to register under the GST regime. The threshold limit varies based on the type of supply and the state in which the supplier operates. For example, the threshold limit for registration is ₹ 20 lakhs (₹ 40 lakhs if supplying goods) for most states, but it is ₹ 10 lakhs for certain special category states. Registration under GST is mandatory for certain categories of persons, such as inter-state suppliers and casual taxable persons, irrespective of their turnover.
2. **Tax Invoice**: A registered supplier must issue a tax invoice for every taxable supply made. The tax invoice must contain details such as the description of goods or services, quantity, value, rate of tax, and amount of tax charged. The invoice must be issued within the prescribed time frame, which varies depending on the type of supply. For example, in the case of the supply of goods, the invoice must be issued before or at the time of removal of goods for supply. In the case of the supply of services, the invoice must be issued within 30 days from the date of supply.
3. **Payment of Tax**: The supplier is required to pay the CGST collected from the recipient to the Central Government. The payment is made through electronic cash ledger or electronic credit ledger maintained on the GST portal. The due date for payment of tax is the 20th of the following month.
4. **Filing of Returns**: Registered suppliers must file periodic returns with the GST authorities. These returns provide details of outward supplies, inward supplies, input tax credit availed, and tax paid. The returns are filed monthly, quarterly, or annually, depending on the type of taxpayer. For example, regular taxpayers are required to file monthly returns in Form GSTR-1 (details of outward supplies) and Form GSTR-3B (summary return). Composition taxpayers are required to file annual returns in Form GSTR-4. Additionally, an annual return must be filed in Form GSTR-9.
5. **Input Tax Credit (ITC)**: One of the key features of the GST regime is the seamless flow of input tax credit across the supply chain. Input tax credit refers to the credit that a taxpayer can claim for the tax paid on inputs (goods or services) used in the course of business. The CGST Act allows taxpayers to claim input tax credit for CGST paid on inward supplies, subject to certain conditions. For example, the recipient must possess a valid tax invoice, and the supplier must have paid the tax to the government. Input tax credit can be utilized to pay output tax liability under CGST.
6. **Compliance and Audit**: To ensure compliance with the provisions of the CGST Act, the GST authorities have the power to conduct audits, inspections, and assessments. The authorities can also issue notices for non-compliance and impose penalties for violations. For example, if a taxpayer fails to pay tax within the prescribed time, interest is payable on the outstanding amount. In case of wilful suppression of facts or fraud, a penalty equal to the tax amount is leviable.

Conclusion

The levy and collection provisions under CGST form the foundation of India's GST regime. With Section 9 as the charging section, these provisions establish the basis of taxation, compliance, and revenue flow. By replacing multiple indirect taxes, CGST has unified the tax structure across India. However, its effectiveness relies on robust compliance, clarity in law, and continuous reforms by the GST Council to address taxpayer concerns and evolving business practices.

Do You Know

In a landmark move during its 56th meeting held on 3rd September 2025, the GST Council unveiled a next-generation reform aimed at **rationalising GST rates** and enhancing ease of compliance. The reform proposed a simplified three-rate structure—**5% (merit), 18% (standard), and 40% (demerit)**—replacing the earlier multi-slab system. Several essential goods were exempted or shifted to lower slabs, including food items, household articles, and life-saving medicines. The changes, effective **22nd September 2025**, are expected to curb classification disputes, improve input tax credit flow, and make India's indirect tax regime more efficient and business-friendly.

Topic

Module 5: Methods of Costing

INTERMEDIATE

Group I - Paper-8

Cost Accounting (CA)

Operating Costing / Service Costing

Service or Operating costing is normally used to transport services, utility services and distribution services. It is generally adopted by such type of industries as render services instead of producing goods. Services can be classified in to two parts, internal and external. The services which can be performed on an inter-departmental basis in a factory itself, i.e. supplying electricity from own power house toother departments. Services are termed as external when they havetobe rendered tooutside parties, such as, services rendered by Hospitals, State Transport Authorities, Gas Companies etc. In both cases it requires the need of Service / Operating Costing.

This is a very relevant topic for our Intermediate Courses. Calculation of composite unit is very much relevant for solving these problems. Here total cost is divided in two parts, running maintenance and standing charges, i.e. Fixed Charges. This type of costing is generally by the Transport Companies, Hospitals/ Nursing-homes, Lodges , Electricity Companies, School / Colleges, Cinema Halls etc. In both cases service costing are required. It is just a variant of unit of output costing.

Definition

The term 'Operating Costing' has now been replaced by 'Service/Function Costing' as per latest CIMA Terminology. It is defined as — The cost of providing a service or function. The cost of rendering the services for a particular period is related to quantum of services rendered during the period to arrive at cost per unit of service rendered.

Objectives

The following are the objectives of operating/service costing:

(i) It is used for computing the related operating cost.

(ii) To collect actual cost under different heads.

(iii) To fix up the rate to be charged for providing service to customers.

(iv) To decide the definite policy either to use own source or hire from outside for providing

(v) To help the concern to take appropriate decision for reducing the service cost.

Features/Characteristics:

The method of operating costing has some specific features by which we can distinguish it from other methods of costing. These features are:

(a) This method is applied to those organisations which provide services to the outsiders.

(b) In this method costs are classified into three heads, viz., Standing Charges (i.e., Fuel Cost), Running Charges (i.e., Variable Cost) and Maintenance Cost.

(c) Here costs are usually computed on periodic basis.

(d) Single or composite units, like per tonne, per passenger km are generally used for computing servicing cost.

Transport Costing

Costing in a transport undertaking consists of determining the operating cost of each vehicle and applying this cost to find out the cost per unit of service rendered by a vehicle. The cost unit is selected by taking into account factors like weight, bulk of goods carried and distance covered etc. In most cases composite units are chosen. The example of composite units are per-tonne-kilometre, passenger-kmetc.

Classification and Collection of Transportation Cost

The operating costs of a transport company are classified and accumulated under the following three heads—

(a) Fixed or Standing Charges

(b) Maintenance Charges

(c) Operating and Running charges.

(a) Fixed or Standing Charges

The expenses or charges which are incurred whether vehicles are operating or not are know fixed or standing charges. These expenses include Salary of operating manager, supervisor, insurance, tax, licence fees, garage rent, capital, etc.

(b) Maintenance Charges

These are semi-variable in nature. These include: Tyres and tubes, repairs and overhauls, paintings, garaging, etc.

(c) Operating and Running Charges

These are variable costs, the extent of which is almost directly proportional to the distance covered. Such costs include-cost of fuel, lubricating oil, wages of driver, conductor, attendant etc. (if payment is related to time and distance of trip), commission of takings etc.

After determining the unit cost to which the total expenditure should be allocated, the cost relating to the service rendered should be collected. The cost thus collected is presented under the ads for control purposes.

Selection of Units

In transport costing a composite unit is generally used. The composite unit is nothing but the two types

of units considered simultaneously, such as, when time and kilometre are both considered simultaneously, then the composite unit would be tonne-km. The following are some examples of composite units:

Operating Costing/Service Costing	Cost Units
1. Passenger Transport	Per-passenger k.m.
2. Goods Transport	Per –tonne (or per quintal) k.m.
3. Hospital/Nursing Home	Per bed-per day
4. Lodge	Per border per day
5. Electricity Companies	Per kilowatt per hour
6. Professional Firm	Per client -hour
7. Cinema	Per seat-per show
8. School/College	Per student –hour
9. Swimming Pool	Per attendant –per hour

In case of services of non-specific nature, like service of accountants or auditors, or managers, it is very difficult to measure per unit cost.

Proforma for Calculation of Composite Unit

Composite units = No. of trips × Distance × Days × Capacity

Operating Cost and Management Decision

Sometimes service costs are used for decisional purpose. In such a case, the decision has to be taken on the basis of unit service cost, when the total units remain constant under different alternatives, but if units are subject to fluctuation from alternative to alternative, decision will be on the basis of total service cost, i.e., total cost under each of the alternatives should be considered and the alternative having lowest cost should be the profitable one.

But there are certain circumstances, where comparative cost may not be the only decisive factor, in such case, other non-cost factors like necessity, public service, customer's satisfaction etc. may influence a particular decision irrespective of its costs.

Hospital Costing

Nowadays many organizations maintain hospitals to provide effective and timely medical facilities to their workers. Thus arises the need of hospital costing.

The hospitals are generally departmentalised into the following activities:

(a) Out-patient department

(b) Wards

(c) Medical service departments

(d) General service departments

(e) Other service departments

Cost of departments (a) to (d) can be determined separately on the basis of cost procedure which is used for cost accumulation of service, while the cost of departments mentioned in (e) will have to be apportioned to other departments on suitable basis.

Generally following units are used for hospital costing:

Purpose	Units
Out patient	Per out-patient attendance
Wards	Per case
Pathology	Per 100 request
Radio therapy	Per course of treatment per day
Diagnostic x-ray	Per 100 units

Cost Statement

The expenses of a hospital are generally divided into two broad categories, viz. Capital expenditure and maintenance expenses.

All items of cost are allocated appropriately in the above categories in order to ascertain the cost per unit of a specific hospital service.

A standard Problem is solved below , for your easy understanding.

Problem:

The Trade Transport Company has been given a twenty km long route to ply a bus. The cost of the bus of the Company ₹ 100000. It has been insured at 3% per annum. Annual road tax amounts to ₹ 2000. Garage rent is ₹ 400 per month. Annual repair is estimated to cost ₹2360 and the bus is likely to last for five years.

The salary of the driver and conductor is ₹ 600 and ₹ 200 per month, respectively, in addition to 10% of the takings as commission to be sheared equally by them. The managers salary is ₹1400 per month and stationery will cost ₹100 per month. Petrol and oil will cost ₹50 per 100 km. The bus will make three round trips per day carrying on average 40 passengers in each trip.

Assuming 50% profit on taking and the bus will ply on an average 25 days in a month. You are required to prepare Operating cost statement on full year basis and also calculate the bus fare to be charged to each passenger per kilometre.

Solution:

We shall proceed to solve the above problem in the following steps:

Total number of days the bus to ply in a year = 25 days × 12 months = 300 days.

The is plying on an average three round trips. Each round trip will cover 20 km for outgoing and 20 km for return journey. So the total km travelled in a year will be 300 days × 3 trips × 2 (for outgoing and return journey) × 20 km = 3600 km per annum.

In the Books of Trade Transport Company

Operating Cost Statement Per Annum

Particulars	Amount (₹)	Amount (₹)
Standing Charges:		
Depreciation (₹ 1,00,000/5 years)	20,000	
Insurance @ 3% per annum (₹ 1,00,000 × 0.03)	3,000	
Road Tax	2,000	
Garage Rent @ 400 p.m (400 × 12)	4,800	
Salary of driver @ 600 p.m. (600 × 12)	7,200	
Salary of Conductor @ 200 p.m. (200 × 12)	2,400	
Manager's salary @ 1400 p.m. (1400 × 12)	16,800	
Stationery @ 100 p.m. (100 × 12)	1,200	57,400
Maintenance Charges:		
Annual repairs		2,360
Running Cost: Petrol and Oil @ ₹ 50 per 100 km. (36000 km × 50/100)		18,000
Total Operating cost excluding driver and conductor's commission		77,760
Add : Driver and Conductor's commission @ 10% on taking (Note- a)		10,368
Total operating cost of a year		88,128
Add : Profit @ 10%on taking (Note – a)		15,552
Total bus fare to be recovered from passengers in a year		1,03,680
Total passenger km run in a year (Note – b)		1,44,000
Fare per passenger kilometres (₹ 1,03,680 / 1440000 passenger km)		0.072

Note:- a)

Commission @ 10% of driver and conductor and profit @ 15% on takings will mean the calculations will be made on total proceedings from transportation. The calculations are shown below :-

Takings	Commission	Profit	Taking (net of comm.+ profit)
100	10	15	75
	X	Y	77760

Therefore ,

X = (77760 × 10) / 75 = ₹ 10,368

Y = (77760 × 15) / 75 = ₹ 15,552

Note : b)

Total passenger km run = 40 passengers × 20 km × 3 trips × 2 times × 300 days = 1440000.

Topic

Module 2: Operations Planning

INTERMEDIATE

Group II - Paper-9

Operations Management and Strategic Management (OMSM)

Operations Management

In this issue let us discuss Capacity Planning.

Capacity planning is a long term strategic decision that establishes a firm's overall level of resources.

It is long term process over a time horizon long enough to obtain the requisite resources.

Long term capacity planning is central to the success of an organization.

Capacity planning –what it actually means is explained as follows:

The productive stages which are considered to bottlenecks are to be analysed first.

Let us consider a manufacturing firm and let it faces an average annual increase in demand in product = 200 units.

Its present maximum capacity is equal to 2100 units/year.

Let the trend line for the annual demand has been formed by analyzing the past data as y = 600 + 200t, with t = 0 in year 2018.

Our objective is to add enough capacity to cover expected demand for the next 20 years assuming that the linear upward trend will continue in future.

At t = 2038 i.e., 20 years from now (2018) the value of t in trend line equation will be 20 and, therefore, the annual expected demand will be in year 2038 = 600 + 200 × 20 = 4600.

Thus if the present trend continue we must provide enough capacity to produce an annual output rate in 2038 = 4600 units.

Given current capacity of 2100 units the projected increase in capacity requirements will be = 4600 - 2100 = 2500 units.

Whether the required capacity will be added all at once or in smaller increments are the purview of capacity planning against the given lead time needed to add new capacity i.e., for activities like engineering, design, construction, equipment installation etc.

The choice depends on balancing the lower variable costs for large capacity increments against high fixed costs that cannot be absorbed due to underutilization in near future.

Long term decisions for capacity would typically include:

(a) Whether to add a new plant

(b) Whether to add a new workstations

(c) Whether to reduce the number of existing workstations/warehouses etc.

Some of these can take years to become operational and so a systematic approach is required to plan for long term capacity decisions. The four step systematic approach involves:

(1) Estimate future capacity requirements

(2) Identify gaps by comparing requirements with available capacity

(3) Develop alternative plans for reducing the gaps

(4) Evaluate each alternative, both qualitatively and quantitatively, and making a final choice

Step 1: Estimate Capacity Requirements

A process's capacity requirement is what

(a) Its capacity should be for some future time period

(b) To meet the demand of the firm's customers

(c) Under the firm's desired capacity cushion

Capacity Requirements are expressed

(a) Either with an output measure

(b) Or with an input measure

Output and Input both measures are dependent on the forecasts of

(a) Demand

(b) Productivity

(c) Competition

(d) Technological Change

OUTPUT MEASURE

↓

Determines the capacity Requirements as an Output rate

e.g. Current capacity of a process is to serve 50 customers/day. Depending upon forecast of demand, productivity, competition and technological change the future capacity requirement with output terms can be 125 customers/day under a desired capacity cushion. Similarly Capacity in terms of Output/period (no of units of production/period)

[Capacity Cushion: is an amount of capacity in excess of expected demand when there is some uncertainty about demand]

But output measures are not effective in the following situation:

(a) High product variety and high process divergence

(b) Productivity (output/input) rates are expected to change [so it is not perfect to fix capacity in terms of output otherwise improvement in resource utilisation could not be captured authentically]

(c) Significant learning effects [knowledge increases productivity by increasing output at a given resource] are expected

In all the above cases it is appropriate to measure the capacity requirements in terms of input---like

(a) No of employees required

(b) No of machines required etc.

To find out capacity requirement in input terms the prelim information required are:

(a) Future demand forecasts

(b) Estimated process time

(c) Desired capacity cushion etc.

When just one service or product is processed, then capacity requirement of a single capacity per year is:

$$\text{Capacity Requirement (M)} = \frac{\text{Processing hours required to meet year's demand}}{\text{Hours available from a single capacity unit per year after deducting desired cushion}}$$

[Single capacity means an employee, a machine, a computer etc.]

$$= \frac{D_p}{N\left[1 - \left(\frac{C}{100}\right)\right]} \quad \ldots\ldots (1)$$

Where

D = demand forecast for the year (number of customers serviced or units of product)

p = processing time (in hours per customer served or unit product)

N = total number of hours per year during which the process operates

C = desired capacity cushion (expressed as a percent)

M is the number of input units (Say no of machines) required and should be calculated for each year in the time horizon. Say a business house has the following demand forecast for the next five years for their single product X

Year	1	2	3	4	5
Demand (units)	2000	2500	3000	4000	6000

Let one unit requires 2 hours to complete (ignoring the learning effect) and in a year there will be 250 working days with 8hours per day working hours. If 20% is the desired cushion then in 1st year

Total demand = 2000 units

Total Hours required to meet the demand = 2000* 2 = 4000 hours

Total working hours available in the year = 250* 8 = 2000 hours

Without any cushion No of machines required in 1st year = 4000/2000 = 2

With cushion no of machines required = 2/(1-0.2) ≅ 3 machines. Similarly calculations for each year are done and the result is

D	2000	2500	3000	4000	6000
p	2	2	2	2	2
N	2000	2000	2000	2000	2000
(250*8)					
D_p	4000	5000	6000	8000	12000
C/100	0.2	0.2	0.2	0.2	0.2
M (by formula)	2.5	3.125	3.75	5	7.5
M(rounding off)	3	4	4	5	8

It is impossible to buy a fractional machine. In case of fraction round up the fractional part, unless it is cost efficient to use short term options such as overtime or stock-outs to cover any shortfalls. If instead the capacity unit is the number of employees at a process, a value of 19.8 may be achieved by employing 19 employees and a modest use of overtime equivalent to 0.8 i.e. 80% of another full time person.

The above illustration is done with a single product. When multiple products are being manufactured SETUPs may be involved and equation (1) above will be accordingly adjusted.

Setup time is the time required to change a process or an operation from one service or product to making another.

Say Durgapur Steel Plant has a rolling mill which rolls raw steel to produce ribbed rods (X) and to produce railway wheels (Y). X and Y requires different varieties of rolls in rolling mill operation. The rolling mill operates alternatively to roll steel for producing--- one batch of ribbed roods followed by one batch of railway wheels. So machines of rolling mill requires adjustment after completion of every roll. This adjustment is called setup and time required for this adjustment is called setups time.

So after accounting for both processing and setup times equation (1) above for multiple products/services can be modified as

$$\text{Capacity Requirement (M)} = \frac{\text{Processing \& Set up hours required to meet year's demand summed over all services/products}}{\text{Hours available from a single capacity unit per year after deducting desired cushion}}$$

$$= \frac{\left[D_p + \left(\frac{D}{Q}\right)S\right]_{\text{product 1}} + \left[D_p + \left(\frac{D}{Q}\right)S\right]_{\text{product 2}} + \ldots\ldots\ldots + \left[D_p + \left(\frac{D}{Q}\right)S\right]_{\text{product n}}}{N\left[1 - \left(\frac{C}{100}\right)\right]} \quad \ldots\ldots\ldots (2)$$

Where

Q = number of units in each lot.Say in our rolling mill example steel will be rolled to produce 500 tons of ribbed rod and 1000 tons of railway wheel in each rolling operation

s = set up time (in hours) per lot

Let our rolling mill in Durgapur steel plant has provided the following data related to year 2021:

Particulars	Ribbed Rods (X)	Railways wheel (Y)
Annual demand forecast	12000 T	18000 T
Standard processing time (hours of rolling/lot)	2 hours	3 hours
Average lot size (Ton/rolling)	500	1000
Standard set up time (hours)	20 minutes = 1/3 hours	25 minutes = 5/12 hours
The plant operates for 300 day in 3shift operation of 8 hours each. Cushion 20%		

With the above data computation details for finding out No of rolling bed in Rolling Mill are:

			Ribbed Rod		Railway Wheels	Total
	Particulars		X		Y	
1	Annual demand (T)		12000		18000	
2	Proceesing time (hrs)		2		3	
3	Dp (1*2)		24000		54000	
4	Average Lot size [Q]		500		1000	
5	No of lots (1/4)[D/Q]		24		18	
6	Set up time (hours/lot)[s]		1/3		5/12	
7	Set up time (hours) [(D/Q)*s] (5*6)		8		7.5	
8	Dp+ (D/Q)*s		24008		54007.5	78015.5
9	N*(1-C/100)= 300*24*(1-0.2)					5760
10	M (as per formula)					13.54436
11	M (rounding off)					14
	(M no of rolling bed in rolling mill)					

Once M is computed we require to find the Capacity Gap, if any. Capacity gap is the difference between projected capacity requirements (M) and current Capacity. Once this is done the next step is to develop alternative plans to meet the projected capacity gaps. While developing this evaluation method both qualitative factors and quantitative factors. Qualitative factors include

(a) Capacity strategy of the organisation

(b) Uncertainties about demand

(c) Competitive reaction

(d) Technological change

(e) Implementation Cost estimates etc.

Quantitatively the decision maker estimates the change in cash flows for each alternative over the forecast time horizon compared to the base case. Out of so many alternative plans for meeting the capacity gaps, one will be called Base case. It is a case for do nothing and simply lose orders from any demand that exceeds current capacity or incur costs because capacity is too large.

Cash flow is the difference between the flows of funds into and out of an organisation over a period of time after considering revenues, costs and changes in assets/liabilities w.r.t the choice of an alternative to meet the capacity gap.

Illustration:

A business house is experiencing a boom in business. The owner expects to sale 80000 units of its product in the current year. The production division has a capacity to produce 105000 units per year. Forecasted Demand for the next 5 years is 90000 units for the next year, followed by a 10000 units increase in each of the succeeding years. One alternative is to expand the production capacity now-bringing the production capacity up to 130000 units per year. The initial investment would be ₹2,00,000, made at the end of this year. The average market price of the product is set at ₹10 and before tax profit margin is 20%. The 20% figure was arrived at by considering production cost as ₹8 per unit.

What are the pretax cash flows from this project for the next 5 years compared to those of the base case of doing nothing?

Answer:

In the base case of doing nothing every year the production will be 80000 units irrespective of increasing demand. So there will be revenue loss.

Say in first year end i.e. end of one year from current year forecasted demand is 90000 units. If we do nothing to increase the capacity then there will be a revenue loss and the resultant pretax profit loss will be (90000-80000)*2 = ₹20,000. If we increase capacity as per the given alternative, this loss of profit we could prevent and that will appear

as incremental cash flow to the business house. Similarly for other years the incremental cash flows in comparison to base case are:

year	0 (Current year)	1	2	3	4	5
Forcasted sale						
(units)	80000	90000	100000	110000	120000	130000
Increamental sale						
Compared to base						
i.e current year (units)		10000	20000	30000	40000	50000
Average profit p.u		2	2	2	2	2
Increamental cash flow (Rs)		20000	40000	60000	80000	100000

Now suppose that our business house decided to increase the production capacity by investing ₹2,00,000 today i.e. at the end of current year i.e. at the beginning of next year and this fund is arranged at a cost of 10% p.a. With this information we could find that the decision of increasing the capacity by investing ₹2,00,000, could increase the value of the business. This we could find by finding out the Net present Value (NPV) with the application of Time Value of Money concept as follows:

	year	0 (Current year)	1	2	3	4	5
1	Initial Investment	-200000					
2	Incremental cash flow						
	on investment		20000	40000	60000	80000	100000
3	PV factor $(1/1.10)^n$						
	(Since cost of fund 10%, n = no						
	of years)	1	0.909	0.826	0.751	0.683	0.621
4	PV (2*3) [except under current	-200000	18181.82	33057.85	45078.89	54641.08	62092.13
	year it is (1*3)]						
5	NPV (Sum of Row 4)	13051.76621					

Usually when an alternative shows positive NPV, businesses prefer that alternative compared to "do nothing" alternative. But before taking final decision several other factors are also considered.

Suggestions:

The study notes need to be read thoroughly. Supplementary readings could be made from other resources. The illustrations are just indicative type. Maximum benefits could be reached once Guide book on the paper 9-Operations Management & Strategic Management written and issued by Institute on New Syllabus along with reference books are thoroughly consulted.

Best Wishes.

Topic

Module 3: Cash Flow Statement

Module 7: Provisions Relating to Audit under Companies Act, 2013

INTERMEDIATE

Group II - Paper-10

Corporate Accounting and Auditing (CAA)

Section A: Corporate Accounting

Topic: Cash Flow Statement

- **Conceptual Issues in Cash Flow Statement**

Difference between Direct and Indirect Method of Preparing Cash Flow Statement

The **Direct Method** and **Indirect Method** are two approaches permitted by **AS 3 (Revised)** for presenting *cash flows from operating activities*. The rest (Investing & Financing) are presented the same way in both methods. The differences between the two methods are:

Basis	Direct Method	Indirect Method
Approach	Shows **actual cash inflows and outflows** from operating activities.	Starts with **Net Profit before tax** and adjusts for **non-cash items** and changes in working capital.
Presentation	Lists cash received from customers, cash paid to suppliers, cash paid for expenses, etc.	Reconciles accounting profit with operating cash flow.
Focus	Cash basis – highlights actual cash transactions.	Accrual to cash conversion – explains differences between profit and cash flow.
Transparency	More transparent as it shows **sources and uses of cash directly**.	Less transparent as it hides specific cash inflows/ outflows.
Complexity	More detailed, requires segregation of cash transactions → can be time-consuming.	Easier to prepare using information from Profit & Loss and Balance Sheet.
Popularity	Rarely used in practice (except where regulations mandate), but preferred by standard setters (AS/IAS/IFRS recommend it).	Widely used in practice due to simplicity and availability of data.

Multiple Choice Questions:

1. Cash Flow Statement is prepared as per:
   - A. AS 2
   - **B. AS 3**
   - C. AS 10
   - D. AS 13
2. Which of the following is not a cash equivalent?
   - A. Treasury Bills
   - B. Commercial Papers
   - **C. Equity Shares**
   - D. Money Market Funds
3. AS 3 classifies cash flows into:
   - **A. Operating, Investing, Financing**
   - B. Current, Non-current, Capital
   - C. Direct, Indirect, Mixed
   - D. Capital, Revenue, Other
4. Interest paid is classified as:
   - A. Operating Activity
   - B. Investing Activity
   - **C. Financing Activity**
   - D. Either Operating or Financing (as per AS 3)
5. Dividend received by a non-financial company is shown under:
   - A. Operating Activity
   - **B. Investing Activity**
   - C. Financing Activity
   - D. None of the above
6. Dividend paid is treated as:
   - A. Operating Activity
   - B. Investing Activity
   - **C. Financing Activity**
   - D. Either Operating or Investing
7. In Cash Flow Statement, extraordinary items are:
   - A. Not disclosed
   - B. Adjusted under Operating Activities only
   - **C. Classified as per the nature of activity**
   - D. Shown as Financing Activities
8. Which method is not used for reporting cash flows from operating activities?

A. Direct Method

B. Indirect Method

C. Standard Method

D. Both Direct & Indirect are allowed

9. Purchase of machinery by issue of shares is:

A. Operating Activity

B. Investing Activity

C. Non-cash Transaction

D. Financing Activity

10. Depreciation is adjusted in Cash Flow Statement under:

A. Direct Method only

B. Indirect Method only

C. Both methods

D. None of the above

11. Which of the following is excluded from Cash Flow Statement?

A. Cash

B. Cash Equivalents

C. Bank Overdraft (if repayable on demand)

D. Accrued Expenses

12. Issue of debentures for cash is:

A. Operating Activity

B. Investing Activity

C. Financing Activity

D. Extraordinary Item

13. Which of the following is not an investing activity?

A. Purchase of plant

B. Sale of investments

C. Purchase of goodwill

D. Issue of shares

14. As per AS 3, "Cash and Cash Equivalents" include:

A. Cash balance only

B. Cash and bank balances only

C. Cash, bank balance and short-term investments (≤ 3 months)

D. Only fixed deposits

Answer Keys:

1-B; 2-C; 3-A; 4-C; 5-B; 6-C; 7-C; 8-C; 9-C; 10-B; 11-D; 12-C; 13-D; 14-C

Comprehensive Problem on CFS of a Finance Company

From the following Balance Sheet of **ABC Finance Ltd.**, prepare a **Cash Flow Statement (Indirect Method)** for the year ended **31st March, 2025**.

Balance Sheet (₹)

Particulars	**31-03-2024**	**31-03-2025**
Cash & Bank	60,000	50,000
Loans & Advances	300,000	350,000
Non-current Assets	120,000	140,000
Total	**480,000**	**540,000**
Share Capital	250,000	270,000
Reserves	60,000	90,000
Bank Borrowings	150,000	160,000
Creditors	20,000	20,000
Total	**480,000**	**540,000**

Additional Information:

1. Net Profit for the year = ₹50,000 (after charging depreciation of ₹10,000).
2. Dividend paid during the year = ₹20,000.
3. Interest received = ₹30,000; Interest paid = ₹25,000.
4. Dividend received on investments = ₹10,000.
5. PPE purchased during the year = ₹30,000 (no sale).

Solution:

ABC Finance Ltd. **Cash Flow Statement (Indirect Method)** for the year ended 31st March, 2025 (₹ in thousands)	
A. Cash Flow from Operating Activities	
Net Profit before tax (given)	50,000
Add: Depreciation (non-cash)	10,000
Operating Profit before Working Capital changes	60,000
Increase in Loans & Advances (350,000 − 300,000) .... (50,000)	(50,000)
Cash generated from operations	**10,000**
Add: Interest received	30,000
Add: Dividend received	10,000
Less: Interest paid	(25,000)
Net Cash from Operating Activities (A)	**25,000**
B. Cash Flow from Investing Activities	
Purchase of Non-current Assets	(30,000)
Net Cash used in Investing Activities (B)	**(30,000)**
C. Cash Flow from Financing Activities	
Proceeds from issue of Share Capital	20,000
Increase in Bank Borrowings	10,000
Dividend paid	(20,000)
Net Cash from Financing Activities (C)	**10,000**
Net Change in Cash (A + B + C) = 25,000 − 30,000 + 10,000	**5,000**
Opening Cash Balance (2024)	**60,000**
Closing Cash Balance (2025)	**55,000**

Topic: Provisions Relating to Audit under Companies Act, 2013

Question:

What do you mean by Audit Committee? How is it formed? Discuss the functions and power of Audit Committee as per the Companies Act, 2013.

Answer:

An Audit Committee is a sub-committee of the Board of Directors of a company, typically made up of independent and non-executive directors. It plays a key role in ensuring financial integrity, transparency, and accountability in the company's reporting and control processes.

Under the Companies Act, 2013 (Section 177), the formation of an Audit Committee is governed by the following rules:

1. Every public company is required to constitute an Audit Committee if it satisfies any one of the following:
   - Paid-up share capital of ₹10 crore or more, or
   - Turnover of ₹100 crore or more, or
   - Aggregate outstanding loans, borrowings, debentures, or deposits exceeding ₹50 crore or more.

   Additionally, all listed companies must have an Audit Committee (also under SEBI (LODR) Regulations, 2015).
2. The composition of the Audit Committee will be as follows:
   - Minimum 3 directors.
   - Majority must be Independent Directors.
   - Members should be able to understand financial statements; at least one member must have expertise in finance/accounting.
3. The Chairperson of the Audit Committee shall be an Independent Director.

As per Section 177(4) of the Act, The Board shall specify, in writing, the terms of reference for the Audit Committee which shall, inter alia, include —

(i) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;

(ii) review and monitor the auditor's independence and performance, and effectiveness of audit process;

(iii) examination of the financial statement and the auditors' report thereon;

(iv) approval or any subsequent modification of transactions of the company with related parties:

(v) scrutiny of inter-corporate loans and investments;

(vi) valuation of undertakings or assets of the company, wherever it is necessary;

(vii) evaluation of internal financial controls and risk management systems;

(viii) monitoring the end use of funds raised through public offers and related matters.

The Audit Committee is empowered to:

a. Investigate Matters: The committee can investigate any matter related to the company's financial statements, internal controls, or any other area within its scope.

b. Access to Information: It has full access to company records, books of accounts, and information maintained by the company. The management is obliged to provide all necessary data/documents.

c. Seek Professional Advice: It can obtain professional or legal advice from external experts, auditors, or consultants whenever required.

d. Call for External Assistance: The committee can secure the attendance of outsiders with relevant expertise if needed, to aid in decision-making or review.

e. Authority over Auditors & Management: Can discuss directly with statutory auditors, internal auditors, and management regarding financial control, risk management, and audit reports without interference.

f. Approve Related Party Transactions: It has the power to approve, modify, or reject related-party transactions (except where shareholder approval is required).

g. Oversight of Vigil Mechanism: Empowered to ensure proper functioning of the whistle-blower (vigil) mechanism, and to protect whistle-blowers against victimization.

Topic

Module 3:
Tools for Financial Analyses

Module 10:
Data Presentation: Visualisation and Graphical Presentation

INTERMEDIATE

Group II - Paper-11

Financial Management and Business Data Analytics (FMDA)

Subject: Financial Management and Business Data Analytics

Comparative Income / Common-Size Financial Statements and Trend Analysis

Comparative Statements

The comparative statements are the statements of the financial position and performance of two or more periods represented in comparative form in adjacent columns in a single report. In comparative statement we can compare each element of financial statement very easily and find increase/decrease in the elements in absolute terms and in terms of percentage. Comparative Statements are of two types: Comparative Balance Sheets, and Comparative Income Statements.

Common Size Statement

Common size financial statement is restated financial statement showing percentage of total items with common base for comparison. A common size statement converts financial data from an income statement or balance sheet into percentages of a single base figure, such as total sales for the income statement or total assets for the balance sheet.

Trend Analysis

The trend analysis is an extension of the horizontal analysis and is useful in studying changes that have taken place in the business over a longer period than just two years. Therefore, trend analysis would require comparable data for at least three years, though 5 to 10 years' trend analysis is more common and perhaps more useful.

To perform a trend analysis, a past year (normally the first year of the period under consideration) is chosen as the 'base year' and all items in the financial statement of the base year are assigned a value of 100%. Then, items in the subsequent years are expressed as a percentage of the base year value, using the following formula:

Trend % for any year = (Current year value/Base year value) * 100

If the trend percentage for any item in a subsequent year is greater than 100%, it indicates an increase over the base year, and if the trend analysis percentage is lesser than 100%, it would mean a decrease over the base year.

Example 1

Prepare comparative & common-size income statement and Balance Sheet of A Ltd. & B Ltd. from the following:

Income Statement for the year ended 31.03.2024

Particulars	A Ltd. (₹)	B Ltd. (₹)
Net sales	25,38,000	9,70,000
Cost of goods sold	14,22,000	4,75,000
Gross Profit	11,16,000	4,95,000
Selling Expenses	7,20,000	2,72,000
Administrative Expenses	1,84,000	97,000
Total operating expenses	9,04,000	3,69,000
Operating Profit	2,12,000	1,26,000
Other Income	26,000	10,000
	2,38,000	136,000
Other Expenses	40,000	29,000
Profit Before Tax	1,98,000	1,07,000
Income Tax	68,000	28,000
Profit after tax (PAT)	1,30,000	79,000

Balance Sheet as on 31.03.2024

	A Ltd. (₹)	B Ltd. (₹)
Current Assets:		
Cash	54,000	72,000
Debtors	4,40,000	2,26,000
Trading Stock	2,00,000	1,74,000
Prepaid Expenses	22,000	21,000
Other current assets	20,000	21,000
Total Current Assets	7,36,000	5,14,000
Fixes Assets (Less) accumulated dep.	12,70,000	5,13,000
	20,06,000	10,27,000
Current Liabilities:		
Creditors	84,000	1,34,000
Other current liability	1,56,000	62,000
Total Current Liabilities	2,40,000	1,96,000
Debentures	4,50,000	3,18,000
	6,90,000	5,14,000
Capital & Reserves	13,16,000	5,13,000
	20,06,000	10,27,000

Example 2

From the following information compute trend ratio and make necessary comment.

Year	Sales (₹)	Inventories (₹)	Receivables (₹)
2017-18	3,00,000	1,00,000	50,000
2018-19	3,25,000	1,50,000	75,000
2019-20	3,50,000	2,00,000	1,00,000
2020-21	3,60,000	2,50,000	1,25,000
2021-22	3,75,000	2,90,000	1,50,000

Answer:

Computation of Trend Ratio (%)

	2017-2018	2018-2019 $\left(\frac{2018-19}{2017-18}\times 100\right)$	2019-20 $\left(\frac{2019-20}{2017-18}\times 100\right)$	2020-21 $\left(\frac{2020-21}{2017-18}\times 100\right)$	2021-22 $\left(\frac{2021-22}{2017-18}\times 100\right)$
Sales	100	108.3	116.7	120	125
Inventories	100	150	200	250	290
Receivables	100	150	200	250	300

Comment:

The computed trend percentage of sales, inventories and receivables reveals that they have increased throughout the study period. The above calculation shows that sales have increased by 25% whereas inventories and receivables have gone up by 190% and 200% respectively in the ultimate year of study period. It implies that inefficiency in both inventory management and credit management of the company during the period under study. Liberal credit policy could help to increase the sales and to decrease the inventory level.

Answer:

Comparative & Common-size Income Statement for the year ended 31.03.2024

	A Ltd. (₹)	% of net sales	B Ltd. (₹)	% of net sales
Net sales	25,38,000	100	9,70,000	100
Cost of goods sold	14,22,000	56.0	4,75,000	49.0
Gross Profit	11,16,000	44.0	4,95,000	51.0
Selling Expenses	7,20,000	28.4	2,72,000	28.0
Administrative Exp.	1,84,000	7.2	97,000	10.0
Total operating exp.	9,04,000	35.6	3,69,000	38.0
Operating Profit	2,12,000	8.4	1,26,000	13.0
Other Income	26,000	1.0	10,000	1.0
	2,38,000	9.4	136,000	14.0
Other Expenses	40,000	1.6	29,000	3.0
Profit Before Tax	1,98,000	7.8	1,07,000	11.0
Income Tax	68,000	2.7	28,000	2.9
Profit after tax (PAT)	1,30,000	5.1	79,000	8.1

Comparative & Common-size Balance Sheet as on 31.03.14

	A Ltd. (₹)	% of total	B Ltd. (₹)	% of total
Current Assets: -				
Cash	54,000	2.7	72,000	7.0
Debtors	4,40,000	21.9	2,26,000	22.0
Trading Stock	2,00,000	10.0	1,74,000	17.0
Prepaid Expenses	22,000	1.1	21,000	2.0
Other current assets	20,000	1.0	21,000	2.0
Total Current Assets	7,36,000	36.7	5,14,000	50.0
Fixes Assets (Less) accumulated dep.	12,70,000	63.3	5,13,000	50.0
	20,06,000	100	10,27,000	100
Current Liabilities: -				
Creditors	84,000	4.2	1,34,000	13.0
Other current liability	1,56,000	7.8	62,000	6.0
	2,40,000	12.0	1,96,000	19.1
Debentures	4,50,000	22.4	3,18,000	31.0
	6,90,000	34.4	5,14,000	50.0
Capital & Reserves	13,16,000	65.6	5,13,000	50.0
	20,06,000	100	10,27,000	100

Comments

The following conclusions can be drawn from a careful analysis of the above income statements and

Balance Sheets.

A Ltd. has a better and efficient credit and collection system because its debtors and trading stock amount to 31.9% of total assets as compared to 39% in case of B Ltd.

The cash position of B Ltd. (7% of total asset) compares favourably with that of A Ltd. (2.7% of total asset).

The turnover of A Ltd. is larger (₹ 25,38,000) than that of B Ltd (₹ 9,70,000), but the cost of goods sold absorbs a larger i.e., 56% of net sales as compared to 49% in case of B Ltd. This reflects a better pricing mark-up by B Ltd.

The selling and administrative expenses are 35.6% of net sales in case of A Ltd while 38% in case of B Ltd. Administrative cost in B Ltd. is higher as compared to A Ltd., indicating a highly paid or overstaffed administrative function followed by B Ltd.

A Ltd. appears to be more traditionally financed with shareholders' equity of 65.6% of total liabilities as against 50% in case of B Ltd. This indicates that contractual obligation of B Ltd. is higher than that of A Ltd.

The fixed assets of A Ltd. is larger (₹12,70,000) than that of B Ltd. (₹5,13,000) but, if it is compared with turnover, we find that A Ltd. has a higher fixed assets turnover (2) than that of B Ltd. (1.89). This reflects a better asset utilisation by B Ltd.

DATA ANALYTICS
DATA PRESENTATION ARCHITECTURE

Data architecture in data analytics is the high-level blueprint that defines the structure, standards, and processes for how an organization collects, stores, transforms, integrates, and uses data to meet business objectives. It provides the framework and guidelines to manage data assets effectively, ensuring data quality, security, accessibility, and consistency across systems for informed decision-making.

Data architecture includes all aspects of data management, including:

- Collection
- Storage
- Transformation
- Distribution
- Use

Components of data architecture

Data architecture consists of several different components that organizations bring together to effectively leverage their data. Examples of key components include:

1. **Data storage:** Data storage is a mechanism for storing and managing data, ensuring that it is securely saved and organized and is available to be retrieved, processed and analyzed.
2. **Data pipeline:** A data pipeline is an end-to-end process for moving data from one system to another — from storage to an application, for example. The pipeline includes all the steps in the data process, such as refinement, storage and analysis.
3. **Data streaming:** Data streaming also moves data from one place to another, but the data flows in a continuous stream from source to destination. Data streaming enables real-time processing and analytics.
4. **Data dashboard:** A data dashboard is a user interface that visually presents important metrics and insights from various sources. It enables real-time monitoring, analysis and decision-making.
5. **Data governance:** Data governance is the process of creating policies and frameworks for efficient data handling. By aligning data-related requirements with business strategy, data governance provides superior data management, quality and visibility.
6. **Data integration:** When data architecture fosters data integration, data flows easily between systems, and data silos are broken down — unlocking the ability of an organization to capitalize on its data.
7. **Data sharing:** Data sharing is the ability to make data available for internal or external use. Data architecture that supports effective data sharing enables collaboration and creates opportunities to generate new revenue streams with data monetization.
8. **Data analytics:** Analytics is the process of analyzing and interpreting data. Analytics transforms raw data into actionable insights by uncovering patterns, trends and correlations. Real-time analytics refers to the practice of collecting and analyzing streaming data as it is generated, and it's often used in applications where timeliness is critical.
9. **AI and machine learning:** The right data architecture is essential for harnessing the power of AI and machine learning, whether an organization is using machine learning models for valuable insights or building AI applications. Data architecture supports AI infrastructure, enables effective data flow and analysis, and directly impacts AI and machine learning results.
10. **Data marketplace:** A data marketplace is an online store that enables the exchange of data products between data producers and data consumers.

(Source: https://www.databricks.com/glossary/data-architecture)

Topic

Module 6: Standard Costing and Variance analysis

INTERMEDIATE

Group II - Paper-12

Management Accounting (MA)

Module 6: Standard Costing

Introduction to Standard Costing

Standard costing is a vital technique in cost accounting that allows organizations to evaluate the efficiency and effectiveness of their production processes. It involves setting predetermined costs for producing goods or services within a specific time frame, which serve as benchmarks against which actual costs are measured. By establishing standards for materials, labor, and overheads, businesses can analyze performance through variance analysis and identify areas for improvement.

The main objective of standard costing is to determine what the cost should be under existing technical conditions. These standards provide realistic estimates of production expenses and act as a yardstick for measuring efficiency. This system is particularly suited for industries with repetitive manufacturing processes, where the inputs required for each unit can be clearly defined. In such situations, standard costing enables accurate cost predictions and long-term performance evaluation.

Variance analysis forms the core of standard costing. The differences between standard and actual costs—known as variances—are calculated for materials, labor, and overheads. These variances highlight inefficiencies, enabling managers to take corrective action promptly. Thus, standard costing provides a structured approach to cost control and performance management, ultimately improving operational efficiency and profitability.

Standard Costing vs. Budgetary Control

- Budgetary control involves planning and regulating organizational activities using predetermined financial targets to monitor performance across departments.
- Standard costing focuses on efficiency measurement by comparing established standards with actual results, forming a critical part of budget formulation.
- Budgets consider the entire organization's income, expenditure, and departmental activities, whereas standard costing narrows in on manufacturing costs at the product or service level.
- While budgets are largely based on past data and forecasts, standard costs are determined from technical and current operational information.
- Standard costing must be applied comprehensively to all cost elements, whereas budgetary control can be implemented partially.
- Both systems complement one another, with budgetary control providing overall financial discipline and standard costing offering detailed cost efficiency insights.

Definition of Standard Cost

A standard cost refers to a pre-calculated estimate of the expected expense of producing goods or services, expressed in monetary terms, and used as a benchmark for comparison with actual costs.

Concept of Standards

Standards are established for production units, material quantities, labor rates, and overhead charges. They must be reviewed periodically to ensure they remain relevant under changing business and technical conditions.

Standard Costing System

Standard costing is an accounting system that records predetermined costs, captures actual costs, and compares the two to identify variances. It not only aids in inventory valuation but also strengthens cost control through management by exception.

Purpose of Standard Costing

1. To facilitate the valuation of inventories and production costs in cost accounting.
2. To act as a control tool by highlighting variances and directing managerial focus to areas requiring corrective action.

Advantages of Standard Costing

1. Provides a means to evaluate production efficiency.
2. Assists management in effective standard setting.
3. Supports planning, production scheduling, and pricing policy formulation.
4. Enables systematic variance analysis for performance monitoring.

Limitations of Standard Costing

1. Costly to implement in small organizations.
2. Challenges arise in establishing reliable standards due to technical complexities.
3. Unsuitable for industries producing customized or non-standardized products.
4. Responsibility for uncontrollable variances is often difficult to assign.

Types of Standards

1. Current Standard: Applied over a short period (usually a year), based on prevailing conditions. It may be set as:

- Ideal standards, assuming flawless operating conditions.
- Expected standards, allowing for normal human error and realistic circumstances.

2. Basic Standard: A long-term benchmark, revised only with significant changes in material specifications or production techniques.
3. Normal Standard: A forward-looking benchmark set for a trade cycle (typically 5–10 years), reflecting expected average sales and production levels.

Multiple Choice Questions (MCQs):

1. What is the primary objective of cost accounting?
   a) Increasing sales
   b) Effective cost ascertainment and cost control
   c) Historical record keeping
   d) Maximizing employee benefits
2. Which costing method provides a yardstick for evaluating actual performance?
   a) Historical costing
   b) Marginal costing
   c) Standard costing
   d) Job costing
3. Standard costs are most appropriate for which type of operations?
   a) Non-repetitive operations
   b) Service operations only
   c) Common or repetitive manufacturing operations
   d) Trading operations
4. Which of the following is NOT an advantage of standard costing?
   a) Evaluates production performance
   b) Assists in price policy formulation
   c) Suitable for non-standardised products
   d) Aids in cost control
5. In standard costing, 'variance' is calculated for:
   a) Total company profit only
   b) Each cost center
   c) Only raw materials
   d) Only direct labor
6. Which of the following is defined as the scientifically predetermined cost of manufacturing a unit?
   a) Budgeted cost
   b) Historical cost
   c) Standard cost
   d) Actual cost
7. Who is generally responsible for material usage variance?
   a) Sales manager
   b) Production manager
   c) Personnel manager
   d) Chief accountant
8. Ideal standards are:
   a) Realistic and attainable
   b) Based on perfect conditions
   c) Exclude inefficiencies
   d) Both b and c
9. In budgetary control, budgets are prepared for the:
   a) Production only
   b) Entire organization
   c) Marketing only
   d) Purchasing only
10. According to CIMA, standard cost is used for:
    a) Measuring efficiency
    b) Valuing stocks
    c) Exception reporting
    d) All of the above
11. Which costing system cannot be applied partially?
    a) Marginal costing
    b) Standard costing
    c) Budgetary control
    d) Historical costing
12. Which type of standard is kept unaltered over a long period?
    a) Current standard
    b) Basic standard
    c) Expected standard
    d) Normal standard

Answers

1. B
2. C
3. C
4. C
5. B
6. C
7. B
8. D
9. B
10. D
11. B
12. B

Fill in the Blanks:

1. Standard costing is used to compare _____ costs with actual costs.
2. The difference between standard cost and actual cost is called _____.
3. _____ analysis is performed to identify reasons for variances.
4. The process of setting predetermined costs is known as _____ costing.
5. Standard costs are divided into standards for materials, labor, and _____.

Answers

1. standard
2. variance
3. variance
4. standard
5. overheads

True/False Questions:

1. Standard costing is most useful in organizations with repetitive operations.
2. Budgetary control deals only with manufacturing costs.
3. Variances are always investigated, regardless of their size.
4. Ideal standards are set under the assumption of perfect operating conditions.
5. Standard costing can be implemented partially in an organization.

Answers

1. True
2. False
3. False
4. True
5. False

Module 6.2 : Variance Analysis

Variance Analysis

Variance Analysis refers to the process of comparing actual results with predetermined standards to identify differences (variances) and their underlying causes. The purpose is to assist management in taking corrective actions and ensuring effective control over operations.

According to **CIMA**, variance is *the difference between planned or standard costs and the actual costs incurred*. Standard costs act as a benchmark for evaluating performance, and variances provide insights into efficiency, cost control, and decision-making. The primary aim is to highlight deviations, so that managers can take timely and effective measures.

Classification of Variances

A. Material Variances

1. **Material Cost Variance (MCV):** Difference between the standard cost of materials for actual output and the actual material cost incurred.
   - Sub-divided into:
     - **Material Price Variance (MPV):** Arises from the difference between standard price and actual price of materials. Causes include market price fluctuations, bulk discounts, and changes in quality.
     - **Material Quantity (Usage) Variance (MQV):** Measures efficiency in material usage by comparing standard quantity for actual output with the actual quantity consumed.
     - **Material Mix Variance (MMV):** Occurs when different types of materials are used in varying proportions compared to the standard mix.
     - **Material Yield Variance (MYV):** Relates to the difference between standard yield and actual yield, often due to spoilage, inferior quality inputs, or defective planning.

B. Direct Labour Variances

1. **Labour Cost Variance (LCV):** Difference between standard labour cost for actual output and actual wages paid.
   - Components include:
     - **Labour Rate Variance (LRV):** Caused by the difference between standard wage rate and actual wage rate.
     - **Labour Efficiency Variance (LEV):** Indicates efficiency in labour usage, comparing standard hours allowed with actual hours worked.
     - **Labour Idle Time Variance (LITV):** Results from abnormal idle time (e.g., strikes, breakdowns) where payment is made without productive work.
     - **Labour Mix Variance (LMV):** Arises when the actual composition of workers (skilled/unskilled) differs from the standard composition.
     - **Labour Yield Variance (LYV):** Results from differences in output (yield) due to efficiency or inefficiency of labour.

C. Variable Overhead Variances

Variable overhead variances analyse the gap between expected (standard) and actual variable overhead costs in production.

1. **Variable Overhead Cost Variance (VOCV):** Difference between standard variable overhead cost for actual output and actual variable overheads incurred.
   - Includes:
     - **Expenditure (Spending) Variance:** Difference between budgeted variable overheads and actual variable overheads incurred.
     - **Efficiency Variance:** Measures the impact of actual hours worked versus standard hours allowed, multiplied by the standard variable overhead rate.
     - **Rate (Expenditure) Variance:** Difference between standard and actual variable overhead rates per hour or per unit, applied to actual activity.
     - **Efficiency Variance (again highlighted separately):** Reflects whether actual hours worked were more or less than standard hours. A favourable variance indicates higher efficiency (less time taken).

D. Fixed Overhead Variances

1. **Expenditure Variance:** Difference between budgeted fixed overheads and actual fixed overheads incurred.
2. **Efficiency Variance:** Arises when the actual efficiency of labour/machines differs from the standard.
3. **Capacity Variance:** Caused by differences between budgeted capacity and actual capacity utilized.

4. **Idle Time Variance:** Represents unabsorbed fixed overhead due to abnormal idle time.
5. **Calendar Variance:** Results from differences between the budgeted working days and actual working days (often uncontrollable).

E. Sales Variances

1. **Sales Value Variance:** Difference between budgeted sales value and actual sales value.
2. **Sales Price Variance:** Difference between standard (expected) sales price and actual sales price.
3. **Sales Volume Variance:** Difference between budgeted sales volume and actual sales volume.
4. **Sales Mix Variance:** Difference between revised standard sales (based on actual mix) and standard sales.

Multiple Choice Questions (MCQs):

1. The gap between actual cost and the preset **standard** cost is called _____.
   a) Variance
   b) Control of costs
   c) Cost of sales
   d) Profit
2. Accountability for **labour idle time variance** generally lies with the _____.
   a) Personnel Manager
   b) Production Manager
   c) Chief Accountant–Controller (Cost)
   d) Uncontrollable
3. The **labour calendar variance** (arising from differences in budgeted vs. actual working days) is considered _____.
   a) Personnel Manager's responsibility
   b) Production Manager's responsibility
   c) Chief Accountant – Controller (Cost)'s responsibility
   d) Uncontrollable
4. **Material Cost Variance (MCV)** is comprised of:
   a) Material price variance
   b) Material quantity/usage variance
   c) Labour mix variance
   d) Both (a) and (b)
5. **MCV** includes which of the following?
   a) Material price variance and material usage variance
   b) Labour mix variance
   c) None of the above
   d) Only price variance
6. A process has standard labour: 24 skilled hours @ ₹ 60 and 30 unskilled hours @ ₹ 40. Actuals: 20 skilled hours @ ₹ 50 and 25 unskilled hours @ ₹ 50. The **labour mix variance** will be:
   a) Adverse
   b) Favourable
   c) Zero
   d) Favourable for skilled and adverse for unskilled
7. Standard price = ₹ 20/kg; standard usage = 5 kg/unit. For 100 units, actual usage is 520 kg purchased @ ₹ 22/kg. The **material cost variance** equals:
   a) ₹2,440 (A)
   b) ₹1,440 (A)
   c) ₹1,440 (F)
   d) ₹2,300 (F)
8. Standard material cost for the output = ₹15,000; actual material cost used = ₹16,200. The **material cost variance** is:
   a) ₹1,200 (A)
   b) ₹16,200 (A)
   c) ₹15,000 (F)
   d) ₹31,200 (A)
9. For proof, **MCV** is equal to:
   a) Material usage variance + Material mix variance
   b) Material price variance + Material usage variance
   c) Material price variance + Material yield variance
   d) Material mix variance + Material yield variance
10. If the **total materials variance** (actual cost of materials used vs. standard cost for standard quantity) is favourable, why break it into price and usage?
    a) No need if total is favourable
    b) Accounting standards require three-step analysis
    c) All variances must be in the annual report
    d) To help management assess purchasing and production efficiency

Answer Key

1. a
2. b
3. d
4. d
5. a
6. c
7. b
8. a
9. b
10. d

True and False

1. Managers can use variance analysis results to take corrective actions and improve operations.
2. The difference between Revised Standard Sales and Standard Sales is termed as Material Mix Variance.
3. When actual performance exceeds the expected standard, the result is called an adverse variance.
4. Material Cost Variance shows the difference between the standard cost of materials for actual output and the actual cost of materials consumed.
5. Material Usage Variance is excluded from the calculation of Material Cost Variance.

Answer

1. True
2. False
3. False
4. True
5. False

Fill in the blanks

1. Difference between Actual sales and Standard sales is known as _____.
2. Responsibility for Material price Variance is mainly of _____department.
3. Standard costs are used as scale of reference to compare the actual cost with the standard cost with a view to determine the _____.
4. _____may arise due to ability of the workers, inappropriate team of workers, inefficiency of production manager or foreman etc.
5. Fixed Overhead Volume Variance is the difference between the budgeted fixed overheads and the standard fixed overheads recovered on the_____.

Answer

1. Price variance
2. Purchase
3. Variances
4. Efficiency variance
5. Actual Production

CMA FINAL COURSE

Syllabus 2022

Topic

Module 6 : Foreign Exchange Management Act, 1999

FINAL

Group III - Paper-13

Corporate and Economic Laws (CEL)

Foreign Exchange Management Act (FEMA)

1.0. Introduction.

FEMA ,1999 to replace the FERA, 1973 and came into force on the 1st day of June,2000. To enforce provisions of the Act, the Central Govt. have established the Directorate of Enforcement .

2.0. Definitions.

i) Current account transaction: which is not a capital account transaction (drawal of foreign currency denotes drawal from A.P. including opening of LC.

ii) Capital account transaction: a transaction by which asset or liability of an Indian resident will change with regard to any foreign country and vice versa.

3.0. **Foreign Direct Investment.**

i) Foreign Direct Investment in ARC (other than FII) is permissible upto 49% with Govt. approval. FII can invest upto 49% in security receipt not exceeding 10% in each tranche.

ii) Investment in infrastructure companies in securities market like stock exchanges, depositors, clearing houses upto 49% of the paid up capital with cap of FDI (25%) and FII (23%), FDI through Govt. route and FII through secondary market route.

iii) Investment from Nepal and Bhutan is allowed upto sectoral cap including rights, bonus, merger and ESOP.

iv) FDI is allowed in automatic route as per sectoral cap and with permission of Govt. beyond sectoral cap.

v) FDI prohibited in retail, atomic energy, lottery, gambling and betting, chit fund and nidi company, agriculture, housing and real estate, manufacturing of tobacco related products.

vi) Foreign Direct Investment via automatic route

As per the current policy of the Government of India all items / activities for foreign direct Investment up to hundred percent falls under the automatic route except the

(a) ones which are requiring an industrial licence

(b) all proposals in which the foreign collaborator had a previous venture/ tie up in India and five years have not lapsed after the break up of the tie up.

(c) All proposals relating to acquisition of existing shares in an existing Indian Company by a foreign investor and

(d) All proposals falling outside notified sectoral policy/ caps or under sectors in which foreign direct investment is not permitted.

4.0. **Reporting of Inflow.**

i) Indian company to report inward remittance within 30 days and issue of securities within 30 days to the concerned Regional Office of RBI with proper documentation and CA certificate on valuation of shares.

ii) The above reporting has to be consolidated and filed within 30th June on annual basis.

iii) Equity instrument have to be issued within 180 days of the receipt/debit of the amount, unless permission to retain further is obtained from RBI.

5.0. **Transfer of Shares.**

Transfer of shares between resident and non-resident and vise versa is allowed as per the guidelines by SEBI and RBI. General permission is available except shares of banks and financial services company. The transfers are to be reported to RBI.

6.0. **Prior permission of RBI.**

(a) Indian to Resident Gift.

i) not to exceed 5% of paid up capital;

ii) within sectoral cap;

iii) transfer and transferee are close relative;

iv) the value of security by the holder transferred as gift do not exceed US$ 25,000 during the calendar year.

(b) Resident to non-resident (Sale)

i) security in financial sector;

ii) attracting SEBI take over code.

7.0. **Conversion ECB to Equity.**

i) allowed within the automatic route with sectoral cap on conversion;

ii) pricing as per SEBI regulations.

8.0. **Depository Receipt (DR)**

i) DRs are negotiable instruments issued outside India by depository bank on behalf of Indian company who hold the shares of the company as custodian bank. DR traded in American SE is called ADR and it traded elsewhere is called GDR.

ii) Companies listed in India are eligible to list in India. May issue ADR/DR subject to international listing requirements. Unlisted companies in India have to simultaneously list in India.

iii) There is no end use restriction except investment in SE/real estate.

iv) Pricing should be related to domestic price.

v) Report to RBI within 30 days of close of issue.

9.(a) **Direct Investment outside India.**

i) Prohibited – real estate and banking. Indian banks operating in India may have JV/WOS outside with permission of RBI.

ii) General permission – (a) out of funds in RFC a/c, (b) bonus shares, (c) is not permanently resident in India, out of foreign currency resources.

iii) Permission to sell the above shares. Remittance allowed upto US$ 2,00,000 per year for current/ capital account transactions including purchase of shares.

(b) **WOS/JV** – Investment including loans and guarantees.

i) Not exceeding 400% of net worth of the Indian party (corporate) (not considering proceeds of ADR/CDR or balance in EEFC.

ii) Parties should be under RBI caution list and under investigation by an agency/body;

iii) In case investment valuation is more than US$ 5 million, valuation has to be done by Gr.I Merchant Banker.

v) Investment possible with the proceeds of GDR/ADR.

(c) **Method of Funding.**

i) Drawal of FE from AD/Bank.

ii) Capitalisation of exports and other dues.

iii) Swap of shares including exchange of ADR/GDR (valuation to be made by registered Indian/foreign merchant banker).

iv) Proceeds of ECB/ADR/GDR/FCCB.

v) Balance in EEFC a/c.

vi) Indian companies can invest upto 50% of their net worth in overseas listed company in rated debt securities.

vii) Indian mutual funds can invest in any kind of securities within the overall cap of US$ 7 billion.

(d) **Investment in Financial Services.**

i) Earned net profit in preceding 3 financial years.

ii) Obtained approval and fulfilled presidential shares by financial regulator in India.

e) Investment by Indian mutual funds in various securities within a cap of US$ 4 million.

f) General permission is granted to Indian residents to:

i) acquire share as gift;

ii) ESOP;

iii) Inheritance.

g) For all other cases of investment, RBI approval is necessary.

10. **Indirect Investment Overseas.**

i) No person shall issue or transfer a foreign security general permission is available for -

(a) FCCB upto limit declared d time to time time.

11. Investment by a foreign resident in proprietorship or partnership in India is not permitted without RBI approval.

12. **Acquisition and transfer of immovable property outside India.**

i) Prohibited, other than properties already held as on 8-7-47 and anybody getting as gift from such person.

ii) Can purchase from RFC account.

iii) Corporates may be permitted to acquire office or residence for the employees.

13. **Acquisition and transfer of immovable property in India.**

i) Person resident outside India is categorized as NRI or a PIO and a foreign national (non-PIO).

ii) An Indian citizen resident outside India may acquire immovable property (through gift, inheritance or purchase) other than agricultural land and form house to any Indian citizen or person of Indian origin.

iii) Person resident outside India can hold, own, transfer or invest in Indian currency, security or immovable property in India, if such asset was acquired by him when he was resident in India or inherited from a person who was a resident of India.

iv) Requisition of a resident allowed it on lease for maximum 5 years.

v) Citizens of Pakistan, Bangladesh, Srilanka and Afganisthan, China, Iran, Nepal and Bhutan cannot hold property (other than lease) without prior RBI permission.

14. **Establishment in India a branch or other place of business by a foreign company is allowed.**

i) PRO is prohibited from having a branch/other office in India without RBI approval, unless such approval

is received by RBI/IRDA. Only specific activities as permitted shall only be permitted. Profit can be remitted.

ii) No RBI approval required for establishing only unit in SE2.

15. **Export of Goods and Services.**

i) To declare the goods including value, except few class of goods, with evidence.

ii) In case of service, without declaration but shall repatriate the foreign exchange to India.

iii) The export value shall realizable within 6 months (15 months if goods were stored in warehouse outside India). A.D. may grant extension. For exports by status holder, the realizable time is 12months. RBI may take penal action on non-realizable within time.

iv) If advance received, the shipment should be made within one year. No refund of advance without RBI approval.

16. **Realization, Repatriation and holding of Foreign Currency.**

i) The FE should be realized at the earliest and shall repatriate the same to India or shall to A.P. or keep it is designated account with A.D.

ii) Realized means received in INR by the person concerned.

iii) FE receipt is to be sold to A.P. within 7 days (in case of inheritance, gift, salary income) and 90 days in case of others.

iv) Unspent amount on foreign tour to be surrendered within 90 days (180 days in case of traveler cheques).

v) Foreign currency a/c may be opened and inward remittance may be kept.

vi) A.P. may possess F.C. as authorized.

17. **Authorized Person.**

i) RBI authorizes a person to deal in FE or FS. As dealer or money changer or offshore banking unit, which can be revoked on non-compliance of any law or terms and conditions of licensing. RBI may inspect the AP. AP to report to RBI on regular basis.

Topic

Module 2: Evaluation of Risky Proposals for Investment Decisions

Module 13: Financial Derivatives – Instruments for Risk Management

FINAL

Group III - Paper-14

Strategic Financial Management (SFM)

Topic: Evaluation of Risky Proposals for Investment Decisions

- **Multiple Choice Questions**

1. Which of the following is not a technique to handle risk in capital budgeting?
   A. Sensitivity Analysis
   B. Scenario Analysis
   C. Simulation Technique
   D. Straight Line Depreciation
2. In capital budgeting, risk refers to:
   A. Situations where outcomes are completely unknown
   B. Situations where probabilities of outcomes are known
   C. Situations where only one outcome is certain
   D. None of the above
3. Which technique examines the impact of changes in one key variable at a time on the project's NPV?
   A. Sensitivity Analysis
   B. Scenario Analysis
   C. Simulation Analysis
   D. Decision Tree Analysis
4. Uncertainty in capital budgeting refers to:
   A. Known outcomes with known probabilities
   B. Unknown outcomes with unknown probabilities
   C. Multiple outcomes with equal probabilities
   D. Outcomes that are certain
5. In Scenario Analysis, which of the following is usually considered?
   A. Best case, worst case, and most likely case
   B. Only best case
   C. Only worst case
   D. Only most likely case
6. Which of the following methods incorporates both probability and expected values?
   A. Sensitivity Analysis
   B. Probability Distribution Approach
   C. Payback Period
   D. Accounting Rate of Return
7. The process of assigning probabilities to possible outcomes and computing a weighted average is called:
   A. Risk-Adjusted Discount Rate
   B. Certainty Equivalent Approach
   C. Expected Value Approach
   D. Payback Approach
8. Which method adjusts the discount rate upward for risky projects?
   A. Risk-Adjusted Discount Rate Method
   B. Certainty Equivalent Method
   C. Simulation Method
   D. Decision Tree Analysis
9. In the Certainty Equivalent Approach, risky cash flows are converted into:
   A. Probabilistic cash flows
   B. Certain (risk-free) cash flows
   C. Future value cash flows
   D. Residual cash flows
10. Decision tree analysis is most useful when:
    A. There is no uncertainty
    B. The project involves a single cash flow
    C. Cash flows are dependent on sequential decisions
    D. Cash flows are independent of future events
11. Which of the following is a limitation of sensitivity analysis?
    A. It shows impact of simultaneous changes in variables
    B. It ignores interdependence between variables
    C. It assigns probabilities to outcomes
    D. It gives only one possible outcome
12. If Expected NPV = ₹ 2,00,000 and Standard Deviation = ₹ 1,00,000, the Coefficient of Variation (CV) is:
    A. 0.25
    B. 0.50
    C. 2.00
    D. 1.00

13. Which of the following risk analysis techniques uses computer-based random sampling?

    A. Simulation Analysis

    B. Scenario Analysis

    C. Sensitivity Analysis

    D. Decision Tree

14. Which of the following is considered the best measure of stand-alone risk in capital budgeting?

    A. Expected NPV

    B. Payback Period

    C. Standard Deviation of NPV

    D. Profitability Index

15. The main difference between risk and uncertainty in capital budgeting is:

    A. Risk has measurable probabilities, uncertainty does not

    B. Risk has no probabilities, uncertainty has probabilities

    C. Both have measurable probabilities

    D. Both have no probabilities

Answer Keys:

1-D; 2-B; 3-A; 4-B; 5-A; 6-B; 7-C; 8-A; 9-B; 10-C; 11-D; 12-B; 13-A; 14-C; 15-A

- **Comprehensive Problem on Certainty Equivalent Factor**

The Alpha Manufacturing Company Ltd. is considering an investment in one of the two mutually exclusive proposals:

Project A It involves initial outlay of ₹1,70,000

Project B It involves initial outlay of ₹1,50,000

The certainty-equivalent (C.E.) approach is used in incorporating risk in capital budgeting decisions. The current yield on government bond is 5% and this be used as the riskless rate. The expected net cash flows and their certainty-equivalents are as follows:

	Project A		**Project B**	
Year-end	Cash flow (₹)	C.E.	Cash flow (₹)	C.E.
1	90,000	0.8	90,000	0.9
2	1,00,000	0.7	90,000	0.8
3	1,10,000	0.5	1,00,000	0.6

Present value factors of Re.1 discounted at 5% at the end of year 1, 2 and 3 are 0.9524, 0.9070 and 0.8638 respectively.

Required:

(i) Which project should be accepted?

(ii) Which project is riskier and why? Explain.

(iii) If risk adjusted discount rate method is used, which project would be analysed with a higher rate?

Solution:

(i) Statement showing Net Present Value of Project A

Year-end	Cash flow (₹)	C.E.	Adjusted Cash flow (₹)	Present value factor at 5%	Total present value (₹)
	(a)	(b)	(c) = (a) x (b)	(d)	(e) = (c) x (d)
1	90,000	0.8	72,000	0.9524	68,573
2	1,00,000	0.7	70,000	0.9070	63,490
3	1,10,000	0.5	55,000	0.8638	47,509
					1,79,572
Less: Initial investment					1,70,000
Net Present Value					9,572

Statement showing the Net Present Value of Project B

Year-end	Cash flow (₹)	C.E.	Adjusted Cash flow (₹)	Present value factor 5%	Total present value (₹)
	(a)	(b)	(c) = (a) x (b)	(d)	(e) = (c) x (d)
1	90,000	0.9	81,000	0.9524	77,144
2	90,000	0.8	72,000	0.9070	65,304
3	1,00,000	0.6	60,000	0.8638	51,828
					1,94,276
Less: Initial investment					1,50,000
Net present value					44,276

(i) Decision: Since the net present value of project B is more, the project B should be accepted.

(ii) Since the certainty-equivalent (C.E.) Co-efficient of project A is lower than project B, project A is riskier than project B.

(iii) If risk adjusted discount rate method is used then project A would be analysed with a higher rate.

Topic: Financial Derivatives – Instruments for Risk Management

- **Comprehensive Problem on Risk Management Using Futures Contract**

BPCL imports crude oil for its requirements on a regular basis. Its requirements are estimated at 100 tonnes per month. Of late, there has been a surge in the prices of oil. The current price (month of June) of crude oil is ₹ 5,500 per barrel. The firm expects the price to rise in the coming months to ₹ 5,800 by August. It wants to hedge against the rising prices for some of its requirements of the month of August.

Multi Commodity Exchange (MCX) in India offers futures contracts in crude oil. The contract size is 100 barrels and August contract is currently traded at ₹ 5,668 per barrel.

BPCL would like to hedge half its exposure in futures and leave the other half to market conditions. While hedging, the number of futures contracts dealt with should be rounded off to the next higher integer. Then, how many contracts should it book?

Compare the hedged and exposed parts regarding the effective price per barrel and also compute the effective price per barrel for the whole requirement of August, if in August,

(i) The spot price is ₹5,570 and futures price is ₹5,788,

(ii) The spot price is ₹5,417 and futures price is ₹5,455?

Ignore marking-to-market and initial margin on futures contracts.

Given that 1 tonne = 7.33 barrels.

Solution:

Particulars	
Quantity of crude oil required per month	100 tonnes
1 tonne	7.33 barrels
Quantity involved in barrels = 100*7.33 barrels	733 barrels
Exposure to be covered in future 50%	366.5 or 367 barrels
Contract size in futures	100 barrels
No of contracts to book = 366.5/100 = 3.67 =	4 contracts
Future price	₹5668 per barrel
Exposure in Future = 5668*4*100	₹ 2267200

In August BPCL would unwind its futures position and buy requirement from spot market.

Particulars	Rs.	Rs.
	Situation 1	Situation 2
For covered part:		
Futures sold at price	5,788	5,455
Amount of futures sold = 4*100	23,15,200	21,82,000
Gain / Loss on futures (4 contracts)	48,000	-85,200
Spot price	5,570	5,417
Actual cost of buying 400 barrel	22,28,000	21,66,800
Effective cost of buying 400 barrel	21,80,000	22,52,000
Effective Price per barrel	5,450	5,630
Exposed Part:		
Effective Price per barrel	5,570	5,417
Total cost of 333 barrel	18,54,810	18,03,861
Total cost	40,34,810	40,55,861
Effective Price per barrel	5504.515689	5533.234652

Topic

Module 3: Grievance Redressal

FINAL

Group III - Paper-15

Direct Tax Laws and International Taxation (DIT)

FINAL

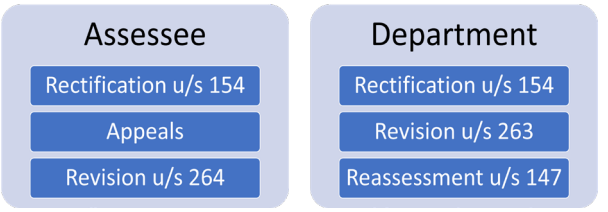
Appeal before JCIT (Appeals)

The Income Tax Act, 1961, provides comprehensive mechanisms for addressing grievances related to tax assessments and other orders passed by tax authorities. Two key mechanisms are appeals and revisions, which ensure that errors can be rectified and that justice is served. An appeal is a statutory remedy provided to taxpayers who are aggrieved by any order of the tax authorities. The appeal process ensures that taxpayers have the opportunity to have their case reviewed and decided upon by higher authorities, thereby maintaining fairness in tax administration. The multi-tiered appeal structure allows for thorough scrutiny and correction of errors, ensuring that taxpayers are treated fairly.

Revisions are another mechanism provided under the Income Tax Act to correct errors in tax orders. They allow tax authorities to correct errors that may adversely affect revenue collection and provide taxpayers with a means to rectify mistakes and seek justice. Unlike appeals, revisions can be initiated either by the tax authorities on their own motion or by the taxpayer through an application.

The right to appeal under income tax law is a creation of statute and not an inherent right. Appeal can be filed only against orders listed in the Income Tax Act and not any order.

Initially, the following course of action is available in the Income-tax Act:



In general, any cases being filed and heard first in Civil Court, thereafter aggrieved parties may file a case in High Court and for further relief or justice, aggrieved party finally file case in Supreme Court. However, the route of revenue cases is different. Any Assessee or any deductor or any collector of tax at source, who is aggrieved from the order passed by the Assessing officer, shall first file an appeal to the Joint Commissioner (Appeal) / Commissioner (Appeals). Then case shall be moved and an appeal shall be filed to Appellate tribunal, by the assessee or Deductor or Collector of tax at source or the department, if they are aggrieved with the order passed by the Commissioner (Appeal). Thereafter case shall be moved to High Court, if assessee or Deductor or Collector of tax at source or the department is aggrieved to the order passed by the Appellate tribunal and at last to Supreme Court, if Assessee or Deductor or Collector of tax at source or the department is aggrieved to the order passed by the High court.

Appeals before Joint Commissioner (Appeals) [JCIT (A)] [Sec. 246]

As per the existing scheme for appeals, the first appellate authority for an assessee aggrieved by any order issued under the Act is the Commissioner (Appeals). Such Commissioner (Appeals) has the powers to confirm, reduce, enhance or annul/ cancel an order of assessment or an order of penalty, after providing an opportunity of being heard to the assessee and the AO. The order passed by the Commissioner (Appeals) are appealable before the Appellate Tribunal.

However, as the first authority for appeal, Commissioner (Appeals) were overburdened due to the huge number of appeals and the pendency being carried forward every year. In order to clear this bottleneck, a new authority for appeals is created at Joint Commissioner/ Additional Commissioner level to handle certain class of cases involving small amount of disputed demand. Such authority has all powers, responsibilities and accountability similar to that of Commissioner (Appeals) with respect to the procedure for disposal of appeals

Any assessee aggrieved by any of the following orders of an Assessing Officer (below the rank of Joint Commissioner) may appeal to the Joint Commissioner (Appeals) against:

a. an intimation u/s 143(1), where the assessee objects to the making of adjustments; or

b. Any order of assessment u/s 143(3) or sec. 144, where the assessee objects to the amount of income assessed, or to the amount of tax determined, or to the amount of loss computed, or to the status (*Status* means the category under which the assessee is assessed as "individual", "Hindu undivided family" and so on) under which he is assessed;

c. an order of assessment, reassessment or recomputation u/s 147;

d. an intimation u/s 200A(1);

e. an order u/s 201;

f. an intimation u/s 206C(6A);

g. an order u/s 206CB(1);

h. an order imposing a penalty under Chapter XXI; and

i. an order u/s 154 or sec. 155 amending any of the orders mentioned above

Exception

No appeal shall be filed before the Joint Commissioner (Appeals) if any of the aforesaid order is passed by or with the prior approval of, an income-tax authority above the rank of Deputy Commissioner.

Taxpoint

- *Transfer of appeals*: Where any appeal filed against any of the aforesaid order is pending before the Commissioner (Appeals), the Board or authorised income-tax authority may transfer such appeal and any matter arising out of or connected with such appeal and which is so pending, to the Joint Commissioner (Appeals) who may proceed with such appeal or matter, from the stage at which it was before, it was so transferred.

  The Board or authorised income-tax authority may transfer any appeal which is pending before a Joint Commissioner (Appeals) and any matter arising out of or connected with such appeal and which is so pending, to the Commissioner (Appeals) who may proceed with such appeal or matter, from the stage at which it was before, it was so transferred.

  After such transfer of an appeal, the appellant shall be given an opportunity of being reheard.

- The provision shall not apply to any case or any class of cases as specified by the Board.

- *Scheme for disposal of the appeal*: For the purposes of disposal of appeal by the Joint Commissioner (Appeals), the Central Government may make a scheme so as to dispose of appeals in an expedient manner with transparency and accountability, by eliminating the interface between the Joint Commissioner (Appeals) and the appellant, in the course of appellate proceedings to the extent technologically feasible and direct that any of the provisions of this Act relating to jurisdiction and procedure for disposal of appeals by the Joint Commissioner (Appeals), shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification.

Revision u/s 263 -vs.- Revision u/s 264

Sec. 263 of the Income Tax Act, 1961, stands as a custodian, guarding the integrity of the tax assessment process in India. It is a mechanism to rectify orders perceived as both erroneous and prejudicial to the interests of the revenue. There is a virtually parallel provision – Section 264 of the Act, which also empowers the Commissioner to revise any order other than the order under Section 263, passed by an authority subordinate to him, on his own motion or on an application by the assessee for revision.

A comparative study of revision u/s 263 & revision u/s 264 are given here in below:

Basis	Sec. 263	Sec. 264
Which order can be revised	Order, which is prejudicial to the interest of revenue.	Order, which is prejudicial to the interest of assessee.
Proceedings at the motion of	At the own motion of the authorities.	At the own motion of the authorities or on the application of the assessee.
Scope	Revision is possible of the issues which have not been considered and decided in an appeal, i.e., doctrine of partial merger is applicable	Revision u/s 264 is not possible on any issue if an appeal has been filed, i.e., doctrine of total merger is applicable
Time limit for application	Assessee does not apply	Within 1 year from the date on which the order in question was communicated to the assessee
Time limit for passing a revisional order	2 years from the end of the financial year in which the order sought to be revised was passed.	• *Where the authorities act on his own motion*: within 1 year from the date of original order. • *Where the application is made by the assessee*: within 1 year from the end of the financial year in which such application is made.

Basis	Sec. 263	Sec. 264
Fee	Not applicable	₹ 500 where the application for revision is made by the assessee.
Appeal against order	Appeal can be filed to the Tribunal	No appeal can be filed.
Beneficial to	Revenue	Assessee

Appeals and revisions are fundamental aspects of the income tax system that uphold the principles of fairness and justice. The appeal process provides a structured approach for taxpayers to challenge adverse orders and seek redressal. Revisions, on the other hand, ensure that errors in tax orders are corrected, whether initiated by the tax authorities or the taxpayers. Understanding these mechanisms is crucial for both taxpayers and tax professionals to navigate the complexities of the income tax system and safeguard their rights and interests. By providing avenues for review and correction, the Income Tax Act ensures that the tax administration process remains transparent, accountable, and just.

Understanding the nuances of appellate and revisionary mechanisms is essential for tax professionals. With the evolving framework, including the JCIT (Appeals) mechanism and digital schemes for disposal, students must stay updated. A command over Sections 246 to 264 not only strengthens academic preparation but also builds practical capability in client representation and dispute resolution in the tax regime.

Topic

Module 7:
Transportation

FINAL

Group III - Paper-16

Strategic Cost Management (SCM)

Transportation

1.0 Introduction

Transportation problem is a special kind of Linear Programming Problem, where goods are transported from a set of Sources to a set of Destinations, subject to the constraints of supply and demand such that the total Cost of Transportation is minimized. It is also sometimes called Hitchcock problem because it was originally developed by F. L. Hitchcock in his study titled "The distribution of a product from several sources to numerous locations" in the year 1941. Subsequently in the year 1947, T. C. Koopmans independently published a study on "Optimum utilization of the Transportation System". The linear programming formulation and the associated systematic procedure for solution was given by George B. Dantzig afterwards – in the year 1951.

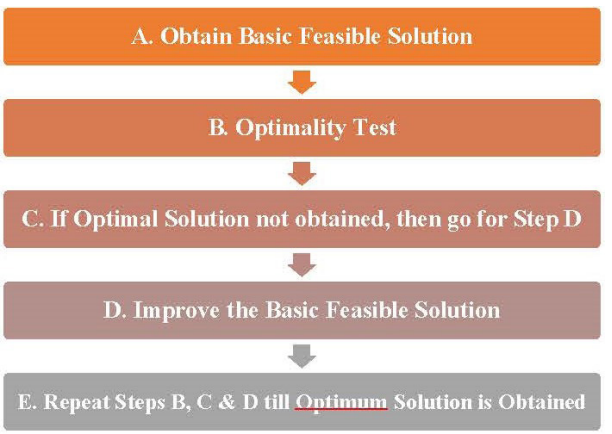
Assume that 2 Biscuit Factories O**1** and O**2** make biscuits daily. The biscuits produced are supplied to three Super stores of the City – D**1**, D**2** and D**3**. The production capacities of the Factories are 2000 & 2500 units respectively and demand of the Super stores are 1500, 2000 and 1000 units. In given situation, it is required to determine the quantity from each Factory to be transported to each super store so that the total cost of Transportation is minimized.

2.0 Assumptions:

Transportation model is developed on the basis of following assumptions

- Only one commodity is being shipped from one place to another place
- Total Supply = Total Demand
- Unit Transportation Cost from each source to each destination is predetermined & known
- The Objective is to minimize total cost of transportation

3.0 Process of Solving Transportation Problem



3.01 Obtaining Basic Feasible Solution

The following are the methods for obtaining Basic Feasible Solution of transportation problem:

1. North West Corner Method (NWCM)
2. Least Cost Method (LCM)
3. Vogel's Approximation Method (VAM)

3.01.1 North West Corner Method (NWCM):

This is the simplest of all the methods mentioned above for obtaining Basic Feasible Solution of a Transportation problem. The name of the method is derived from the fact that the solution begins by allocating maximum possible quantity to the north-west or top left corner cell of the Transportation matrix given. Step by step methodology of solution is given below:

1. Allocate as many units as possible in the north-west or left top corner cell of the Transportation matrix by maintaining supply and demand constraint corresponding to this cell. In fact minimum of the value of supply or demand corresponding to the mentioned cell should be allocated.
2. Subtract the quantity allocated in the previous step from the supply and demand figures in the first row and the column to get the adjusted figures.
3. Depending on the values of supply or demand exhausted fully in step 2, follow either one of the steps mentioned below -
   (a) If the supply for the first row is exhausted then move down to the first cell of the second row & first column and once again allocate as maximum as possible quantity maintaining the constraint of supply and demand. Subsequently adjust the quantities of supply and demand by subtracting the quantity allocated from them.
   (b) If the demand for the first column is exhausted then move sideways to the next cell in the second column and first row and as before allocate as maximum as possible quantity in the cell. Subsequently adjust the corresponding figures of supply and demand.
4. Continue the procedure until total available quantity is fully allocated to the cells as required. *In case for any* cell the supply and demand both exhausts at a time (in other words supply = demand for the cell) then next allocation can be made in the cell either in the next row or column.

The quantities so allocated should be **circled** to indicate the value of the corresponding variable.

Though the method is very easy to compute, understand and interpret, the greatest drawback is the fact that transportation costs are not given any consideration. As a result, the Initial Feasible Solution obtained by this method is mostly non-optimal. Usually several iterations are required before an optimal solution is reached.

3.01.2 Least Cost Method (LCM):

Unlike NWCM, in this method, due consideration is given to the cost. As a result, it reduces the computations while obtaining the optimal solution that is the minimum total cost of transportation. Step by step methodology of arriving at the Basic Feasible solution according to this method is given as –

1. Select the cell with lowest shipping cost among all the cells of the given Transportation matrix. If such a cell is not unique then select a cell out of all the cells tied with the lowest cost value such that maximum allocation is possible there. In case there is a tie in that, too then arbitrarily choose one among the cells with tied lowest cost as well as maximum possible allocation value.
2. Allocate as maximum as possible units to the cell selected in step (1) by maintaining the Supply and Demand constraint corresponding to the selected cell. As a result either the Supply figures of a row or the Demand figures of a column will be fully exhausted. Such a row or column should be eliminated for finding further allocations.
3. Reduce the Supply value of the Row or the Demand value of the Column (which is not completely exhausted) by the amount allocated in the previous step.
4. Repeat above steps until all the allocations are made.

3.01.3 Vogel's Approximation Method (VAM):

Like LCM, this method also makes use of the Cost figures. Instead of least cost, the difference between the least cost and the value next to least cost is computed for each and every row and column. Such difference is termed as Penalty. Then least penalty value is used as the starting point of allocation. In fact, the Basic Feasible Solution obtained by this method is generally Optimal or near Optimal. As a result, number of iterations required to arrive at the final set of allocations is much less compared to the previous two methods. So always it is preferred for getting the Basic Feasible Solution.

4.0 Special cases of Transportation

Various special cases of Transportation problem are as follows –

- Unbalanced problem
- Maximization problem
- Problems with Degeneracy
- Problems having Multiple Optimum Solution
- Problems having Prohibited or Preferred Routes

4.01 Unbalanced Transportation problem

One of the assumptions for applying Transportation algorithm is Total Supply capacity of the Origins is equal to the Total Demand of the Destinations. But practically, it is rarely found. Mostly the Supply and Demand figures are unequal. **Such a problem of Transportation is called Unbalanced problem. In simple words a condition where Demand ≠ Supply.**

In such situations the conversion of Unbalanced problem to a Balanced one is done by bringing Dummy Origin (or Row) with Supply capacity equal to the difference between the Supply and Demand of the original problem.

Cost of Transportation corresponding to the cells of DUMMY row or column is taken as ZERO.

4.02 Maximization problem of Transportation

Transportation algorithm is basically meant for solving minimization problems, but the same can be successfully used for solving maximization problems, too. First of all, the original problem has to be converted to a minimization problem. This is done by subtracting all the elements of the given profit matrix from the highest element of the matrix. Thus, we get the value of Relative Loss or Opportunity Loss against each of the given profit figures. Once the Profit Matrix given is converted to Relative Loss Matrix, the problem can be solved as a minimization problem by following usual method of solving Transportation problems.

4.03 Problems with Degeneracy

A Transportation problem with (m × n) Cost Matrix should have (m + n – 1) Numbers of Cell allocations at any stage of solution i.e either in Basic Feasible Solution or in any Improved Solution. In case the Numbers of allocations are less than (m + n – 1), the solution is said to be Degenerate.

Degeneracy can be observed in two different stages, one while solving a Transportation problem at the stage of obtaining Initial Feasible solution, and/or during the stage of improving a solution.

4.04 Transportation problems having Multiple Optimum Solution

Multiple Optimum Solution of a Transportation problem means the problem is having more than one optimum solution. In other words, the minimum Total Cost of Transportation for all such solutions are same but the routes of transportation are different.

A Transportation problem is said to have Multiple Optimum Solution if there exist one or more unoccupied cell in the final Table with ZERO Opportunity Cost.

4.05 Transportation problems with Prohibited or Preferred Routes

Some times in practical life one may have to come across situations of restriction or prohibition of certain routes for Transportation of goods. The reason behind this is situations occurred due to Natural Calamities (like Floods, Earthquake etc.) or due to War, Strike called by the political parties etc.

Such restrictions are handled in the Transportation problem by assigning a very high cost (Say M or ∞) in the prohibited routes so that these routes are never included in the solution. The usual method of solving a Transportation problem is used.

Topic

Module 11:
Management Audit in Different Functions

Module 16:
Audit of Different Service Organisations

FINAL

Group IV - Paper-17

Cost and Management Audit (CMAD)

Performing Management Audit in different Organizations of Functions of an Organization depends on the expectation of Management from the audit team and the Scope defined. The job of the Management Auditor/Team is to cut the activities accordingly to accomplish the objective of Management. Mostly the Management Audit Teams are manned with auditors from different fields and grade of knowledge and experience. A basic understanding of the audit area and structured documentation (guidance to perform) can help them immensely to form an opinion after conclusion of the audit. MAP (Management Audit Programme), helps the Auditor to perform the audit and some of the functional areas of different Service Organizations are discussed hereunder.

Brief on Management Audit Program (MAP):

A Management Audit Program is an essential prerequisite to conduct the Audit. It is a plan or action drawn in advance of taking-up the Audit, and to help the auditor to cover the entire area of his function thoroughly. He should lay down for himself a proper procedure to be followed to complete the work in time, giving thorough coverage to all aspects. An efficient Management Audit Program shall comprise the following:

1. Review of the Organizational objective and Plan;
2. Study of the policies and practices of the management;
3. A critical review of the organizational structure;
4. Study of the systems and procedures;
5. Evaluation of operations;
6. Study of the efficiency of the use of physical resources available;
7. Exercise of proper management control ;
8. Maintain a suitable monitoring system through Management Information System (MIS);
9. Check on adherence to the statutory obligation;
10. Above all, review the efficiency of manpower handling which ultimately results in the Organization's effectiveness.

Some important points for Management Audit in different Organisations:

- Documents with respect to clarity of Organization structure
- Legislative bindings i.e governing laws with respect to the Organization
- Organizational guidelines
- Organizational goals
- Management and structure for day to day /regular activity authorization and supervision
- Authorized persons to carry out and approve the activities
- Alignment of activities with organizational goals, objectives , mission and vision
- Activity-wise internal control structure
- Internal checks
- Accounts , evidence and records pertaining to support accounting
- Assets – procurement , physical existence , movement and maintenance
- Liabilities payable and payments
- Recoveries -scheduled and actual
- Timeliness and actions of accounting recognitions
- Review and monitoring process for organizational activities
- Compliance status

Management Audit in Service Organizations:

A service organization , is an entity which provides intangible benefits rather than physical goods to customers or user entities, focusing on fulfilling needs and satisfying customer requirements. Examples include **schools, colleges, hospitals**, **shipping, electricity distribution and supply, logistic support, passenger transport , port and bulk terminals etc.** that offer services like education or support, rather than selling a tangible product. The audit program for different service organizations in connection with their revenue stream are given hereunder. It is pertinent to mention here that knowing the Organization and its processes is essential before taking up the assignment.

Electricity Distribution and Supply : Accuracy of Revenue

- Applicable provisions of Indian Electricity Act and Electricity Supply Act with respect to maintenance of Accounts , Reserves etc.
- Recording of electricity consumption by Consumers
- Applicable tariff for different category of Consumers
- Collection from Consumers at collection points, online credits etc.
- Consumer number-wise collection reconciliation
- Equipment/Meter sale and installation, re-connection proceeds and reconciliation
- Overdue Consumer numbers and necessary steps
- Reconciliation of Rebates, applicability/eligibility and availing the same
- Accounting of SD(Security Deposits) received and up-dation due to higher consumption
- Collection of enhanced SD
- Fuel surcharge computation and claims

Port and Bulk Terminals : Accuracy of Revenue

- Availability of facilities (Loading, unloading, Anchoring, Dry-docking etc.) and applicable tariff structure against each
- Agency agreements for specified period with facility-wise tariff structure
- Pass-on cost and inclusion in agreement
- Accounting for services rendered and billing therefor
- Pilotage claim
- Force majure and applicability for revenue recognition

Logistic support services : Accuracy of Revenue

- Fleet owning with local and national permit
- Open market fleet hiring and placement to clients for nett revenue generation
- Loading and unloading
- Certification of volume by user
- Rate Agreement/Contracts
- Billing and collection
- Taxation implications
- Recovery by User for short deliveries
- Fuel cost recovery as per agreement
- Security Deposit and earning of interest as per agreement
- Refund of Security Deposit for discontinued operation

Passenger Transport services : Accuracy of Revenue

- Vehicles Registered in favour of the Organization
- Road permit to operate within state and National
- Sale of Tickets with Number control over Tickets/ Booking charges
- Vehicle-wise Log Book for Kilo Meter run
- On and Off route days for the period

Functional Areas for Management Audit/Review

Areas of operation or Function is the most important part of the Organisations. Due to highest spent on Purchases and Storage for effecting Sales, the concern for Management over these areas are also high. Management Audit Team often asked to review these areas and hence we are proving Audit Programmes for these areas.

Purchases Function

- Whether requirement of material/ goods/ services is identified based on Purchase Requisition (PR) from user department for all purchases? (except small value purchases up to Rs. 5000/-)
- Whether all dept. covered under release strategy is generating PR.
- Whether general stock items purchase requirement is identified based on previous consumption trend?
- Whether all PR are duly approved / released by functional head as per release strategy?
- Whether all PR are scrutinized for accuracy of material code, quantity, cost centre, expected delivery date, specification, source of supply, services required etc. by Purchase Dept.?
- Whether availability of stock & buffer stock requirement for requisitioned items are checked before creating RFQ (Request For Quote)/ purchase enquiry?
- Whether Purchase inquiry / Request for quotation is mandatorily made PR? (except where Annual Rate Contract is available)

- Whether vendor applications evaluation is made against pre-set norms and deviations, if any, are duly approved?
- Whether all technical quotation/bids are first sent to user depts. for evaluation?
- Whether comparison statement of all quotation/ bid is prepared for scrutiny of tender & available for verification?
- Whether final purchase approval is done as per DOA (Delegation Of Authority)?
- Whether all PO contains applicable ‹acceptance criteria› as stipulated in Quality standard.
- Whether GIN (Goods Inward Note) is prepared for all material supplied by supplier & received at Stores?
- Whether material is inspected by user, in case of technical items, before acceptance of delivery?
- In case of rejection whether material is sent back to supplier & rejection note is forwarded to purchase dept. to avoid wrong payment?
- Whether contract is vetted by legal department to scrutinize legal aspects?
- Whether penalty clause in case of non/under supply of contracted quantity exists in contract?
- Whether Vendor Enlistment Forms are scrutinized for requisite Tax and Compliance matters.
- Whether before importing any kind of fuel, indigenous/domestic availability is rechecked?
- Whether internal efficiency of procurement is measured by PR to PO cycle time & it is within target cycle time?

Storage Function for Finished Goods

- Whether Vehicle requisitions are made as per warehousing/despatch plan.
- Whether warehouse locations selected are mapped in Company electronic database.
- Whether Rental Agreements with Landlord entered into with specific area and facilities.
- Whether photograph for the facility is captured and available for validation of area occupied .
- Whether appropriate authority level is fixed for rental amount and period of occupancy.
- Whether vetting by legal dept. is mandatorily carried out.
- Whether capacity for the area occupied is calculated and known to despatch Dept. for maximum utilization.
- Whether warehouse is maintained properly i.e., moisture free, water leakage free etc.
- Whether FGs are kept properly to ensure count and tallying with book balance.
- Whether every variety of Product is kept separately in warehouse.
- Whether all sales affected are against ‘Sales Bill’ only.
- Whether all inwardation is updated immediately for accuracy in stock at hand.
- Whether periodical stock verification process is in place and discrepancies against book stock are reported.

Topic

Module 5: Accounting for Business Combinations and Restructuring

FINAL

Group IV - Paper-18

Corporate Financial Reporting (CFR)

Business Combination

- **Multiple Choice Questions**

1. Which accounting method is mandatory under Ind AS 103 for business combinations?
   A. Pooling of interests
   B. Purchase method
   C. Consolidation method
   D. Acquisition method
2. The definition of a "business" under Ind AS 103 requires:
   A. Only inputs
   B. Only outputs
   C. Inputs and processes applied to those inputs
   D. Tangible assets only
3. Goodwill in a business combination is recognized when:
   A. Purchase consideration + NCI > Fair value of net assets acquired
   B. Purchase consideration + NCI = Fair value of net assets acquired
   C. Purchase consideration + NCI < Fair value of net assets acquired
   D. Net assets exceed purchase consideration
4. A bargain purchase results in:
   A. Goodwill recognition
   B. Gain recognized in Other Comprehensive Income
   C. Gain recognized in Profit or Loss
   D. Deferred income recognition
5. Which of the following is excluded from the scope of Ind AS 103?
   A. Acquisition of a subsidiary
   B. Acquisition of a business
   C. Formation of a joint arrangement in the financial statements of the joint arrangement itself
   D. Step acquisition
6. Non-controlling interest (NCI) at acquisition date can be measured at:
   A. Fair value only
   B. Proportionate share of net assets only
   C. Either fair value or proportionate share of net assets
   D. Book value of net assets
7. Contingent consideration in a business combination is:
   A. Not recognized until payment is certain
   B. Recognized at fair value at acquisition date
   C. Recognized only when paid
   D. Always classified as equity
8. When a business combination is achieved in stages (step acquisition), previously held equity interests are:
   A. Retained at their carrying amounts
   B. Re-measured at fair value with changes in P&L
   C. Ignored in consolidation
   D. Recorded at cost of acquisition
9. Which of the following acquisition-related costs are capitalized in the cost of combination?
   A. Professional fees of accountants and lawyers
   B. General administrative costs
   C. Costs to issue debt or equity securities
   D. None of the above
10. Measurement period adjustments are allowed for how long after the acquisition date?
    A. 3 months
    B. 6 months
    C. 12 months
    D. 24 months
11. If the fair value of net assets acquired is ₹1,000 lakh and consideration transferred is ₹1,200 lakh, the goodwill recognized will be:
    A. ₹200 lakh
    B. ₹1,200 lakh
    C. ₹1,000 lakh
    D. Nil
12. Acquisition-date fair values are used for:
    A. Identifiable assets acquired
    B. Liabilities assumed
    C. Non-controlling interest (if measured at fair value)
    D. All of the above
13. Which of the following is true for common control transactions under Ind AS?
    A. Accounted under acquisition method
    B. Covered under Ind AS 103

C. Accounted using pooling of interest method as per separate guidance

D. Always recorded at fair value

14. Which of the following best describes the acquisition date?

A. The date consideration is paid

B. The date when the acquirer obtains control of the acquiree

C. The date the agreement is signed

D. The date shareholders approve the deal

15. If contingent consideration is classified as a liability, subsequent changes in fair value are recognized in:

A. Goodwill adjustment

B. Profit or Loss

C. Other Comprehensive Income

D. Equity

Answer Key:

1	2	3	4	5	6	7	8
D	C	A	B	C	C	B	B
9	10	11	12	13	14	15	
C	C	A	D	C	B	B	

16. A has acquired 100% of the equity of B on March 31, 2025. The purchase consideration comprises of an immediate payment of Rs. 200 lakhs and three further payments of Rs.10.0 lakhs if the Return on Equity exceeds 20% in each of the subsequent three financial years. A risk adjusted discount rate of 20% is used. The value of total consideration at the acquisition date is _____.

A. Rs. 200 lakhs

B. Rs. 210.0648 lakhs

C. Rs. 210 lakhs

D. Rs. 215 lakhs

Solution:

The purchase consideration is = 200 + 10/(1.2) + 10/(1.2)2 + 10/(1.2)3 = 221.0648 lakh

Hence, **the correct option is (B)**

17. S Ltd. acquired a 60% interest in T Ltd. on January 1, 2025. S Ltd. paid Rs. 3600 Lakhs in cash for their interest in T Ltd. The fair value of T Ltd.'s assets is Rs. 8,000 Lakhs, and the fair value of its liabilities is Rs. 4,000 Lakhs. If NCI is valued at fair value, goodwill amounts to:

A. Rs. 1200 lakhs

B. Rs. 1000 lakhs

C. Rs. 2000 lakhs

D. Rs. 1400 lakhs

Solution:

Goodwill = (1800 + 1800 x 40%/60%) – (4000 – 2000) = 1000 lakh

Hence, **the correct option is (C)**

- **Comprehensive Problem on Business Combination with Inter-co. Shareholding**

Following are the extract from the Balance Sheets of two companies, B Ltd. and D Ltd. as at 31st March, 2025.

Particulars	B Ltd. (Rs.)	D Ltd. (Rs.)
Assets		
Non-current Assets		
Property, Plant & Equipment	20,00,000	10,00,000
Financial Assets		
40,000 Shares in B Ltd.	-	4,00,000
Current Assets		
Inventory	4,00,000	2,00,000
Financial Assets		
Trade Receivables	6,00,000	2,00,000
Total Assets	30,00,000	18,00,000

Particulars	B Ltd. (Rs.)	D Ltd. (Rs.)
Equity and Liabilities		
Equity Share Capital (Rs.10)	20,00,000	12,00,000
Other Equity		
Reserve	4,00,000	2,20,000
Current Liabilities		
Trade Payables	6,00,000	3,80,000
Total Equity and Liabilities	30,00,000	18,00,000

B Ltd was to absorb D Ltd. on the basis of intrinsic value of the shares, the purchase consideration was to be discharged in the form of fully paid shares. A sum of Rs. 80,000 is owed by B Ltd. to D Ltd. Also included in the stocks of B Ltd. Rs. 1,20,000 goods supplied by D Ltd. cost plus 20%. Absorption was completed on 31.03.2023.

You are required to prepare the Consolidated Balance Sheet of B Ltd. after acquisition of D Ltd. (Workings relating to fair value of shares of the companies, purchase consideration and number of shares to be issued by B Ltd. and amount of goodwill or gain on purchase consideration should form part of your answer).

Solution:

(i) Calculation of fair value of share

Particulars	B Ltd. (Rs.)	D Ltd. (Rs.)
Property, Plant and Equipment	20,00,000	10,00,000
Inventories	4,00,000	2,00,000
Trade Receivables	6,00,000	2,00,000
Total Assets (A)	30,00,000	14,00,000
Add: Investment in B Ltd. 40000 shares @ Rs.12* each (B)		4,80,000
Less: Trade Payables (C)	6,00,000	3,80,000
Net assets (A+B-C)	24,00,000	15,00,000
No. of shares outstanding	2,00,000	1,20,000
Intrinsic and fair value per share	12	12.50

*Fair value

Note- It is assumed that the intrinsic value of shares is same as the fair value and book value of assets and liabilities represents the fair value of each item of assets.

(ii) Calculation the amount of purchase consideration

Particulars	Amount (Rs.)
a. No. of Shares of D Ltd. (Rs.12,00,000/Rs.10)	1,20,000
b. Value of shares @ Rs. 12.50	15,00,000
c. No. of shares issuable based on Intrinsic value of Rs. 12 (15,00,000/12)	1,25,000
d. No. of shares of B Ltd. held by D Ltd.	(40,000)
e. Net shares to be issued	85,000
f. *Total consideration at par (85,000 x Rs. 12)	10,20,000

*Share capital = 85000 x 10 = 850000 and Securities Premium = 85000 x 2 = 170000

(iii) Calculation of value of Goodwill

Particulars	Rs.
Net Assets acquired at fair value (13,80,000*-3,80,000)	10,00,000
Consideration Transferred	10,20,000
Goodwill	20,000

* Rs. 14,00,000 – Rs. 20,000 [for inter-company profit (Rs. 120000 x 20/120)]

Consolidated Balance Sheet

as on 31.03.2025

Particulars	**(Rs.)**
Assets	
Non-current Assets	
Property, Plant & Equipment	30,00,000
Goodwill	20,000
Current Assets	
Inventory (400000 + 200000 – 20000)	5,80,000
Financial Assets	
Trade Receivables (600000 + 200000 – 80000)	7,20,000
Total	43,20,000
Equity and Liabilities	
Equity Share Capital (Rs.10)	28,50,000
Other Equity	
Reserve	4,00,000
Securities Premium	1,70,000
Current Liabilities	
Trade Payables (6,00,000 + 3,80,000 – 80,000)	9,00,000
Total	43,20,000

Topic

Module 8: E-way Bill

FINAL

Group IV - Paper-19

Indirect Tax Laws and Practice (ITLP)

E-WAY BILL

The implementation of the Goods and Services Tax (GST) in India marked a significant transformation in the country's indirect taxation system. Among the various components introduced under GST, the Electronic Way Bill, commonly known as the **e-way bill**, is a pivotal mechanism aimed at simplifying and streamlining the transportation of goods across India. Introduced to replace the traditional waybill system prevalent in the pre-GST era, the e-way bill system leverages technology to ensure transparency, reduce tax evasion, and facilitate smooth movement of goods.

An **e-way bill** is an electronic document generated on the GST portal evidencing the movement of goods. It includes details such as the consignor, consignee, origin, destination, and route. The primary purpose of the e-way bill is to provide a mechanism for tracking the movement of goods and ensuring that the appropriate taxes are paid.

Legal Framework

The e-way bill system is governed by Section 68 of the Central Goods and Services Tax Act, 2017, and Rule 138 of the CGST Rules, 2017. These provisions mandate that any registered person causing the movement of goods of consignment value exceeding ₹ 50,000 must generate an e-way bill prior to the commencement of such movement.

Purpose and Importance

- **Prevention of Tax Evasion**: By tracking the movement of goods, tax authorities can ensure that taxable supplies are duly reported and taxes are paid.
- **Simplification of Logistics**: The e-way bill replaces the need for multiple transit passes and waybills, reducing paperwork and delays at checkpoints.
- **Transparency**: Real-time tracking and centralized data enhance transparency in supply chain operations.
- **Compliance and Uniformity**: A standardized system across all states promotes ease of doing business and consistent compliance requirements.

When is an E-Way Bill Required?

An e-way bill is required when there is a movement of goods:

- In relation to a supply (sale)
- For reasons other than supply (e.g., return, job work)
- Due to inward supply from an unregistered person

The movement can be:

- **Inter-state**: Between different states
- **Intra-state**: Within the same state (subject to state-specific rules)

Threshold Limit:

- The consignment value must exceed ₹50,000.
- Some states may have specified different limits for intra-state movement.

Components of an E-Way Bill

An e-way bill consists of two parts:

1. **Part A**: This part contains details about the consignment, such as:
    - o GSTIN of the recipient
    - o Place of delivery (PIN Code)
    - o Invoice or challan number and date
    - o Value of goods
    - o HSN code
    - o Reason for transportation
2. **Part B**: This part contains details about the transporter, such as:
    - o Vehicle number
    - o Transporter ID

Generation of E-Way Bill

Who Can Generate?

- **Registered Person**: Consignor or consignee who is registered under GST.
- **Unregistered Person**: If the supply is from an unregistered person to a registered recipient.
- **Transporter**: If neither the consignor nor the consignee generates it, the transporter can do so.

Modes of Generation:

- **Online Portal**: The primary method is through the GST e-way bill portal.
- **SMS**: E-way bills can be generated via SMS for small businesses or in case of emergencies.
- **Bulk Upload**: Facility provided for businesses to generate multiple e-way bills at once.
- **API Integration**: Large businesses can integrate their systems with the e-way bill portal for seamless generation.
- **Android App**: Registered users can generate e-way bills through the mobile app.

Steps

Here are the steps to generate an e-way bill:

1. **Login**: Access the e-Way Bill System and log in using your credentials.
2. **Enter Details**: Fill in the required details in Part A and Part B of the e-way bill form.
3. **Generate**: Once the details are entered, click on the 'Generate' button to create the e-way bill.
4. **Print**: The generated e-way bill can be printed and should be carried along with the goods during transportation.

Validity of E-Way Bill

The validity of an e-way bill depends on the distance the goods need to be transported. The validity period is calculated from the date and time of generation of the e-way bill. Here is a general guideline for the validity:

Type of conveyance	Distance	Validity of EWB
Other than Over dimensional cargo	Less Than 200 Kms	1 Day
	For every additional 200 Kms or part thereof	additional 1 Day
For Over dimensional cargo	Less Than 20 Kms	1 Day
	For every additional 20 Kms or part thereof	additional 1 Day

Exceptions and Exemptions

There are certain exceptions and exemptions to the requirement of an e-way bill:

a. where the goods being transported are specified in Annexure;

Taxpoint

- Liquefied petroleum gas for supply to household and Non domestic exempted category (NDEC) customers
- Kerosene oil sold under PDS
- Postal baggage transported by Department of Posts
- Natural or cultured pearls and precious or semi-precious stones; precious metals and metals clad with precious metal (Chapter 71)
- Jewellery, goldsmiths' and silversmiths' wares and other articles (Chapter 71)
- Currency
- Used personal and household effects
- Coral, unworked (0508) and worked coral (9601)

b. where the goods are being transported by a Non-motorised conveyance;

c. where the goods are being transported from the customs port, airport, air cargo complex and land customs station to an inland container depot or a container freight station for clearance by Customs;

d. in respect of movement of goods within such areas as are Notified under clause (d) of sub-rule (14) of rule 138 of the State or Union territory Goods and Services Tax Rules in that particular State or Union territory;

e. where the goods, other than de-oiled cake, being transported, are specified in the Schedule appended to Notification No 2/2017- Central tax (Rate) dated the 28th June, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 674 (E) dated the 28th June, 2017 as amended from time to time;

f. where the goods being transported are alcoholic liquor for human consumption, petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas or aviation turbine fuel;

g. where the supply of goods being transported is treated as No supply under Schedule III of the Act;

h. where the goods are being transported-

i. under customs bond from an inland container depot or a container freight station to a custom sport, airport, air cargo complex and land customs station, or from one customs station or customs port to another customs station or customs port, or

ii. under customs supervision or under customs seal;

i. where the goods being transported are transit cargo from or to Nepal or Bhutan;

j. where the goods being transported are exempt from tax under Notification No 7/2017-Central Tax(Rate), dated 28th June 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 679(E)dated the 28th June, 2017 as amended from time to time and Notification No 26/2017 Central Tax(Rate), dated the 21st September, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R 1181(E)dated the 21st September, 2017 as amended from time to time;

k. any movement of goods caused by defence formation under Ministry of defence as a consignor or consignee;

l. where the consignor of goods is the Central Government, Government of any State or a local authority for transport of goods by rail;

m. where empty cargo containers are being transported; and

n. where the goods are being transported upto a distance of twenty kilometers from the place of the business of the consignor to a weighbridge for weighment or from the weighbridge back to the place of the business of the said consignor subject to the condition that the movement of goods is accompanied by a delivery challan issued in accordance with rule 55.

o. where empty cylinders for packing of liquefied petroleum gas are being moved for reasons other than supply.

Challenges and Issues

Despite its benefits, the e-way bill system has faced some challenges:

1. **Technical Glitches**: The online system has experienced technical glitches, causing delays in the generation of e-way bills.
2. **Compliance Burden**: Small businesses and transporters have found it challenging to comply with the e-way bill requirements due to a lack of resources and technical know-how.
3. **Interstate Variations**: Different states have different rules and procedures for the e-way bill, leading to confusion and compliance issues.

Recent Updates and Amendments

The government has made several updates and amendments to the e-way bill system to address these challenges and improve its efficiency. Some of the recent updates include:

1. **Auto Calculation of Distance**: The system now auto-calculates the distance between the source and destination based on the PIN codes entered.
2. **Blocking of E-Way Bill Generation**: If a taxpayer has not filed their GST returns for two consecutive tax periods, they will be blocked from generating e-way bills.
3. **Extension of Validity**: The validity of the e-way bill can be extended if the goods cannot be transported within the original validity period due to exceptional circumstances.

Conclusion

The e-way bill system represents a significant stride towards modernizing India's tax infrastructure. By leveraging technology, it aims to strike a balance between facilitating trade and ensuring compliance. For businesses, understanding and adapting to the e-way bill provisions is crucial not only for compliance but also for optimizing their logistics operations. While challenges persist, continuous efforts by the government to refine the system, coupled with proactive adaptation by businesses, can harness the full benefits of the e-way bill mechanism. As India continues on its path towards economic growth and digital transformation, the e-way bill is poised to play a pivotal role in shaping efficient and transparent trade practices.

Test your knowledge

1. Under which section of the CGST Act is the requirement to generate an e-Way Bill mandated?

   A. Section 67

   B. Section 68

   C. Section 70

   D. Section 71

   ➢ Correct: **B**

2. For Over Dimensional Cargo (ODC), an e-Way Bill is valid for:

   A. 1 day per 200 kms

   B. 1 day per 50 kms

   C. 1 day per 20 kms

   D. 2 days fixed

   ➢ Correct: **C**

FINAL

Topic

Module 7: Business Valuation Methods and Approaches

ELECTIVES

Paper-20A

Strategic Performance Management and Business Valuation (SPMBV)

Discrepancies in Valuation Metrics

Introduction

Valuation is the central pillar of financial decision-making. It informs mergers and acquisitions, investment strategies, capital budgeting, and regulatory reporting. Yet, while the conceptual foundation of valuation rests on objectivity, in practice, valuation metrics often diverge sharply across analysts, markets, and time periods. These discrepancies stem from differences in assumptions, data interpretation, macroeconomic conditions, and methodological preferences.

In periods of economic uncertainty or structural change, the gap between theoretical value and market reality widens further. Companies that once appeared undervalued may suddenly look overvalued as risk premiums shift or sector multiples collapse. For decision-makers, understanding the causes, implications, and control of valuation discrepancies is essential for sound enterprise management.

This essay explores the nature of valuation discrepancies, the major types of metrics affected, the contextual drivers behind them, and the governance frameworks that mitigate distortion. It also includes a case study demonstrating how inconsistent valuation metrics affected real-world outcomes during a volatile period.

Understanding Valuation Metrics

Valuation metrics are quantitative measures used to assess the worth of an enterprise, asset, or project. They can be broadly classified into:

1. Intrinsic Valuation Metrics, which derive value from expected cash flows (e.g., Discounted Cash Flow or DCF models).
2. Relative Valuation Metrics, which compare market multiples such as Price-to-Earnings (P/E), Price-to-Book (P/B), or EV/EBITDA across peers.
3. Contingent Claim and Asset-Based Valuation Metrics, such as replacement cost or net asset value, used when earnings or cash flows are unstable.

Each method rests on specific assumptions about growth, risk, and capital structure. Discrepancies arise when these assumptions differ in magnitude or when external variables—like interest rates or inflation—render them outdated.

Sources of Discrepancies in Valuation Metrics

1. Macroeconomic and Market Volatility

Market conditions directly influence valuation outcomes. When interest rates rise, discount rates used in DCF valuations increase, reducing present values. Conversely, during liquidity surges, multiples may inflate due to investor optimism. The same company can therefore yield sharply different valuations across economic cycles.

2. Differences in Risk Perception

Investors and analysts assign risk premiums differently. A company operating in an emerging market might be valued with a higher cost of capital by one analyst than another, depending on perceptions of political stability, currency risk, or governance quality. This variance directly affects discounted cash flow and terminal value computations.

3. Choice of Peer Group in Relative Valuation

When using market multiples, analysts must select comparable firms. Even slight variations in peer selection—such as including a global versus regional competitor—can distort valuation outcomes. For example, applying a global EV/EBITDA multiple to a domestic firm without adjusting for scale and liquidity can produce inflated valuations.

4. Earnings Quality and Accounting Differences

Earnings metrics are affected by accounting standards, depreciation methods, and treatment of intangibles. IFRS, US GAAP, and Indian Accounting Standards differ in key respects, especially regarding goodwill impairment and R&D capitalization. These accounting choices alter ratios like P/E or return on equity, producing metric discrepancies even for similar economic realities.

5. Forecasting Bias and Behavioral Influences

Analysts are influenced by optimism bias, herding, or anchoring. In bull markets, growth rates tend to be overestimated, leading to inflated valuations. Conversely, during downturns, pessimism and excessive discounting can undervalue fundamentally strong firms.

6. Impact of Non-Financial Variables

Modern valuation increasingly incorporates ESG (Environmental, Social, and Governance) factors, brand equity, or innovation potential. These intangible variables lack standardized measurement, resulting in wide valuation dispersion. One analyst may assign a sustainability premium, while another may disregard it altogether.

Major Types of Discrepancies Observed in Valuation Metrics

1. Price-to-Earnings (P/E) Ratio Variance

The P/E ratio, though widely used, is sensitive to cyclical earnings, accounting policy changes, and investor sentiment. During recessions, earnings fall sharply,

pushing P/E ratios artificially higher despite declining prices. Analysts may interpret this as overvaluation, though it may simply reflect temporary profit compression.

2. Price-to-Book (P/B) Ratio Variance

P/B ratios vary greatly between capital-intensive and intangible-driven industries. Tech firms with light tangible assets show high P/B ratios that do not necessarily indicate overvaluation. Conversely, manufacturing firms with large fixed assets may appear undervalued even when growth prospects are weak.

3. EV/EBITDA Discrepancies

Enterprise Value to EBITDA is often used to neutralize differences in capital structure. However, discrepancies arise due to differing definitions of EBITDA (e.g., inclusion of leases, stock-based compensation, or restructuring costs). In volatile markets, small adjustments can significantly alter multiples.

4. DCF Valuation Divergences

DCF models depend heavily on discount rate and terminal growth assumptions. Analysts using different Weighted Average Cost of Capital (WACC) inputs or terminal growth rates can arrive at valuations that diverge by 30–50%. Since small changes in perpetuity growth assumptions have exponential effects, discrepancies are inevitable during uncertain times.

5. Asset-Based and Replacement Value Divergences

In sectors like energy or real estate, valuations based on replacement cost may diverge from market reality due to commodity price swings or inflation adjustments. During inflationary episodes, asset revaluation can inflate book value even when cash flows do not justify it.

Structural Drivers of Discrepancies

1. Inflation and Interest Rate Shocks

During inflationary spikes, nominal revenues rise, but discount rates also increase, reducing present value estimates. Moreover, firms with floating-rate debt experience real cost escalation, which impacts net earnings and multiples.

2. Sectoral Re-Ratings

Capital markets often re-rate entire sectors based on technological disruptions or regulatory changes. The same valuation model may yield different outcomes simply because the market assigns a new multiple range. For instance, renewable energy firms witnessed P/E expansions after global climate accords, while oil companies experienced contraction.

3. Currency Volatility

Exchange rate fluctuations create discrepancies in cross-border valuations. An investor valuing an Indian IT firm in USD terms will derive a different value from one using INR, especially when future cash flows are unhedged.

4. Liquidity and Market Microstructure

Illiquid stocks trade at discounts to intrinsic value. This liquidity discount may vary from 5% to 30% depending on market sentiment, introducing yet another layer of valuation divergence.

Implications of Discrepancies

1. Capital Allocation Inefficiencies – When valuation metrics diverge, capital may flow toward overvalued sectors, leading to bubbles. Conversely, undervalued firms may face capital scarcity, stifling innovation.
2. M&A Mispricing – Acquirers relying on different valuation models often overpay or underpay. Misalignment between intrinsic and market values can result in post-merger write-downs or goodwill impairment.
3. Investor Miscommunication – Disparate valuation reports confuse investors, especially retail participants, eroding confidence in management disclosures.
4. Regulatory and Litigation Risks – Inconsistent valuations used for tax reporting, transfer pricing, or insolvency proceedings can trigger legal disputes. Regulators often demand reconciliations between different valuation methodologies.

Managing and Reconciling Discrepancies

1. Triangulation of Valuation Approaches

Best practice dictates using multiple methods—DCF, relative, and asset-based—and triangulating results to identify outliers. Weighted averages or sensitivity analyses can reduce single-method bias.

2. Scenario and Sensitivity Analysis

Valuations should be stress-tested under alternative macroeconomic scenarios. Analysts can adjust discount rates, growth assumptions, and margins to map valuation ranges instead of point estimates.

3. Standardisation of Assumptions

Governance frameworks like the International Valuation Standards (IVS) and guidelines from the Institute of Chartered Accountants prescribe standardized parameters for cost of capital and growth assumptions. Adhering to these reduces subjectivity.

4. Transparent Disclosure

Companies should disclose key valuation assumptions, peer groups, and adjustment rationales in annual

reports or investor decks. This transparency enhances comparability and trust.

5. Integration of ESG and Intangibles

As ESG and intellectual capital gain prominence, companies must adopt consistent frameworks for integrating these into valuations—such as SASB or GRI metrics—to prevent ad hoc adjustments.

Case Study: Valuation Discrepancies During the 2020–21 Tech Rally

The post-pandemic period between 2020 and 2021 illustrated one of the most significant valuation discrepancies in modern capital markets. Global technology firms witnessed exponential share price increases, driven by low interest rates, liquidity injection, and digital adoption.

Two major global tech companies—let's call them AlphaSoft and CloudNet—serve as useful illustrations:

- AlphaSoft, a mature software company with steady cash flows, was valued at 25× forward earnings based on a DCF that assumed 5% perpetual growth and a 7% discount rate.
- CloudNet, a newer cloud services firm with negative free cash flow, was valued using EV/Revenue multiples exceeding 40×, despite operational losses.

Analysts applying intrinsic valuation models argued that CloudNet's valuation was unsustainable. However, relative valuation justified the premium by comparing it to other hyper-growth peers. By mid-2022, when interest rates rose and liquidity contracted, CloudNet's valuation fell by over 60%, while AlphaSoft's declined by just 15%.

This divergence highlights how discrepancies in valuation metrics—particularly the choice between intrinsic and relative models—can create short-term exuberance and long-term corrections. Firms and investors relying solely on relative metrics failed to account for discount rate risk, leading to systemic overvaluation across the sector.

The Governance and Ethical Dimension

Valuation discrepancies are not merely technical—they also carry ethical and governance implications. Management may selectively highlight metrics that portray the company more favourably, a practice known as "valuation cherry-picking." Auditors and boards must therefore enforce independent review mechanisms.

Regulatory frameworks such as SEBI (India), the SEC (USA), and the FCA (UK) increasingly demand that valuation reports disclose methodological justifications and sensitivity outcomes. Independent valuers must demonstrate objectivity and consistency, particularly in related-party transactions or corporate restructurings.

Furthermore, the growing role of algorithmic and AI-based valuation platforms introduces new ethical concerns. Algorithms trained on biased market data can perpetuate structural mispricing. Therefore, governance must evolve to ensure algorithmic transparency and human oversight.

The Way Forward: Harmonising Valuation Practices

To mitigate discrepancies, enterprises and regulators are moving toward integrated valuation ecosystems built on standard data, real-time analytics, and global comparability.

1. Unified Valuation Databases – Centralised repositories of sectoral multiples, cost of capital benchmarks, and ESG scores can ensure uniformity in assumptions.
2. AI and Big Data – Machine learning models can analyse vast datasets to identify anomalies or outlier valuations, enhancing accuracy.
3. Dynamic Cost of Capital Models – Instead of static WACC, dynamic models adjust for real-time macroeconomic indicators, reducing mismatch between intrinsic and market values.
4. Cross-Jurisdictional Harmonisation – International accounting and valuation bodies are working toward convergence of fair value measurement standards, particularly for intangibles and digital assets.

Discrepancies in valuation metrics are an inevitable outcome of complexity, judgment, and uncertainty. While they cannot be entirely eliminated, they can be understood, managed, and communicated more transparently.

In volatile markets, valuation becomes both science and art—anchored in data but tempered by perception. Analysts, investors, and boards must recognise that differing metrics do not necessarily imply inaccuracy; rather, they reflect distinct narratives about risk and opportunity. The challenge lies in reconciling these narratives within coherent governance frameworks.

Ultimately, effective management of valuation discrepancies demands discipline, disclosure, and dialogue. By triangulating methodologies, testing assumptions, and embracing transparency, firms can transform valuation from a source of confusion into a strategic tool for resilience and informed decision-making.

FINAL

Topic

Module 3:
Credit Risk and Liquidity Risk

Module 7:
Insurance Intermediaries, General Insurance, Health Insurance and Life Insurance

ELECTIVES

Paper-20B

Risk Management In Banking and Insurance (RMBI)

Risk Management in Banking
Credit Risk and Liquidity Risk

Credit Risk Management (CRM)

Credit Risk Management (CRM) is a crucial process in the financial sector that involves identifying, assessing, and mitigating the potential risks associated with lending money or extending credit to individuals, businesses, or other entities. It's the practice of protecting a lender's financial interests by ensuring that debtors will be able and willing to repay their debts.

At its core, CRM is about striking a balance between risk and reward. Financial institutions want to lend money and earn interest, but they also need to protect themselves from the possibility of borrowers defaulting on their loans. This delicate balancing act requires sophisticated analysis, continuous monitoring, and strategic decision-making.

Key components of Credit Risk Management include:

1. Risk Identification: Recognizing potential sources of credit risk in various transactions.
2. Risk Assessment: Evaluating the likelihood and potential impact of identified risks.
3. Risk Mitigation: Implementing strategies to reduce or control credit risks.
4. Risk Monitoring: Continuously tracking and reassessing credit risks over time.
5. Policy Development: Creating and maintaining guidelines for credit-related decisions.

By employing these components, financial institutions can make informed decisions about which loans to approve, how much to lend, and at what interest rates.

However, implementing and maintaining robust CRM processes has traditionally required extensive technical expertise and resources.

Why CRM Matters – Importance / Benefits

Credit Risk Management is not just a regulatory requirement; it's a fundamental practice that underpins the stability and success of financial institutions.

1. Financial Stability: Effective CRM helps maintain the overall financial health of lending institutions. By minimizing loan defaults and losses, it ensures that banks and other lenders remain solvent and can continue to provide services to their customers.
2. Investor Confidence: A robust CRM system instils confidence in investors and stakeholders. It demonstrates that the institution is responsibly managing its assets and protecting against potential losses.
3. Regulatory Compliance: Many countries have strict regulations governing credit risk management in financial institutions. Adhering to these regulations helps avoid penalties and maintains the institution's reputation.
4. Improved Decision Making: CRM provides valuable insights that enable better lending decisions. It helps institutions determine appropriate interest rates, loan terms, and credit limits based on the risk profile of borrowers.
5. Economic Growth: By facilitating responsible lending practices, effective CRM contributes to overall economic growth. It ensures that credit is available to qualified borrowers while protecting the financial system from excessive risk.
6. Competitive Advantage: Institutions with superior CRM capabilities can often offer more competitive rates and terms to low-risk borrowers, giving them an edge in the market.
7. Loss Prevention: By identifying high-risk borrowers and implementing appropriate mitigation strategies, CRM significantly reduces the likelihood and impact of loan defaults.
8. Resource Optimization: CRM helps institutions allocate their resources more efficiently by focusing more attention on high-risk accounts and streamlining processes for low-risk ones.

Liquidity Management:

Bank liquidity management is the complex process of managing a bank's cash positions, payment flows, and financial risks in real-time to ensure the bank has sufficient funds to meet its financial obligations and regulatory requirements.

The Key Parts of Liquidity Management in Banking include:

- Cash position tracking. Banks monitor intraday cash flows across multiple payment systems and track funds across different currencies and legal entities to understand money movement and financial risk transfer.
- Forecasting and prediction. Banks need to anticipate liquidity pressures by predicting end-of-day cash positions so they can identify potential financial risks or crises.
- Regulatory compliance. Banks need to meet certain regulatory expectations around liquidity management,

such as maintaining appropriate liquidity buffers, so they can demonstrate their ability to manage financial risks to regulators.

- Payment management. Controlling payment flows is crucial in a bank's liquidity management process. They need to prioritize time-sensitive payment obligations and ensure critical payments are processed efficiently.
- Risk mitigation. To prevent potential liquidity crises, banks must detect and correct anomalies as they happen to ensure they meet the necessary cash reserves and collateral requirements.

Why is Liquidity Important for Banks?

- Ensuring Stability and Confidence: A liquid bank ensures that customers can withdraw their deposits without causing distress. Liquidity prevents bank runs, which can lead to systemic financial crises.
- Regulatory Compliance: Central banks and financial regulators require banks to maintain specific liquidity levels. Basel III regulations, for instance, introduced the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to promote liquidity resilience.
- Operational Efficiency: Banks need liquidity to conduct day-to-day operations, including lending, payments, and settlements. Efficient liquidity management allows banks to optimize interest income and reduce funding costs.
- Crisis Management: During financial turmoil, banks with high liquidity can withstand shocks better. Access to liquid assets can help manage sudden withdrawals or credit shortages.

Challenges in Managing Liquidity:

- Market Volatility: Economic downturns and financial crises can lead to sudden liquidity shortages.
- Regulatory Compliance: Strict regulations may limit banks' ability to lend, impacting profitability.
- Interest Rate Risks: Changes in interest rates can affect funding costs and asset valuations.
- Bank Runs and Crisis Events: If depositors lose confidence in a bank, mass withdrawals can lead to liquidity shortages.

Liquidity Measurement and Management:

Banks use various metrics to assess and manage liquidity. Key Liquidity Ratios are:

- Liquidity Coverage Ratio (LCR): Ensures that banks hold enough high-quality liquid assets (HQLA) to cover net cash outflows over 30 days.
- Net Stable Funding Ratio (NSFR): Measures the proportion of stable funding relative to the liquidity needs of assets.
- Loan-to-Deposit Ratio (LDR): Indicates how much of a bank's deposits are used for lending. A high ratio may signal liquidity risk.

Liquidity Management Strategies:

- Diversification of Funding Sources: Banks should have multiple funding sources, including interbank loans, deposits, and capital markets.
- Maintaining High-Quality Liquid Assets: Holding government bonds, cash reserves, and other liquid instruments.
- Contingency Funding Plans: Preparing for liquidity crises through pre-arranged credit lines and central bank borrowing.

Conclusion:

Effective Credit Risk Management is crucial for the success and stability of any financial institution. By implementing robust processes, leveraging appropriate technologies, and fostering a risk-aware culture, organizations can navigate the complex landscape of lending with confidence.

Liquidity is a cornerstone of the banking system, ensuring financial stability and economic confidence. Effective liquidity management requires careful monitoring, regulatory compliance, and strategic planning to mitigate risks. As the financial landscape evolves, banks must adapt to changing economic conditions and regulatory requirements to maintain optimal liquidity levels.

Insurance Companies Intermediaries (Life, General & Health Insurance Companies)

The insurance companies employs different insurance intermediaries to sell the Life, General and Health Insurance Policies such as insurance brokers, individual agents, banks, web aggregators, direct call centers etc. There are different advantages of buying a Life, General and Health insurance policies from different insurance intermediaries which is explained below.

Insurance Brokers:

Insurance broker is a type of insurance intermediary authorized by the insurance company to sell the health insurance policies on its behalf. Here are the advantages of buying a General and Health insurance policy from an insurance broker.

- ✓ Time saving on research: Insurance brokers know in and out of the health insurance policies of different insurance companies and can advise the customers accordingly. They would do research and diligence on all the health insurance policies available in the market which saves the time and energy of the customer. All we have to do is state our requirements in a General and Health insurance policies to the insurance broker and the best health insurance policy would be suggested by the insurance broker.
- ✓ Multiple quotes: Insurance brokers are permitted to deal with multiple insurance companies by the insurance regulatory and development authority of India, IRDA. This means that the insurance brokers can tie-up with all the insurance companies offering General and Health insurance and can provide the health insurance quotes from multiple insurance companies to the customer. Multiple quotes means multiple options for customers to choose from. Having multiple options leads to comparison and selecting the best one from the lot.
- ✓ Negotiation on premium: Insurance brokers are good at negotiating the price with the insurance companies as they have the business potential to offer to the insurance companies. If we plan to take a General or Group health insurance policy, then the insurance brokers can negotiate hard with the insurance companies on our behalf to reduce the premium payable thereby saving your hard-earned money.
- ✓ Legally Liable: Insurance brokers are the only insurance intermediaries who are legally liable for the deficiency in services provided by them to their customers. Insurance brokers can be sued by the customers for suggesting wrong insurance policies which is considered as deficiency in services.

Agents:

Individual Agents are the individuals who are permitted to sell the Life, General and Health insurance policies on behalf of the insurance companies. For any insurance company individual agents form a considerable force and generate highest revenue when compared to other insurance intermediaries. There are certain advantages of buying a health insurance policy from an individual agent which are mentioned below:

- ✓ Available at remote places: Insurance agents are available even in the remotest areas where the other insurance intermediaries would not be available. In addition to this insurance agents would be well known to the people of the area and can have access to the insurance through the individual agent available in their area.
- ✓ Trust: Health insurance is sold mainly on the trust factor as it is an intangible product. Insurance is not tangible which means that there would be no product to show to customers or give a demo while making the sale of insurance. Life, General Health Insurance is a service which can be experienced mostly at the time of claim. People trust people more than they trust machines and this is the advantage of individual agents and the reason for agents becoming a huge force in the insurance industry when compared to other insurance intermediaries.

Banks:

Banks is a financial institution that deals with lending of money, accepting deposits and other Third-party Services such as insurance, mutual funds etc. There are certain advantages in purchasing a Life, General and Health insurance policies from the bank as mentioned below:

- ✓ One place - Many Services: Banks have the advantage of providing all the financial services at a single place which means that the customers need not have to visit different offices for different financial needs. Life, General and Health insurance policies are available in the banks as banks are tied-up with insurance companies. These insurance companies offer their services to the customers of a bank. Customers can contact the bank staff in case of any claim related query which would be resolved immediately as there would be more than one service point for the customer.
- ✓ Multiple options: Banks can tie-up with up to Life, General and 3 Health Insurance Companies, 3 General Insurance Companies and 3 Life Insurance

Companies. This simply means that the customer can have multiple options to take Life, General and Health insurance policy as the bank can provide quotes from multiple insurance companies even though the number of quotes that bank can provide would be less than that of an insurance broker.

Web Aggregator:

Insurance web aggregators are the insurance intermediaries which collect, analyse, compile and provide information of different Life, General and Health insurance policies of different insurance companies. Web aggregators operate entirely online and the entire process of health insurance sale is done online without the need to meet offline. Below are the advantages of taking a Life, General and Health insurance policy from insurance web aggregators:

- Save Time & Energy: Insurance web aggregators save time and energy of the customer by allowing them to take the Life, General and Health insurance policy online. There would be no need to visit the insurance office to fill the proposal form or any other details and then get the health insurance policy. All the formalities can be done by sitting at home or office and the health insurance policy would reach the address of the customer without sweating much.
- Readily available: Insurance web aggregators provide the insurance instantly in most of the cases such as motor insurance. In the case of health insurance, web aggregators do the research and provide comparisons of health insurance policies of different insurance companies on their website. Here the customer would be benefitted as the research is done by the web aggregator and is also displayed on their website. All the customer has to do is give basic details which are required for a health insurance policy and make the purchase.

Direct Insurance Company:

Insurance companies also sell their health insurance policies directly on their website online acting as an intermediary to themselves without paying any commission. There are certain advantages of purchasing a health insurance policy directly from the insurance company which are listed below:

- Less Premium: Insurance companies usually pay a percentage of the premium amount of the Life, General and Health insurance policy as commission to the insurance intermediaries. In case of direct website sale by the insurance company, the commission would not be paid and the same would be passed to the customer in the form of reduction in premium. Customers purchasing a health insurance policy from the website of the insurance company can avail 5-10% discount on the premium.
- Direct dealing: The other advantage of purchasing directly from the insurance company is that the customer would be dealing directly with the insurance company representative through the call center of the insurance company which eliminates the need for any intermediary. The customer can get the required information directly from the insurance company and decide on making a purchase decision.

To Conclude:

In India, the key types of insurance intermediaries for life, general, and health insurance companies include Insurance Brokers, Corporate Agents, Insurance Marketing Firms, Bancassurance (banks selling insurance), Surveyors & Loss Assessors, and Third-Party Administrators (TPAs), each serving distinct roles in the distribution and management of insurance products.

Insurance Brokers: Licensed entities that arrange insurance contracts between clients and insurance companies. They are categorized into Direct Brokers (Life and General), Reinsurance Brokers, and Composite Brokers, offering a wide range of insurance services.

Corporate Agents: Business entities authorized to sell insurance on behalf of up to three insurers, with a limit of one insurer each for life, health, and general insurance.

Insurance Marketing Firms (IMFs): Registered firms that market insurance products. They can work with a limited number of insurers, typically two for each segment (life, health, and general).

Bancassurance: This is a distribution method where banks sell insurance products as a supplementary financial service to their existing customers.

Surveyors and Loss Assessors: These professionals assess losses and damages on behalf of insurance companies to determine claims.

Third-Party Administrators (TPAs): Companies that specialize in health insurance services, managing claims and other related administrative tasks for insurance companies.

Web Aggregators: These are online platforms that facilitate the comparison and display of insurance policies from various insurers.

Topic

Module 3:
Idea to Action

ELECTIVES

Paper-20C

Entrepreneurship and Start Up (ENTS)

FINAL

Startups to MNC

Startups are typically small-scale enterprises characterized by their limited resources, including personnel and capital. They are usually in the initial stages of development and are focused on scaling their operations rapidly. Startups are driven by innovation and growth. Their primary goal is to disrupt markets, introduce new products or services, and achieve rapid expansion. It is known for their dynamic and entrepreneurial cultures. They encourage risk-taking, creativity, and a flexible work environment.

Startups often struggle with limited resources, market recognition, and the need to prove their viability, while MNCs deal with challenges related to maintaining market share, bureaucracy, and adapting to changing market conditions.

Startups often struggle with limited resources, market recognition, and the need to prove their viability, while MNCs deal with challenges related to maintaining market share, bureaucracy, and adapting to changing market conditions.

However, transitioning from a startup to a company involves adapting to a more structured, specialized, and process-driven environment, requiring you to shift from "doing it all" to understanding complex systems, building collaborative relationships, and mastering alignment for large-scale projects.

Unicorn Startups

A unicorn startup is a privately held company with a valuation of $1 billion or more. These companies often disrupt traditional industries with innovative business models, cutting-edge technology, and a keen understanding of market trends. India has rapidly climbed the global rankings in the number of unicorn startups. But how many unicorn startups exist in India today? India's startup ecosystem has witnessed remarkable growth, producing over 123 unicorns in 2025 (September. 2025), with a cumulative valuation exceeding $360 billion (approx.). With continued investments, government support, and technological advancements, India is set to become a $1 trillion digital economy by 2030.

Source: https://www.jaroeducation.com/blog/india-unicorn-startups/

Unicorn: A unicorn company is any private company that is valued at $1-Billion or more and is Venture Capital funded.

^ **Graduated Unicorn:** A startup that has now become Publicly Listed (or) has been acquired by a Publicly Listed company.

* **Former Unicorn:** A startup that lost its Unicorn status due to a valuation degrading event.

Entry Valuation: The company valuation at the time it first became a Unicorn.

Valuation: The company valuation at the time of the latest round of funding.

Industries Driving Unicorn Startups in India

1. **Fintech**

   Fintech is at the forefront of unicorn startups in India. The adoption of digital payments, lending platforms, and financial technology has skyrocketed, especially after the pandemic. Other industries that have a large number of unique startups include travel, food, gaming, logistics, and data analytics. Some of the most promising fintech players have not only disrupted traditional banking but also provided financial services to millions of unbanked individuals in India.

2. **E-Retail**

   The e-retail sector has witnessed exponential growth, driven by convenience, affordability, and accessibility. E-Retail has been beneficial for both customers and small-scale Indian businesses who have been struggling to sell their products in these trying times.

   Giants like **Flipkart, Myntra, and Nykaa** have redefined online shopping experiences. Platforms like **Meesho** also gained traction, empowering small-scale businesses and local sellers.

3. **HealthTech**

   While Inovaccer allows government and private institutions to maintain medical records systematically, **Practo** allows you to find the best doctors for your concern online, book your spot, consult the doctor on call, and pay with easy prepayment options. **PharmEasy** works as an online chemist, enabling you to buy your medicines online at the best prices, etc.

4. **EdTech**

   Students and working individuals no longer have to travel for hours but have the opportunity to spend their time on something constructive, like upskilling with new programs and online courses that may help scale their careers.

Decacorn Startups in India

A Decacorn is a private startup company that has reached a valuation of more than $10 billion. This is a higher valuation than a "Unicorn," which is valued at over $1 billion.

Leading Indian Decacorns & Former Decacorns

Flipkart:

An e-commerce giant, Flipkart was acquired by Walmart and is often cited as one of the first Indian Decacorns, with its acquisition being a major global event.

BYJU's:

A prominent ed-tech platform, BYJU's achieved Decacorn status for its substantial valuation in the education sector, though its valuation has fluctuated.

Swiggy:

India's leading food delivery platform, Swiggy is a well-known Decacorn that has expanded its services in recent years.

PhonePe:

A major fintech company, PhonePe has gained significant traction in the digital payments space.

Nykaa:

An e-commerce platform for beauty products, Nykaa also achieved Decacorn status, with Nykaa having a major impact on the Indian startup ecosystem.

Transforming Startups to MNC

Transforming a startup into a multinational corporation (MNC) involves strategic scaling, securing funding, and implementing standardized processes for international growth.

Following are the steps:

Step 1: Achieve Product-Market Fit & Scalability:

- **Solve a Real Problem:** Ensure the startup›s product or service addresses a genuine need in the market.
- **Build a Scalable Business Model:** Develop a model that can expand beyond the initial market, providing detailed plans and financial projections to investors.

Step 2. Focus on Funding & Resources:

- **Secure Investment:** Raise capital to fuel growth, utilizing corporate venture capital (CVC) from MNCs for additional resources and expertise.
- **Leverage Partnerships:** Form strategic collaborations with other companies and industry veterans to gain mentorship, market access, and branding opportunities.

Step 3. Implement Strong Operations & Culture:

- **Standardize Processes:** Adopt robust, standardized processes to ensure efficiency and consistency, which is a hallmark of MNC operations.
- **Foster an Entrepreneurial Culture:** Maintain a culture of innovation, risk-taking, and agility, even as the company grows and adopts more formal structures.
- **Empower Employees:** Give employees a sense of ownership and responsibility to drive dedicated work and accountability throughout the organization.

Step 4. Expand Internationally:

- **Target Key Markets:** Focus on expansion into specific, promising international markets rather than attempting to grow in many markets at once.
- **Establish Global Presence:** Begin by establishing a footprint in one or two key international locations.

Step 5. Adapt and Innovate:

- **Embrace Technology:** Utilize cloud computing and other digital tools to enhance operations and maintain competitiveness in the global digital landscape.
- **Continuous Adaptation:** Be prepared to adapt to changing market conditions and leverage the strengths of both startup and established corporate environments.

Case study of Flipkart from Startups to MNC

A successful case study of a startup transitioning to a Multinational Corporation (MNC) in India is Flipkart, which grew from a small online bookstore into a vast e-commerce empire.

Founded by Sachin and Binny Bansal in 2007, Flipkart began as an online bookstore, building on their experience with global e-commerce giants like Amazon to tailor a model for Indian consumers.

The plan was simple – customers would place an order for books through **Flipkart** and get them delivered right at their doorstep. They started their journey from a 2-bedroom apartment and made just 20 shipments in its debut year. Reportedly, the company was set up with just 4 lakh rupees and now its valuation has been estimated to be roughly **$24.9 billion**.

Flipkart Strategic Expansion

Flipkart opened up its first office in **Bengaluru** in the year 2008. This was followed by new offices in **Delhi and Mumbai in 2009**. The same year the ambitious startup got its first capital investment of **$1 million from Accel Partners**, a well-known investment firm. By the end of **2009**, the company had nearly **150 employees**.

Building Customer Trust:

The company introduced Cash on Delivery (COD) to overcome initial trust issues with online payments, a critical step in building a broad customer base in India.

Ecosystem Expansion:

Flipkart expanded beyond its initial focus by acquiring companies like Myntra (for fashion) and PhonePe (for digital payments) to create a comprehensive digital ecosystem.

Venture Capital Funding:

The startup attracted significant venture capital, enabling rapid scaling and expansion into a major online marketplace.

2010-11: The company raised $20 million from Tiger Global and began talks with American growth equity firm General Atlantic.

2012: Flipkart announced a $150 million funding round led by South Africa-based tech majors named Naspers. By this time Flipkart had a valuation of $1 billion, thus becoming a part of the Unicorn startup club!

2013: The company again raised a sum of $200 million from its existing investors. Another $160 million was raised from Sofina, Morgan Stanley, Dragoneer and Vulcan capital. In this period, Flipkart had an estimated valuation of nearly $1.6 billion.

2014: Flipkart acquired Myntra for nearly $280 million. It then raised $210 million from DST Global. The valuation was recorded at $2.6 billion.

2014: The same year Flipkart witnessed a $1 billion funding round from GIC Singapore. As a result, the company valuation shot up to $7 billion within 3 months.

2014: In another round, the company raised as many as $700 million from hedge funds such as Steadview Capital, Greenoaks, sovereign wealth fund Qatar Investment Authority, T Rowe Price. The valuation at this point stood at an enormous $11 billion.

2015: Flipkart reached a landmark valuation at $15.5 billion. It again raised roughly $700 million from its investors.

2016: Flipkart would like to forget this year as the company witnessed the first big markdown by a Mutual Fund (Morgan Stanley). The valuation came down to $11 billion.

2016: Flipkart kept receiving continuous markdowns by a number of mutual fund investors such as T Rowe Price, Vanguard and Fidelity.

2016: A Morgan Stanley Mutual Fund made a significant cut to the value of its Flipkart shares. As a result, the valuation witnessed a further drop to $5.6 billion.

2018: Walmart acquired 77% stake in Flipkart for $16 billion.

Walmart Acquisition:

In 2018, Walmart acquired a 77% stake in Flipkart for $16 billion, a landmark exit for an Indian startup and a clear example of an established MNC integrating a homegrown giant into its global operations.

[Source: https://www.ciim.in/flipkart-case-study-and-success-story/]

NOTES:

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Invitation to Contribute Articles for CMA Student E-Bulletin - Showcasing Your Expertise!

Dear CMA Student,

We are excited to extend an invitation to you to contribute an article for the **CMA Student E-Bulletin,** our esteemed monthly e-journal exclusively crafted for CMA students. This platform, managed by the Directorate of Studies at ICMAI, aims to provide a space for your insights, experiences and knowledge-sharing within the CMA community.

Submission Guidelines:

- **Article Length:** Please prepare articles ranging between 1200 to 1500 words.
- **Topic:** The articles can cover a wide spectrum of subjects, including but not limited to advancements in finance, industry insights, case studies, personal experiences and emerging trends in the field.
- **Originality:** We encourage you to share your unique perspectives and experiences. Ensure that your submission has not been published elsewhere.

Submission Deadline: We kindly request you to submit your article by **20th of the previous month of publication.** This will allow us ample time to review and prepare the upcoming issues of the CMA Student E-Bulletin.

Submission Process: Please send your article to ***studies.ebulletin@icmai.in*** with the subject line **"CMA Student E-Bulletin Submission - [Your Name, Registration No.]".** Include a brief author bio and a high-resolution photograph to be featured alongside your article.

Recognition and Rewards: Selected articles will be featured prominently in the CMA Student E-Bulletin, providing you with a valuable platform to showcase your expertise. Additionally, authors of published articles will be acknowledged and the top contributors may be eligible for special recognition and rewards.

We believe that your unique insights and experiences will contribute significantly to the enrichment of the CMA Student E-Bulletin. Your participation will not only enhance your visibility within the CMA community but also foster a culture of knowledge-sharing and collaboration.

Best Regards,

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NEW IT INITIATIVE TO PROVIDE ENHANCED FACILITIES TO CMA STUDENTS

A login feature has been integrated into the **ONLINE REGISTRATION APPLICATION SYSTEM** enabling students to access various services through their accounts.

To utilize this feature, students need to create a login account by verifying their email address through an OTP sent to their registered email ID. Once the email ID is verified, it becomes the user ID and students can set their password during the account creation process.

The introduced system enables students to:

- Register online for Foundation, Intermediate & Final Courses
- Check the status of their online applications
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- Convert from Provisional to Regular status

Additional services for students will be seamlessly incorporated in the near future.

Behind every successful business decision, there is always a CMA

ICMAI
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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- Study Materials
- Students E-Bulletin
- Knowledge Web Series
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- Coaching - Oral/Postal (E-learning)
- Skills Training
- Practical Training
- Industry Oriented Training Programme

Admission Deadlines

- For June Exam - 31st January of same Calendar Year
- For December Exam - 31st July of same Calendar Year

Eligibility

Admission in Foundation Course

- Passed Class 10 (Require to pass 10+2 before appearing in CMA Examination)
- 10+2 Pass or its equivalent (Students appearing for 10+2 also apply on provisional basis)

Registration to Intermediate Course

- Passed CMA Foundation Examination
- Graduates of any discipline (Students awaiting final result also apply on provisional basis)
- Qualified CAT Level - I of The Institute of Cost Accountants of India
- Qualified CA Intermediate
- Qualified Engineers

Course Fees

Foundation - ₹6,000/- | **Intermediate - ₹23,100/-*** | **Final - ₹25,000/-***

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