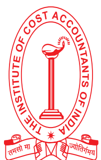
CMA STUDENT E-Bulletin

VOL 09 | NO. 10 | OCTOBER 2024

An Initiative of Directorate of Studies



ICMAI
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
Statutory Body under an Act of Parliament
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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 Kolkata having four Regional Councils at Kolkata, Delhi, Mumbai and Chennai, 117 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 5,00,000 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	From ignorance, lead me to truth
तमसोमा ज्योतिर् गमय	From darkness, lead me to light
मृत्योर्मामृतं गमय	From death, lead me to immortality
ॐ शान्ति शान्ति शान्तिः	Peace, Peace, Peace

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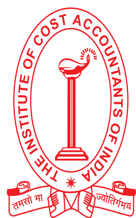

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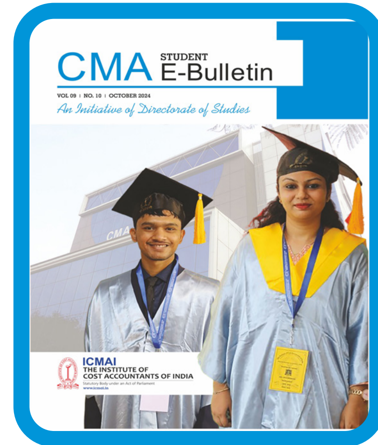

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CHAIRMAN'S COMMUNIQUE

Dear Students,

It gives me immense pleasure to connect with you through the October 2024 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: Sale 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. In case of appropriation of goods, which are the essential requirements?
   (a) The goods should confirm to the description and quality stated in the contract.
   (b) The goods must be in a deliverable state.
   (c) The appropriation must be by the seller with the assent of the buyer.
   (d) All the above
2. Appropriation of goods means
   (a) separating the goods sold from other goods
   (b) putting the quantity of goods sold in suitable receptacles
   (c) delivering the goods to the carrier or other bailee for the purpose of transmission to the buyer with reserving the right of disposal
   (d) all the above
3. The general rule of Sale of Goods Act is, risk prima facie passes with
   (a) Ownership
   (b) Possession
   (c) Delivery
   (d) Custody
4. “Nemo dat quad non habet”, means:
   (a) no one is greater than god
   (b) none can give who does not himself possess
   (c) every one can give everything he has
   (d) everyone is bound by is habit
5. Transfer of documents of title to the goods sold to the buyer, amounts to________ delivery.
   (a) actual
   (b) symbolic
   (c) constructive
   (d) virtual
6. Under Sec. ___ of the Sale of Goods Act, a delivery order enabling a person to obtain delivery on payment of price is deemed as a document of title
   (a) 2(4)
   (b) 2(5)
   (c) 2(6)
   (d) 2(7)
   Not a valid document at all
7. A Share Certificate is a —
   (a) Document of Title to Goods
   (b) Bill of Exchange
   (c) Document Showing Title to Goods
   (d) Instrument of Transfer
8. A Bill of Lading is a —
   (a) Bill of Exchange
   (b) Promissory Note
   (c) Cheque
   (d) Document of Title to Goods
9. Section 19 of the Sale of Goods Act deals with passing of property of _______ goods.
   (a) Unascertained
   (b) Future
   (c) Specific
   (d) Contingent
10. In Sale of Goods Act, 1930, ‘Goods’ defined under section—
   (a) 2(7)
   (b) 2(10)
   (c) 2(8)
   (d) 2(9)

11. Which of the statement is incorrect in connection with duties of seller and buyer:
    (a) It is the duty of the seller to deliver the goods
    (b) It is the duty of the buyer to accept and pay for them
    (c) It is not the duty of the seller to deliver the goods
    (d) It is the duty of the buyer to take delivery of goods
12. 'Contract of sale' is defined in Section 4(1) of the Sale of Goods Act, and it includes—
    (a) Sale
    (b) agreement to sell
    (c) barter
    (d) both A and B
13. For a valid contract of sale, delivery may be ______ delivery.
    (a) Actual
    (b) Symbolic
    (c) Constructive
    (d) All of these
14. A contract for the sale of 'future goods' is—
    (a) Sale
    (b) agreement to sell
    (c) sale on approval
    (d) hire-purchase agreement
15. There are ______ modes of delivery
    (a) Three
    (b) Two
    (c) Four
    (d) Five
16. The term "Unpaid Seller" includes —
    (a) Agent of the Buyer
    (b) Agent of the Seller
    (c) Agent of the Carrier/Transporter
    (d) All of the above
17. The term "Unpaid Seller" includes —
    (a) Buyer's agent to whom the Bill of Lading is endorsed
    (b) Buyer's agent to whom the goods have been delivered
    (c) Seller's agent to whom the Bill of Lading is endorsed
    (d) Seller's agent to whom the goods have been delivered
18. Unpaid Seller can exercise his right of lien —
    (a) even when property in goods has passed to the Buyer
    (b) only when property in goods has not passed to the Buyer
    (c) either (a) or (b)
    (d) neither (a) nor (b)
19. Unpaid Seller can exercise his right of re-sale of goods—
    (a) even when property in goods has passed to the Buyer
    (b) only when property in goods has not passed to the Buyer
    (c) either (a) or (b)
    (d) neither (a) nor (b)
20. Unpaid Seller can exercise his right of withholding delivery of goods —
    (a) even when property in goods has passed to the Buyer
    (b) only when property in goods has not passed to the Buyer
    (c) either (a) or (b)
    (d) neither (a) nor (b)
21. The terms 'condition' and 'warranty' are respectively defined in section ___ and ____ of the Sale of Goods Act, 1930.
    (a) 12(1), 12(2)
    (b) 12 (2), 12(3)
    (c) 12 (3), 12(4)
    (d) 7 and 8
22. The loss of destruction of goods falls on___ in case of sale, and on___ in case of agreement to sell.
    (a) buyer, seller
    (b) seller, buyer
    (c) auctioner, agent
    (d) none of them

23. The *doctrine of caveat emptor* is given in section ___, and it implies ______.

    (a) 15, let the seller beware

    (b) 16, let the buyer beware

    (c) 18, let seller take care of buyer's interest

    (d) 17, let the buyer claim damages

24. The term 'Buyer' defined in section ___ of the Sale of Goods Act, 1930.

    (a) 2(1)

    (b) 2 (2)

    (c) 2 (3)

    (d) 4

SECTION – B: BUSINESS COMMUNICATION

25. Upward Communication originates at a _____ level and flows to a_____ level.

    a) Lower, higher

    b) Higher, lower

    c) Top, Bottom

    d) Right, left

26. Communication among employees at the same level in the organizational structure is called _______ Communication

    a) Grapevine

    b) Diagonal

    c) Lateral

    d) Upward

27. Which of the following should be avoided in the Group discussion?

    a) Positive body language

    b) Leadership initiative

    c) False statements

    d) Confidence

28. Which of the following is not an example of a physical communication barrier?

    a) Telephonic Disturbances

    b) Distance

    c) Background noises

    d) Language

29. Excessive usage of technical jargons and double meaning words are what type of barrier?

    a) Sematic Barriers

    b) Psychological Barriers

    c) Physical Barriers

    d) None of the above

30. Information Overload is when listener _____________.

    a) gets inadequate information

    b) gets too much information

    c) gets adequate information

    d) is inattentive

ANSWER:

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

25	26	27	28	29	30
a	c	c	d	a	b

Topic

Fundamentals of Financial Accounting -

Module 2: Accounting for Special Transactions

Fundamentals of Cost Accounting -

Module 4: Fundamentals of Cost Accounting

FOUNDATION

Paper-2

Fundamentals of Financial and Cost Accounting (FFCA)

In the following MCQs, only one answer is correct. Find out the same.

1. **Who prepares the consignment account?**
   a) Consignor
   b) Consignee
   c) Both consignor and consignee
   d) Auditor

2. **What is the accounting entry for abnormal loss?**
   a) Debit: Consignor's account,
      Credit: Abnormal loss account
   b) Debit: Abnormal loss account,
      Credit: Consignor's account
   c) Debit: Consignee's account,
      Credit: Abnormal loss account
   d) Debit: Abnormal loss account,
      Credit: Consignee's account

3. **How is closing stock valued in consignment?**
   a) At cost price
   b) At market price
   c) At selling price
   d) At invoice price

4. **What is the effect of abnormal loss on consignment?**
   a) Charged to consignor
   b) Shared by consignor and consignee
   c) Borne by consignee
   d) Ignored

5. **What is the accounting entry for drawing a bill of exchange?**
   a) Debit: Bills receivable,
      Credit: Sales
   b) Debit: Sales,
      Credit: Bills receivable
   c) Debit: Bills payable,
      Credit: Purchases
   d) Debit: Purchases,
      Credit: Bills payable

6. **Who bears the loss in consignment?**
   a) Consignor
   b) Consignee
   c) Both consignor and consignee
   d) Neither consignor nor consignee

7. **How is commission calculated?**
   a) On selling price
   b) On cost price
   c) On profit
   d) On sales

8. **What is the accounting entry for goods sold on consignment?**
   a) Debit: Cash account,
      Credit: Sales account
   b) Debit: Sales account,
      Credit: Cash account
   c) Debit: Consignee's account,
      Credit: Sales account
   d) Debit: Sales account,
      Credit: Consignee's account

9. **What is included in the consignment account?**
   a) Only direct expenses
   b) Only indirect expenses
   c) Both direct and indirect expenses
   d) Neither direct nor indirect expenses

10. **Who is the consignee?**
    a) Person sending goods for sale
    b) Person receiving goods for sale
    c) Buyer of goods
    d) Seller of goods

11. **What is the accounting entry for investment in a joint venture?**

a) Debit: Joint venture account,
   Credit: Cash/Bank account
b) Debit: Cash/Bank account,
   Credit: Joint venture account
c) Debit: Investment account,
   Credit: Joint venture account
d) Debit: Joint venture account,
   Credit: Investment account

12. How is the consignor's account closed?

a) By debiting the profit
b) By crediting the profit
c) By debiting the loss
d) By transferring the balance to the profit and loss account

13. What type of account is maintained for a joint venture?

a) Joint venture account
b) Partnership account
c) Trading account
d) Profit and Loss account

14. What is the accounting entry for investment in a joint venture?

a) Debit: Joint venture account,
   Credit: Cash/Bank account
b) Debit: Cash/Bank account,
   Credit: Joint venture account
c) Debit: Investment account,
   Credit: Joint venture account
d) Debit: Joint venture account,
   Credit: Investment account

15. What is the purpose of a joint venture agreement?

a) To define roles and responsibilities
b) To specify profit-sharing ratio
c) To determine investment amount
d) All of the above

16. Can a joint venture be dissolved?

a) Yes, with mutual consent
b) Yes, by notice
c) No
d) Automatically on completion of project

17. What is the differentiating factor between a joint venture and partnership?

a) Duration
b) Purpose
c) Ownership
d) All of the above

18. Can a joint venture be terminated prematurely?

a) Yes, with mutual consent
b) Yes, by notice
c) No
d) Automatically

19. What are the essential features of a bill of exchange?

a) Written and signed
b) Unconditional order
c) Stamped and dated
d) All of the above

20. What is the purpose of a bill of exchange?

a) To provide financing
b) To facilitate trade
c) To secure payment
d) All of the above

21. What is a bill of exchange?

a) A written order to pay money
b) A promise to pay money
c) A receipt for goods
d) A contract for services

22. What is the purpose of cost classification?

a) To determine the financial position of a company

b) To provide information for management decision-making

c) To identify areas of cost inefficiency

d) To allocate overhead costs

23. Which of the following is a non-manufacturing cost?

a) Direct labour

b) Factory overhead

c) Sales commission

d) Raw materials

24. Which costing method assumes that costs are incurred uniformly throughout the production process?

a) Job costing

b) Process costing

c) Absorption costing

d) Standard costing

25. What is the purpose of a Cost Center ?

a) To identify areas of cost inefficiency

b) To allocate overhead costs

c) To track revenues

d) To measure employee performance

26. What is the difference between fixed and variable costs?

a) Fixed costs are those that vary with production volume, while variable costs remain constant

b) Fixed costs remain constant, while variable costs vary with production volume

c) Fixed costs are always higher than variable costs

d) Variable costs are always higher than fixed costs

27. What is the primary objective of cost accounting?

a) To determine the financial position of a company

b) To calculate taxes owed by a company

c) To provide information for management decision-making

d) To calculate the market value of a company's shares

28. Which of the following is a characteristic of variable costs?

a) Remains constant regardless of production volume

b) Increases as production volume increases

c) Decreases as production volume increases

d) Remains constant but changes with time

29. What is the purpose of overhead allocation?

a) To allocate direct costs to products

b) To allocate indirect costs to products

c) To determine the selling price of products

d) To calculate the break-even point

30. Which method of costing is used when products are manufactured in a continuous flow?

a) Job costing

b) Process costing

c) Standard costing

d) Absorption costing

ANSWER

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

Topic

Fundamentals of Business Mathematics -

Module 2: Algebra

Fundamentals of Business Statistics

Module 7: Probability

FOUNDATION

Paper-3

Fundamentals of Business Mathematics and Statistics (FBMS)

In this issue we will carry out MCQs on Algebra & Probability – refer Module 2 and Module 7 of Study guide.

1. The roots of the equation $(b - c)x^2 + (c - a)x + (a - b) = 0$ are equal, then

(a) $2a = b + c$

(b) $2c = a + b$

(c) $b = a + c$

(d) $2b = a + c$

2. If the roots of $ax^2 + bx + c = 0$ are in the ratio p : q, then a^2 is

(a) cq/ap

(b) aq/pc

(c) ap/cq

(d) pc/aq

3. Which one of the following value of m will make the equation $(m + 1)x^2 + 2(m + 3) x + (2m + 3) = 0$ have equal roots?

(a) 2

(b) -2

(c) 1

(d) -3

4. If α and β are the roots of $2x^2 - 4x + 1 = 0$, then the equation whose roots are $\alpha^2 + \beta$ and $\beta + \alpha$ is

(a) $x^2 - 5x + 6 = 0$

(b) $4x^2 - 20x + 23 = 0$

(c) $3x^2 - 15x + 18 = 0$

(d) $5x^2 - 23x + 26 = 0$

5. If α, β are roots of $2x^2 + 3x + 7 = 0$ then value of $\alpha^4 + \beta^4$

(a) 165/16

(b) 361/16

(c) -196/16

(d) 1/16

6. The equation $3x^2 + kx + 2 = 0$ has equal roots if k is

(a) $\pm 2\sqrt{3}$

(b) $\pm 2\sqrt{5}$

(c) $\pm 2\sqrt{6}$

(d) $\pm 2\sqrt{8}$

7. Let T_n denote the number of triangles which can be formed using the vertices of a regular polygon on n sides. If $T_{n+1} – T_n = 21$, then n equals

(a) 5

(b) 7

(c) 6

(d) 4

8. How many ways are here to arrange the letters in the word GARDEN with the vowels in alphabetical order?

(a) 120

(b) 240

(c) 360

(d) 480

9. How many factors are $2^5 \times 3^6 \times 5^2$ are perfect squares

(a) 24

(b) 12

(c) 16

(d) 22

10. A student is to answer 10 out of 13 questions in an examination such that he must choose at least 4 from the first five questions. The number of choices available to him is

(a) 40

(b) 196

(c) 280

(d) 346

11. The value of x satisfying $\log_{10}(x - 14) + \log_{10}(x - 5) = 1$ is

(a) 21

(b) 15

(c) 4

(d) 18

12. Following De Morgan's Law, $(V \cup M)' =$ _______.

(a) $V' \cap M$

(b) $M' \cap V$

(c) $M' \cap V'$

(d) $V \cap M$

13. Two dice are thrown together. The probability that 'the event the difference of numbers shown is 2' is

(a) 2/9

(b) 5/9

(c) 4/9

(d) 7/9

14. Two dice are thrown together. The probability of the event that the sum of numbers shown is greater than 5 is

(a) 13/18

(b) 15/18

(c) 1

(d) None

15. A card is drawn from a well-shuffled pack of playing cards. The probability that it is a king is

(a) 1/13

(b) ¼

(c) 4/13

(d) None

16. If a card is drawn at random form a pack of 52 cards, what is the chance of getting a Spade or an ace?

(a) 4/13

(b) 5/13

(c) 0.25

(d) 0.20

17. The probability of drawing a black ball from a bag containing 8 white and 5 black balls –

(a) 5/13

(b) 8/13

(c) ½

(d) 1

18. A bag contains 10 red and 10 green balls. A ball is drawn from it. The probability that it will be green is

(a) 1/10

(b) 1/3

(c) ½

(d) None of these

19. The probability that A speaks truth is 4/5, while the probability for B is ¾. The probability that they contract each when asked to speak on a fact is

(a) 3/20

(b) 1/5

(c) 7/20

(d) 4/5

20. A problem in probability was given to three CA students A, B and C whose chances of solving it are 1/3, 1/5 and ½ respectively. What is the probability that the problem would be solved?

(a) 4/15

(b) 7/8

(c) 8/15

(d) 11/15

21. If the overall percentage of success in an exam is 60, what is the probability that out of a group of 4 students, at least one has passed?

(a) 0.6525

(b) 0.9744

(c) 0.8704

(d) 0.0256

22. If the probability of a house A winning a race is 1/6 and the probability of a horse B winning the same race is ¼, what is the probability that one of the horses will win

(a) 5/12

(b) 7/12

(c) 1/12

(d) None

23. A man can kill a bird once in five shots. The probabilities that a bird is not killed is

(a) 4/5

(b) 1/5

(c) 3/5

(d) 2/5

24. What is the probability that a leap year selected at random would contain 53 Saturdays?

(a) 1/7

(b) 2/7

(c) 1/12

(d) ¼

25. What is the probability that 4 children selected at random would have different birthdays?

(a) 364* 363* 362/ (365)3

(b) 6 *5* 4/ (7)3

(c) 1/365

(d) 1/7 × 3

26. Baye's Theorem is useful in

(a) Revising probability estimates

(b) Computing conditional probabilities

(c) Computing Sequential probabilities

(d) None of these

27. Let A & B are two events with P (A) = 2/3, P (B) = ¼ and P (AB) = 1/12 then P (A/B) is equal to

(a) 2/3

(b) 1/3

(c) 1/8

(d) 7/8

28. In connection with a random experiment, it is found that P (A) = 2/3, P (B) = 3/5 and P (AB) = 5/6. Find P (B/A).

(a) 13/18

(b) ½

(c) 13/20

(d) 5/18

29. If P (AB) = 0.10 and P () = 0.80, then P (A/B) is

(a) 0.25

(b) 0.40

(c) 0.50

(d) 0.75

30. A and B are two events such that P (A) = 1/3, P (B) =1/4, P (A+B) =1/2 then P (B/A) is equal to

(a) ¼

(b) 1/3

(c) ½

(d) None of these

Answer Keys:

1	d	Discriminant $(c - a)^2 - 4(b - c)(a - b) = 0$ Or, $c^2 - 2ac + a^2 - 4ab + 4ac + 4b2 - 4bc = 0$ Or, $c^2 + a^2 + 2ac + 4b^2 - 4ab - 4bc = 0$ Or, $(c + a)^2 - 2.2b.(c + a) + 4b^2 = 0$ Or, $(c + a - 2b)^2 = 0$. Hence the result.
2	d	$\alpha + \beta = -\frac{b}{a}$ & $\alpha\beta = \frac{b}{a}$ & $\frac{c}{a}$; As $\alpha/\beta = p/q$, $\alpha/\beta*\alpha\beta = \alpha^2$. Hence the result.
3	b	$b^2 = 4ac$. Hence the result.
4	b	$\alpha + \beta = 4/2 = 2$ and $\alpha\beta = 1/2$ Now $s_1 = \alpha^2 + \beta + \beta^2 + \alpha$ $= \alpha^2 + \beta^2 + \alpha + \beta = (\alpha+\beta)^2 - 2\alpha\beta + \alpha + \beta$ $= 4 - 1 + 2 = 5$

Answer Keys:

		$s_2 = (\alpha^2 + \beta)(\beta^2 + \alpha) = \alpha^2 \beta^2 + \alpha^3 + \beta^3 + \alpha\beta = 1/4 + 1/2 + (\alpha+\beta)^3 - 3\alpha\beta(\alpha + \beta)$ $= 3/4 + 8 - 3/2(2) = 5+3/4 = 23/4$ Hence the required equation
5	a	$\alpha + \beta = -3/2$ & $\alpha\beta = 7/2$ $\alpha^4 + \beta^4 = [(\alpha+\beta)^2 - 2\alpha\beta]^2 - 2(\alpha\beta)^2$ & hence the result
6	c	
7	b	The number of triangles that can be formed using the vertices of a regular polygon = ${}^nC_3$ Given, $T_{n+1} - T_n = 21$ $\Rightarrow {}^{n+1}C_3 - {}^nC_3 = 21$ $\Rightarrow {}^nC_2 + {}^nC_3 - {}^nC_3 = 21$ {since ${}^{n+1}C_r = {}^nC_{r-1} + {}^nC_r$} $\Rightarrow {}^nC_2 = 21$ $\Rightarrow n(n-1)/2 = 21$ $\Rightarrow n(n-1) = 21\times2$ $\Rightarrow n^2 - n = 42$ $\Rightarrow n^2 - n - 42 = 0$ $\Rightarrow (n-7)\times(n+6) = 0$ $\Rightarrow n = 7, -6$ Since n cannot be negative, So, n = 7
8	c	Given word is GARDEN. Total number of ways in which all letters can be arranged in alphabetical order = 6! There are 2 vowels in the word GARDEN A and E. So, the total number of ways in which these two vowels can be arranged = 2! Hence, required number of ways = 6!/2! = 720/2 = 360
9	a	Any factors of $2^5 \times 3^6 \times 5^2$ which is a perfect square will be of the form $2^a \times 3^b \times 5^c$ where a can be 0 or 2 or 4, So there are 3 ways b can be 0 or 2 or 4 or 6, So there are 4 ways a can be 0 or 2, So there are 2 ways So, the required number of factors = 3 × 4 × 2 = 24
10	b	There are two cases 1. When 4 is selected from the first 5 and rest 6 from remaining 8 Total arrangement = ${}^5C_4 \times {}^8C_6$ $= {}^5C_1 \times {}^8C_2$ $= 5 \times (8\times7)/(2\times1)$ $= 5 \times 4 \times 7$ $= 140$

		2. When all 5 is selected from the first 5 and rest 5 from remaining 8 Total arrangement = ${}^{5}C_{5} \times {}^{8}C_{5}$ $= 1 \times {}^{8}C_{3}$ = (8×7×6)/(3×2×1) = 8×7 = 56 Now, total number of choices available = 140 + 56 = 196
11	b	$\log_{10}(x - 14)(x - 5) = 1 = \log_{10} 10$. Hence the result
12	c	Following De Morgan's Law, $(V \cup M)' = M' \cap V'$
13	a	
14	a	
15	a	
16	a	
17	a	
18	c	
19	c	
20	d	
21	b	
22	d	
23	a	
24	b	
25	a	
26	b	
27	b	
28	c	
29	c	
30	a	

Suggestions:

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

Best Wishes.

FOUNDATION

Paper-4

Fundamentals of Business Economics and Management (FBEM)

Topic

Fundamentals of Business Economics -

Module 1: Basic Concepts

Module 2: Forms of Market

Module 3: Money and Banking

Fundamentals of Management -

Module 5: Fundamentals of Management

TIPS ON BUSINESS ECONOMICS AND MANAGEMENT FOR THE MONTH OF OCTOBER 2024

The new British viceroy to India stopped land grabs, decreed religious tolerance and admitted Indians into civil service. British reforms now began in earnest, with the establishment of a judicial system that transformed Hindu law into a form of English case law that ensured property rights for the individual and provided protection of the individual. Western style education was aggressively developed, with the belief that it would help enable the efficient administration of India by a local educated elite, loyal to the dictates of the British Crown. The British pushed the development of a laissez-faire economy that was based on the free circulation of capital, productive enterprise, and large scale production. They made large scale investment in infrastructure, leading to the development of what would become the second largest rail system in the world. The rail lines stimulated the growth of local industrial development, which laid the foundation for capitalist enterprise and the growth of an Indian business class. By the end of the first World War the British had moved towards the development of self-governing institutions with freely elected individuals in all departments of the Indian government. Significantly, there was also a free press.(to be continued)

Let us start our Mock Test now.

I. Choose the correct answer:

1. Who was the proponent of the growth definition of economics?

   (a) Adam Smith

   (b) Alfred Marshall

   (c) Lionel Robbins

   (d) Abba P. Samuelson

2. The concave shape to the origin of the PPF curve implies

   (a) Increasing opportunity cost

   (b) Decreasing opportunity cost

   (c) Constant opportunity cost

   (d) None of the above

3. According to the marginal utility theory, a consumer gains maximum utility when

   (a) MU=P

   (b) MU is falling

   (c) Both A and B

   (d) None of the above

4. If there is conspicuous consumption of a product, the demand curve will be

   (a) Horizontal

   (b) Vertical

   (c) Negatively sloped

   (d) Positively sloped

5. The market demand curve for a commodity can be derived from the

   (a) Vertical summation of the individual demand curves

   (b) Horizontal summation of individual demand curves

   (c) Cumulative summation of individual demand curves

   (d) None of the above

6. When the demand is elastic, then with a fall in the price, TR will
   (a) Rise
   (b) Fall
   (c) Remain unchanged
   (d) None of the above
7. Ceteris paribus means other things remaining
   (a) Variable
   (b) Negative
   (c) Constant
   (d) None of the above
8. For the increase in demand
   (a) Demand curve will shift rightward
   (b) Demand curve will shift leftward
   (c) Along the same demand curve, the consumer will move to the right
   (d) None of the above
9. When the price elasticity of demand is infinitely elastic, then MR will be
   (a) Greater than price
   (b) Equal to price
   (c) Less than price
   (d) None of the above
10. For a giffen good, the shape of the demand curve will be
   (a) Downward falling to the right
   (b) Upward rising to the right
   (c) A horizontal curve
   (d) A vertical curve
11. The production function: X = square root of (K.L) is homogeneous of degree
   (a) One
   (b) >1
   (c) <1
   (d) None of the above
12. Production function indicates the relationship between
   (a) Demand and supply
   (b) Input and output
   (c) Both A and B
   (d) None of the above
13. Two iso-quants will
   (a) Intersect each other at one point only
   (b) Intersect each other at more than one point
   (c) Never intersect each other
   (d) None of the above
14. Under perfect competition, if the long run production function of a firm satisfies constant returns to scale, then the LAC curve is
   (a) Upward rising
   B. Downward falling
   C. U-shaped
   D. Horizontal
15. The rising MC at the equilibrium level of output of a competitive firm is considered as the
   A. Necessary condition for profit maximization
   B. Sufficient condition for profit maximization
   C. Additional condition for profit maximization
   D. None of the above
16. In perfect competition, firms and consumers are
   A. Price makers and quantity takers respectively
   B. Price influencers and quantity takers respectively
   C. Price takers and quantity deciders respectively
   D. Price takers and quantity adjusters respectively

17. In which market form, firm is identical to industry?
    A. Monopolistic competition
    B. Monopoly
    C. Perfect competition
    D. None of the above
18. Quasi-rent will appear
    A. Only in the short run
    B. Only in the long run
    C. In both short run and long run
    D. None of the above
19. Indian money market is governed by
    A. SEBI
    B. RBI
    C. ADBI
    D. None of the above
20. Inflation can be controlled by
    A. The purchase of Govt. bonds in the open market
    B. Decreasing the Bank rate
    C. Increasing the Bank rate
    D. None of the above
21. Treasury Bill is defined as
    A. Short term instrument of money market issued by the Govt.
    B. Long term instrument of money market issued by the Govt.
    C. Long term instrument of money market issued by the private enterprises
    D. Short term instrument of money market issued by the private enterprises
22. Brain storming is one of the
    A. Creative techniques
    B. Participative techniques
    C. Heuristic techniques
    D. None of the above
23. The selection of best alternative from many alternatives is known as
    A. Selection
    B. Decision-making
    C. Organizing
    D. Budgeting
24. The technique for observing the behavior of a system under several alternative conditions in an artificial setting is known as
    A. Game theory
    B. Simulation
    C. Linear programming
    D. Network
25. Decisions into programmed decisions and non-programmed decisions is adopted by
    A. Peter Drucker
    B. Herbert Simon
    C. M. Lopez
    D. John Mc Donald
26. A decision to launch a new production plant is
    A. Programmed decision
    B. Non-routine decision
    C. Personal decision
    D. Organizational decisions
27. The first step in the decision making process is
    A. Identification and diagnosing the real problem
    B. Evaluation of alternatives
    C. Developing alternatives
    D. Selection of an alternative

28. Programmed decisions are made by
    - A. Lower level managers
    - B. Top level managers
    - C. Middle level managers
    - D. None of the above
29. Decisions to attend a wedding ceremony is
    - A. Basic decisions
    - B. Organizational decisions
    - C. Programmed decisions
    - D. Personal decisions
30. Decisions that are repetitive and routine are called
    - A. Organizational decision
    - B. Non-routine decisions
    - C. Programmed decisions
    - D. Non-programmed decisions

Answer:

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

So friends!!

I hope you have enjoyed the mock test. Please solve all the problems honestly by hiding the KEY. You may find only one problem pretty difficult i.e., problem number 11. Please consult any standard mathematics book on "Homogeneous function" and you will be through.

Best of luck in your final exam!!

CMA INTERMEDIATE COURSE

Syllabus 2022

Topic

Module 11:
The Code on Wages, 2019

INTERMEDIATE

Group I - Paper-5

Business Laws and Ethics (BLE)

BUSINESS LAWS AND ETHICS

The Code on Wages, 2019

The Code on Wages, 2019 was enacted in 2020 which enlists the provisions relating to payment of wages, overtime, bonus, minimum wages and other provisions incidental to existing labour laws. This Code has subsumed four Central labour legislations, which has been mentioned in Section 69 of the Code which lays down that the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976 are hereby repealed, with the enactment of this Code.

The Code not only regulates the wages of workmen but also the wages of employees performing managerial, supervisory functions. This Code therefore, brings uniformity in the definition of various terms overlapping in various pieces of legislation and eases the burden of documentation. Moreover, the Central Government under Section 68 of the Code says that in case of any difficulty, the Central Government shall notify provisions not inconsistent with the provisions of this Code, as may appear to be necessary for removing the difficulty within a period of three years from the commencement of this Code.

This code is a welcome change to the existing labour law regime as it seeks to regulate wage and bonus payments in all sectors such as industry, trade, business, or manufacture, wherever employees are appointed. Through this Code the Central Government will get the power to regulate wages for sectors like railways, mines and oil fields among other sectors, whereas the State Governments will reserve the power to make decisions for all other employments.

The social purpose of the Code that it seeks to achieve is to avoid all kinds of gender based discrimination.

Section 3 of the Code states that:

1. There shall be no discrimination in an establishment or any unit thereof among employees on the ground of gender in matters relating to wages by the same employer, in respect of the same work or work of a similar nature done by any employee.
2. No employer shall-
   a) for the purposes of complying with the provisions of sub-section (1), reduce the rate of wages of any employee; and
   b) make any discrimination on the ground of sex while recruiting any employee for the same work or work of similar nature and in the conditions of employment, except where the employment of women in such work is prohibited or restricted by or under any law for the time being in force.

The Code also lays down the various components of minimum wage that the appropriate Government shall fix.UnderSection7, the Code lays down that:

1. Any minimum rate of wages fixed or revised by the appropriate Government under section 8 may consist of:
   a) a basic rate of wages and an allowance at a rate to be adjusted, at such intervals and in such manner as the appropriate Government may direct, to accord as nearly as practicable with the variation in the cost of living index number applicable to such workers (herein after referred to as "cost of living allowance"); or
   b) a basic rate of wages with or without the cost of living allowance, and the cash value of the concessions in respect of supplies of essential commodities at concession rates, where so authorised; or
   c) an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any.
2. The cost of living allowance and the cash value of the concessions in respect of supplies of essential commodities at concession rate shall be computed by such authority, as the appropriate Government may by notification, appoint, at such intervals and in accordance with such directions as may be specified or given by the appropriate Government from time to time.

The procedure for fixing wages has been given in Section 8 which states:

1. In fixing minimum rates of wages for the first time or in revising minimum rates of wages under this Code, the appropriate Government shall either—

a) Appoint as many committees as it considers necessary to hold enquiries and recommend in respect of such fixation or revision, as the case may be; or

b) by notification publish its proposals for the information of persons likely to be affected thereby and specify a date not less than two months from the date of the notification on which the proposals shall be taken into consideration.

2. Every committee appointed by the appropriate Government under clause (a) of sub-section (1) shall consist of persons:

   a) Representing employers;

   b) Representing employees which shall be equal in number of the members specified in clause (a); and

   c) Independent persons, not exceeding one-third of the total members of the committee.

3. After considering the recommendation of the committee appointed under clause (a) of sub-section (1) or, as The case may be, all representations received by it before the date specified in the notification under clause (b) of that sub-section, the appropriate Government shall by notification fix, or as the case may be, revise the minimum rates of wages and unless such notification otherwise provides, it shall come into force on the expiry of three months from the date of its issue:

   Provided that where the appropriate Government proposes to revise the minimum rates of wages in the manner specified in clause (b) of sub-section (1), it shall also consult concerned Advisory Board constituted under section 42.

4. The appropriate Government shall review or revise minimum rates of wages ordinarily at an interval not exceeding five years.

Additionally, the powers to fix the minimum wages have been given under Section 6, which says:

1. Subject to the provisions of section 9, the appropriate Government shall fix the minimum rate of wages payable to employees in accordance with the provisions of section 8.

2. For the purposes of sub-section (1), the appropriate Government shall fix a minimum rate of wages:

   a) For time work; or

   b) For piece work.

3. Where employees are employed on piece work, for the purpose of sub-section (1), the appropriate Government shall fix a minimum rate of wages for securing such employees a minimum rate of wages on a time work basis.

4. The minimum rate of wages on time work basis may be fixed in accordance with any one or more of the following wage periods, namely:

   a) by the hour; or

   b) by the day; or

   c) by the month

5. Where the rates of wages are fixed by the hour or by the day or by the month, the manner of calculating the wages shall be such, as may be prescribed.

6. For the purpose of fixation of minimum rate of wages under this section, the appropriate Government,:

   a) Shall primarily take in to account the skill of workers required for working under the categories of unskilled, skilled, semi-skilled and highly-skilled or geographical area or both; and

   b) may, in addition to such minimum rate of wages for certain category of workers, take into account their arduousness of work like temperature or humidity normally difficult to bear, hazardous occupations or processes or underground work as may be prescribed by that Government; and

   c) the norms of such fixation of minimum rate of wages shall be such as may be prescribed.

7. The number of minimum rates of wages referred to in subsection (6) may, as far as possible, be kept at minimum by the appropriate Government.

Section 67 of the Code additionally mentions all the grounds over which the appropriate Governments would have the power to make rules.

Section 8 of the Code lays down provision relating to procedure for fixing and revising minimum wages. It contemplates the following:

1. In fixing minimum rates of wages for the first time or in revising minimum rates of wages under this Code, the appropriate Government shall either:
   a) Appoint as many committees as it considers necessary to hold enquiries and recommend in respect of such fixation or revision, as the case may be; or
   b) by notification publish its proposals for the information of persons likely to be affected thereby and specify a date not less than two months from the date of the notification on which the proposals shall be taken into consideration.
2. Every committee appointed by the appropriate Government under clause (a) of sub-section (1) shall consist of persons:
   a) Representing employers;
   b) Representing employees which shall be equal in number of the members specified in clause (a); and
   c) Independent persons, not exceeding one-third of the total members of the committee.
3. After considering the recommendation of the committee appointed under clause (a) of subsection (1) or, as the case may be, all representations received by it before the date specified in the notification under clause (b) of that sub-section, the appropriate Government shall by notification fix, or as the case may be, revise the minimum rates of wages and unless such notification otherwise provides, it shall come into force on the expiry of three months from the date of its issue:

   Provided that where the appropriate Government proposes to revise the minimum rates of wages in the manner specified in clause (b) of sub-section (1), it shall also consult concerned *Advisory Board* constituted under section 42.
4. The appropriate Government shall review or revise minimum rates of wages ordinarily at an interval not exceeding five years.

VOL 10 I NO. 04

Topic

Module 5:
Lease Accounts

Module 8 :
Hire Purchase and Instalment Sale Transactionsunts

INTERMEDIATE

Group I - Paper-6

Financial Accounting (FA)

Lease Accounting

Lease Accounts

Lease accounting is the process by which companies account for leases (agreements to use an asset for a period in exchange for payment). Lease transactions can have significant effects on a company's financial statements, including its balance sheet, income statement, and cash flow.

A lease is a contractual agreement where one party (the lessor) provides an asset for use by another party (the lessee) in exchange for periodic payments. Leases are an essential financial tool for companies, as they allow access to expensive equipment or property without the immediate need for full ownership.

Leases can be categorized into several types based on factors like the ownership rights, the nature of the contract, the accounting treatment, and the type of asset. Understanding these different types of leases is crucial for both lessors and lessees.

Types of Leases

There are two primary types of leases under modern accounting standards:

1. **Finance Lease (Capital Lease)**

   A finance lease, also known as a capital lease, is a type of lease in which the lessee assumes all the risks and rewards associated with ownership of the leased asset. Although the lessor retains legal ownership, the lessee records the asset on their balance sheet as if they own it. This type of lease is typically long-term, and the asset is generally used for most or all of its useful life.

   - The lease transfers ownership of the asset to the lessee at the end of the lease term (in some cases).
   - The lessee has the option to purchase the asset at a bargain price at the end of the lease.
   - The lease term is usually for a significant portion of the asset's useful life.
   - The present value of lease payments is equal to or exceeds the asset's fair value.
   - The lessee capitalizes the lease by recognizing both a **right-of-use asset** and a corresponding **lease liability**.

2. **Operating Lease**

   An operating lease is more like a rental agreement where the lessee uses the asset but does not take on the risks and rewards of ownership. The asset is returned to the lessor at the end of the lease term. This lease is typically short-term and is used for assets that are not intended to be purchased.

Key Features:

- The lessee does not assume ownership of the asset at the end of the lease.
- The lease term is usually shorter than the asset's economic life.
- Lease payments are considered operational expenses.
- No asset or liability is recorded on the balance sheet by the lessee (under older standards; under IFRS 16 and ASC 842, most leases must now be capitalized).

Journal Entries for Lease Accounting

Example 1: Initial Recognition (Finance Lease)

Lessor's Books:

- Debit: Lease Receivable (Present value of lease payments)
- Credit: Asset (Carrying value of the asset)

Lessee's Books:

- Debit: Right-of-Use Asset (Present value of lease payments)
- Credit: Lease Liability (Present value of lease payments)

Example 2: Lease Payment (Finance Lease)

Lessor's Books:

- Debit: Cash (Amount of payment received)
- Credit: Lease Receivable (Reduction in lease receivable)

Lessee's Books:

- Debit: Lease Liability (Reduction in lease liability)
- Debit: Interest Expense (Interest on lease liability)
- Credit: Cash (Amount of lease payment)

Hire Purchase and Instalment Sale Transactions

Hire Purchase and Instalment Sale Transactions are methods of purchasing goods or assets where the payment is made in installments over time rather than a lump sum. These methods allow buyers to acquire assets without immediate full payment.

Hire Purchase System

In a Hire Purchase agreement, the buyer (hirer) takes possession of the asset immediately but does not own it until the final installment is paid. The ownership (title) of the asset transfers to the buyer only after the payment of all installments. It is typically used for purchasing goods such as vehicles, machinery, and equipment.

Key Features of Hire Purchase:

- **Possession:** The buyer gets possession of the asset immediately.
- **Ownership:** Ownership remains with the seller (financier) until the last installment is paid.
- **Default:** If the buyer defaults, the seller can reclaim the asset.
- **Interest:** Interest is charged on the outstanding balance.
- **Rights:** The buyer has the right to use the asset but not to sell or transfer it until ownership passes.

Accounting Treatment in Hire Purchase:

- The asset is shown in the buyer's books even though ownership hasn't transferred.
- The interest is treated as a finance cost and spread over the period of the agreement.
- Each installment payment is split into two parts: principal repayment and interest.

Journal Entries:

1. **On Purchase of Asset (initial recognition):**
   - o Debit: Asset Account
   - o Credit: Hire Vendor Account (for the cost of the asset)
2. **For Interest Payment:**
   - o Debit: Interest Expense Account
   - o Credit: Hire Vendor Account
3. **For Installment Payment:**
   - o Debit: Hire Vendor Account
   - o Credit: Cash/Bank Account

Instalment Sale System

In an Instalment Sale transaction, ownership of the asset is transferred to the buyer immediately upon signing the agreement. However, the payment is made over several installments. If the buyer defaults, the seller cannot reclaim the asset as ownership has already transferred.

Key Features of Instalment Sale:

- **Possession and Ownership:** Both possession and ownership are transferred to the buyer at the time of sale.
- **Default:** If the buyer defaults, the seller cannot take back the asset but may seek legal remedies.
- **Interest:** Interest is usually charged on the outstanding balance.
- **Security:** Sometimes, the asset serves as security for the unpaid installments.

Accounting Treatment in Instalment Sale:

- The buyer records the asset at its full cost in the books.
- Interest is recognized as an expense over time.
- Each installment payment is split between principal and interest.

Journal Entries:

1. **On Purchase of Asset:**
   - o Debit: Asset Account
   - o Credit: Instalment Vendor Account
2. **For Interest Payment:**
   - o Debit: Interest Expense Account
   - o Credit: Instalment Vendor Account
3. **For Installment Payment:**
   - o Debit: Instalment Vendor Account
   - o Credit: Cash/Bank Account

Key Differences Between Hire Purchase and Instalment Sale

Aspect	Hire Purchase	Instalment Sale
Ownership Transfer	After the last installment is paid.	Immediately upon signing the agreement.
Seller's Rights in Default	Can repossess the asset.	Cannot repossess; may sue for damages.
Interest Treatment	Interest on the outstanding balance.	Interest on the outstanding balance.
Legal Rights	Buyer has possession but not ownership.	Buyer has both possession and ownership
Accounting Treatment	Asset recorded at cost with ownership conditional	Asset recorded with immediate ownership

Questions:

1. Which of the following is recognized on the lessee's balance sheet under a finance lease?
   a) Lease payments only
   b) Right-of-use asset and lease liability
   c) Only lease expense
   d) Depreciation only
2. What is the right-of-use asset in lease accounting?
   a) The physical asset being leased
   b) The lease payments made over the lease term
   c) The lessee's right to use the leased asset
   d) The present value of the lease payments
3. What is the main difference between a finance lease and an operating lease for the lessee?
   a) A finance lease requires asset ownership at the end of the lease term
   b) A finance lease recognizes both the asset and liability on the balance sheet, whereas an operating lease only recognizes expenses
   c) Operating leases are always shorter in duration
   d) A finance lease does not involve lease payments
4. In a finance lease, what is the journal entry for lease payments made by the lessee?
   a) Debit: Lease Liability, Credit: Cash
   b) Debit: Lease Expense, Credit: Lease Liability
   c) Debit: Lease Liability, Credit: Lease Receivable
   d) Debit: Cash, Credit: Lease Receivable
5. In an operating lease, how are lease payments recognized in the lessee's books?
   a) As a liability
   b) As an asset
   c) As an expense
   d) As a revenue
6. Which of the following is true about an instalment sale?
   a) Ownership is transferred immediately.
   b) Ownership is retained by the seller until the last installment is paid.
   c) The buyer has no legal right to use the asset until full payment.
   d) Interest is not charged in an instalment sale.
7. In a hire purchase agreement, what happens if the buyer defaults on payments?
   a) The seller sues for damages.
   b) The seller repossesses the asset.
   c) The buyer continues to own the asset.
   d) The agreement is renegotiated.
8. Which accounting entry is common to both hire purchase and instalment sale transactions?
   a) Debit Asset Account
   b) Credit Interest Expense Account
   c) Debit Hire Vendor Account
   d) Debit Bank Account

9. In an instalment sale, what does the first installment include?
   a) Only principal repayment
   b) Only interest payment
   c) Both principal and interest
   d) Neither principal nor interest

10. In an instalment sale, the seller's recourse in case of default is:
    a) Repossessing the asset
    b) Retaining ownership
    c) Suing for unpaid installments
    d) Re-negotiating the contract

ANSWER

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

Topic

Module 3: Total Income and Tax Liability of Individuals & HUF

INTERMEDIATE

Group I - Paper-7A

Direct Taxation (DT)

Set off and Carry Forward of Losses

In the world of taxation, businesses and individuals often encounter situations where their expenses exceed their income, resulting in financial losses. However, tax laws provide mechanisms to mitigate the impact of these losses through provisions known as set-off and carry forward. Understanding the nuances of set-off and carry forward of losses is crucial for taxpayers aiming to optimize their tax positions and navigate the complexities of the tax system effectively. In this comprehensive guide, we delve into the meaning, provisions of set off and carry forward of loss.

Defining Set-off and Carry Forward of Losses

Set-off and carry forward of losses are provisions within tax laws that allow taxpayers to utilize their losses from one source of income to offset their income from another source. When a taxpayer incurs a loss in a particular previous year, they can set off or deduct that loss against income earned from other sources in the same year. If the loss exceeds the income in a given year, the taxpayer may carry forward the unabsorbed portion of the loss to subsequent years for set-off against future income. These provisions aim to provide relief to taxpayers experiencing temporary setbacks and promote fairness in the tax system.

Set-off provisions

The table given below highlights the rule of set off of losses –

Head or Source of Income	Intra Head Adjustment u/s 70	Inter Head Adjustment u/s 71	Carry Forward
Income from House Property	With any income under the same head	• Under default regime, no adjustment • Under old regime, with any income under other head subject to cap of ₹ 2,00,000/-.	Yes
Profit & Gains of Business or Profession (Speculative)	With Speculative income only	No Adjustment	Yes
Profit & Gains of Business or Profession (Non-Speculative)	Any income under the head	With any income under other head except salary	Yes
Unabsorbed Depreciation	Any income under the head	With any income under other head except salary	Yes
Unabsorbed expenditure u/s 35AD [only under old regime]	Specified business	No Adjustment	Yes
Long Term Capital Loss	With Long Term Capital Gain	No Adjustment	Yes
Short Term Capital Loss	Any Capital Gain	No Adjustment	Yes
Owning and Maintaining Race Horse	Income from such activity	No Adjustment	Yes
Other loss under the head Income from Other Sources	With any income under the same head	With any income under other head	No

Taxpoint

- No loss can be set off against winning from lotteries, crossword puzzles, races, card games, gambling or betting, etc. [Sec. 58(4) & 115BB]
- Wherever reference is given for unabsorbed depreciation, it includes reference to unabsorbed capital expenditure on scientific research and unabsorbed capital expenditure on promotion of family planning among employees

Carry Forward provisions

The table given below highlights the rule of carry forward of loss –

Sec.	Type of loss to be carried forward & set off	Income against which carried forward loss can be set off in next year(s)	For how many years loss can be carried forward	Is it necessary to submit return of loss in time
71B	House property loss	Income under the head "Income from house property"	8 years	No
72	Non-speculation business loss (other than depreciation etc.)	Any income under the head 'Profits & gains of business or profession' (whether from speculation or otherwise)	8 years	Yes
32(2)	Unabsorbed depreciation, capital expenditure on scientific research and family planning	Any income other than Income under the head Salaries and winning from lotteries, etc.	Indefinite years	No
73	Speculation business loss	Income from speculation transaction.	4 years	Yes
73A	Loss of specified business covered u/s 35AD	Income from any specified business.	Indefinite years	Yes
74	Short term Capital Loss	Income under the head "Capital gains"	8 years	Yes
74	Long term Capital Loss	Long term capital gain	8 years	Yes
74A	Loss from activity of owing and maintaining race horses	Income from the activity of owing and maintaining race horses	4 years	Yes

Conclusion

Set-off and carry forward of losses are powerful tools for taxpayers seeking to optimize their tax positions and minimize tax liabilities. By leveraging these provisions effectively and adopting strategic tax planning strategies, businesses and individuals can mitigate the impact of financial losses and maximize tax efficiency. However, navigating the complexities of set-off and carry forward requires careful consideration of tax laws, regulations, and individual circumstances.

MULTIPLE CHOICE QUESTIONS

Choose the correct alternative

1. Unabsorbed business losses cannot be carried for more than
   a. 7 assessment years
   b. 8 assessment years
   c. 10 assessment years
   d. 12 assessment years
2. Long term capital loss can be adjusted against
   a. Any income excluding winning from lottery
   b. Any capital gains
   c. Any long term capital gain
   d. Any speculative business income
3. Loss from Derivative trading is
   a. Short-term Capital Loss
   b. Speculative business loss
   c. Non-speculative business loss
   d. Loss u/h 'Income from Other Sources'
4. Loss from specified business covered u/s 35AD can be adjusted against
   a. Any other business income
   b. Any income other then salary
   c. Income from other specified business
   d. Cannot be adjusted
5. Unabsorbed depreciation can be carried forward for
   a. Any other business income
   b. Any income other then salary
   c. Income from other specified business
   d. Cannot be adjusted

Answer:

1	b	2	c	3	c	4	c	5	a

Topic

Module 5:

Goods and Services Tax (GST) Laws

INTERMEDIATE

Group I - Paper-7B

Indirect Taxation (IDT)

Input Tax Credit

The introduction of the Goods and Services Tax (GST) revolutionized India's indirect tax system, ushering in a unified tax regime aimed at streamlining tax compliance and fostering economic growth. Central to the GST framework is the concept of Input Tax Credit (ITC), which allows businesses to offset tax paid on inputs against their tax liabilities. Understanding the intricacies of ITC is crucial for businesses to optimize their tax positions, enhance cash flow, and comply with GST regulations effectively. In this comprehensive guide, we explore the fundamentals of Input Tax Credit under GST, its mechanism, eligibility criteria, documentation requirements, and strategies for maximizing its benefits.

Understanding Input Tax Credit (ITC) under GST

Input Tax Credit (ITC) is a mechanism under GST that enables businesses to claim credit for taxes paid on inputs, input services, and capital goods used in the course of business. The fundamental principle behind ITC is to avoid tax cascading or the "tax on tax" effect, ensuring that taxes are levied only on the value addition at each stage of the supply chain. By allowing businesses to offset tax paid on purchases against their tax liabilities, ITC promotes efficiency, transparency, and fairness in the tax system.

Mechanism of Input Tax Credit (ITC)

The mechanism of Input Tax Credit (ITC) under GST operates through a seamless chain of tax credits across the supply chain. Key aspects of the ITC mechanism include:

- **Eligible Inputs**: Businesses can claim credit for taxes paid on inputs, which are goods or services used in the production or supply of goods or services.
- **Input Services**: Credit can also be claimed for taxes paid on input services, which are services used or intended to be used in the course of business.
- **Capital Goods**: Credit for taxes paid on capital goods, such as machinery, equipment, and furniture, is also available, subject to certain conditions.

Eligibility Criteria for Input Tax Credit (ITC)

While Input Tax Credit (ITC) offers significant benefits to businesses, certain eligibility criteria must be met to claim credit. Key considerations for eligibility include:

- **Registered Taxpayer**: Only registered taxpayers under GST are eligible to claim Input Tax Credit. Unregistered suppliers and composition scheme dealers are not entitled to ITC.
- **Taxpayer Compliance**: To claim ITC, taxpayers must comply with GST regulations, including filing timely returns, paying taxes due, and maintaining accurate records.
- **Tax Invoice**: Businesses must possess valid tax invoices or other prescribed documents evidencing the purchase of goods or services on which ITC is claimed.
- **Use in Business**: ITC can only be claimed for inputs, input services, and capital goods used or intended to be used in the course of business. Personal or non-business use is not eligible for credit.
- **Supplier Compliance**: To claim ITC, businesses must ensure that their suppliers have complied with GST regulations, including filing accurate returns and remitting taxes collected.

Block Credit

Block credit under GST refers to certain categories of goods or services for which input tax credit (ITC) is not allowed or restricted. These restrictions are put in place to prevent misuse, ensure tax compliance, and maintain the integrity of the GST system. Understanding the concept of block credit is crucial for businesses to accurately assess their tax liabilities and comply with GST regulations. Here are some common scenarios where block credit applies under GST:

- **Motor Vehicles**: Input tax credit on the purchase, leasing, or renting of motor vehicles, except when they are used for specific purposes like transportation of passengers, goods, or for providing certain taxable services.

- **Food and Beverages**: Input tax credit is blocked for goods or services used for providing food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, membership of a club, health and fitness center, and travel benefits extended to employees on vacation.
- **Works Contract Services**: Input tax credit is restricted on works contract services when they are used for construction of immovable property (other than plant and machinery) except where it is used for further supply of works contract service.
- **Goods and Services for Personal Use**: Input tax credit is blocked for goods or services acquired for personal consumption or used for non-business purposes.
- **Certain Goods and Services**: Input tax credit may be blocked for specific goods or services as determined by the government to prevent tax evasion or to align with policy objectives.

It's essential for businesses to review the list of blocked credits periodically as it may change based on updates to GST laws and regulations. Compliance with block credit provisions is critical to avoid penalties and ensure accurate tax reporting under GST.

Strategies for Maximizing Input Tax Credit (ITC) Benefits

To maximize the benefits of Input Tax Credit (ITC) under GST, businesses can adopt various strategies, including:

- **Timely Compliance**: Ensuring timely compliance with GST regulations, including filing accurate returns and remitting taxes, is essential for availing Input Tax Credit without disruptions.
- **Vendor Management**: Establishing robust vendor management processes to verify the GST compliance of suppliers, validate tax invoices, and address discrepancies promptly can help streamline ITC claims.
- **Input Classification**: Carefully classifying inputs, input services, and capital goods based on their use in business activities and maintaining proper documentation can facilitate accurate and efficient ITC claims.
- **Reverse Charge Mechanism**: Understanding the applicability of the reverse charge mechanism and complying with its requirements for certain specified supplies can enable businesses to claim ITC on reverse charge transactions.

Conclusion

Input Tax Credit (ITC) under GST is a powerful tool for businesses to offset tax paid on inputs and promote tax efficiency in the supply chain. By understanding the mechanism, eligibility criteria, documentation requirements, and strategies for maximizing ITC benefits, businesses can optimize their tax positions, enhance cash flow, and comply with GST regulations effectively. Overall, while input tax credit is a key feature of the GST regime that helps businesses reduce their tax burden, understanding and adhering to the rules regarding block credit is equally important to maintain compliance and avoid any potential issues with tax authorities. As businesses continue to adapt to the evolving GST landscape, leveraging Input Tax Credit intelligently will remain integral to achieving compliance, competitiveness, and sustainable growth in the dynamic Indian economy.

Topic

Module 6:
Cost Accounting
Techniques

INTERMEDIATE

Group I - Paper-8

Cost Accounting
(CA)

COST ACCOUNTING

The Chapter Standard Costing And Variance Analysis ----

This Chapter is most important for you , the Intermediate students. Any problem on standard cost for working out different variances like Material cost variances , Labour cost variances ,Overhead cost variances , Sales variances , Sales margin variances can be worked out by using standard format applicable to all variance analysis . Most of you are afraid of this important chapter only because of different formulae for different analysis . But the standard format introduced in this chapter tries to eliminate such difficulties. The calculation of Mix variances is necessary only when there are mored than one type of component for producing an article . Standard cost means the standard cost for actual production. Sometimes variances are given and actual costs / rates are to be find out.

All of we know that it is very difficult to compare and find out the reason of cost fluctuation through Historical Costing , as it ascertains cost after they have been incurred . the reasons for cost fluctuation apart from variations in output or units produced ,may be detected through introduction of standard costing.

Now , we shall know what is Standard , Standard Cost and Standard costing ?

The term "Standard" is a predetermined measurable quantity set in defined conditions against which actual " Standard performance can be compared .

" Cost" is defined by CIMA in the following way:--

A predetermined calculation of how much cost should be used under specified working condition. It is built up from an assessment of the value of cost elements and correlates technical specification and qualification of material , labour and other costs to the prices and /or usages rate expected to apply during the period in which the standard cost is intended to be used . Its main purpose is to provide a basis for control through variance accounting for the valuation of stock and work-in-progress and in some cases for setting prices.

"Standard Costing" is the technique by which Standard Costs are used. It involves the setting of predetermined cost estimates in order to provide a basis for comparison with actual. Standard Cost is universally accepted as an effective tool for cost control in industries .

The main objectives of Standard Costing are :--

a) To provide an accepted basis for assessing performance and efficiency.

b) To control costs by introducing standard and analysis of variances.

c) To assists in setting budgets.

d) To motivate staff and management.

e) To help in assessing responsibility for non-standard performance in order to correct deficiencies or to capitalize the benefits.

f) To provide basis for estimation .

g) To provide guidance on possible ways for improving performance.

The Problems involved in setting standard costs are:

a) Deciding how to deal inflation into planed unit cost.

b) Deciding on the quality of materials to be used.

c) Estimating material prices where seasonal price variations or bulk purchase discount may be significant.

d) Deciding on the appropriate mixture where some change in the mix is possible.

e) The cost of setting up and maintaining a system for establishing standards.

Standard Costing And Budgetary Control :

Both Standard costing and Budgetary control are used for controlling the business operations by establishing predetermined standard and comparing standard with actual. Budgetary Control is usually operated without standard costing but it is difficult to implement the standard costing without budgetary control . a system of budgetary control in conjunction with standard costing is more helpful. Thus although both are helpful to management in controlling costs, they differ in respect of scope and technique .

Standard costing is mainly related to manufacturing departments, whereas , Budgetary control deals with the departments or business as a whole. Standards are based

on technical assessments, where Budgets are based on past actual with necessary adjustments. Standards are minimum targets,which are to be attained. On the other hand Budgets are the maximum limits of expenses about which expenditure should not be incurred. Analysis of variances are necessary whether they are favorable or adverse. But in case of costs within the budget, no further analysis is necessary. Again, standards are expressed per unit of production. Whereas , budgets are expressed in total and not per unit.

Standard Cost And Estimated Cost:--

Standard costs aim at what the cost should be and this costs are planed cost determined on scientific basis and are based on certain assumed condition of production. Estimated costs aim at what cost will be. Estimated costs are based on average of past actual figure adjusted for future and is used for price quotations.

Use of Standard Costing may have following advantages :-

a) Standard costing provides the guidelines which help the management in performing their managerial functions such as in formulating policies, in determining prices etc.

b) It acts as yardsticks against which actual costs are compared. Thus it facilitates effective cost control and provides necessary information for cost reduction .

c) Standard Costing highlights areas on strength and weaknesses.

d) It acts as a form of feed forward control that allows an organization to plan the manufacturing inputs required for different levels of output.

e) It helps prompt preparation of profit and loss account for short period.

f) It assists to trace or allocate manufacturing costs to each individual unit produced.

Variances under each element of cost are analysed as follows:--

Material cost variances , Labour cost variances , Overhead cost variances and Sales variances. Under this discussion I like to discuss only Material cost variances, that are further analysed below:--

Material Cost Variance is the difference between the actual direct material cost incurred and the Standard direct material cost specified for the production achieved . material cost variances are analysed under two heads , viz. Material price variance and Material usage variance.

Material Price Variance is that portion of costs variances which is due to difference in rate of material between standard and actual per unit of material applied to the actual quantity of material purchased and used.

Material Usage Variance is that portion is that portion of material cost variance which is due to the difference between the actual quantity used and the amount which should have been used valued at standard price as was fixed before hand. Material Usage Variance can be further analysed under two heads , Material mix variance and Material Yield variance .

Material Mix Variance is the difference between actual composition of mix and standard composition of mixing of the total quantity of input of production used.

Material Yield Variance is the difference between the standard cost of production achieved and the actual total quantity of material used at standard ratio / composition at standard price .

Now a problem is solved below ,based on Material Variances.

PROBLEM:

80 KG of material A at a standard price of ₹ 2 per kg and 40 kg of material B at a standard price of ₹ 5 per kg. were to be used to manufacture 100kg of a chemical. During a month 70 kg of Sused and the output of the chemical was 102 kg.

Find out the Material variances.

SOLUTION:

STANDARED COST	STANDARD COST OF ACTUAL INPUT		ACTUAL COST
	At Standard Mix.	At Actual Mix.	
S.C x Output	kg. SR ₹	Kg SR ₹	Ac. Qty. x Ac. Rate.
*₹ 3.60 X 102kg	A : 80 x 2.00 = 160	A : 70 x 2.00 = 140	A : 70kg x ₹ 2.10 = ₹147
	B : 40 x 5.00 = 200	B : 50 x 5.00 = 250	B : 50kg x ₹4.50 = ₹225
	-------	--------	
	120 Kg.	120 Kg.	

Std. Ratio : 80: 40

Thus , M4 = ₹367.20 M3 = ₹ 360 M2 = ₹ 390 M1 = ₹ 372

Now , the variances are :---

1) **Material Price Variance** = M2 – M1 = ₹ 390 - ₹ 372 = ₹ 18 (F)
2) **Material Mix Variance** = M3 – M2 = ₹ 360 – ₹ 390 = ₹ 30 (A)
3) **Material Yield Variance** = M4 – M3 = ₹ 367.20 – ₹360 = ₹ 7.20(F)
4) **Material Usage Variance** = M4 –M2 = ₹ 367.20 – ₹ 390 = ₹ 22.80(A)S
5) **Material Cost Variance** = M4 –M1 = ₹ 367.20 – ₹ 372 = ₹ 4.80(A)

*Standard Cost Per Kg of output = 160 + 200 = 360, ₹ 360 / 100kg = ₹ 3.60.

Topic

Module 4: Application of Operation Research - Production Planning and Control

INTERMEDIATE

Group II - Paper-9

Operations Management and Strategic Management (OMSM)

Operations Management

In this issue we will discuss some special features on Assignment problems with illustrations

There are many situations where the assignment of people or machine and so on, may be called for. Assignment of workers to machines, clerks to various check-out counters etc.

Why assignment is required?

The assignment is a problem because people possess varying abilities for performing different jobs and therefore the costs of performing the jobs by different people are different. If all persons could do a job in the same time or at the same cost then it would not matter who of them is assigned the job. Since there are differences so we require assignments

Some special types of assignment problems are----

Unbalanced:

When no of columns no of rows

Treatment same as in case of transportation problem. i.e. A dummy column(s)/row(s) whichever is smaller in number are inserted with zeros as the cost element. After the introduction of dummy the problem is solved in the usual manner

Constrained Assignment problems:

In some cases because of some reasons a job or machine may not be possible to be assigned to a particular worker or center. In that case that particular cell is assigned with a prohibitory cost element M---a very large value and the problem is solved in the usual manner

Unique vs Multiple Optimal solutions:

In the process of making assignments, it was stated earlier that we select a row/column with only a single zero to make an assignment. However a situation may arise wherein the various rows and columns where assignments are yet to be done, have all multiple zeros. As stated, we do the assignments here arbitrarily. In such cases the solution will not be unique. There will be multiple optimal solutions

Maximisation Case:

Find out the largest value in the matrix. All the elements, including the largest element, in the matrix are subtracted from this largest element. Then proceed in the same way as done in case of minimisation problem

In addition to this knowledge on special features of assignment problems, we will now discuss few assignment problems below applying HAM to find out basic feasible solutions.

In the following problems in the final tables Green coloured boxes are the assigned boxes

Q1. Using the following cost matrix, determine the optimal job assignment and the cost of assignment

Machinist	Jobs				
	1	2	3	4	5
A	10	3	3	2	8
B	9	7	8	2	7
C	7	5	6	2	4
D	3	5	8	2	4
E	9	10	9	6	10

Ans:

Row:

Machinist	Jobs				
	1	2	3	4	5
A	8	1	1	0	6
B	7	5	6	0	5
C	5	3	4	0	2
D	1	3	6	0	2
E	3	4	3	0	4

Column:

Machinist	Jobs				
	1	2	3	4	5
A	7	0	0	0	4
B	6	4	5	0	3
C	4	2	3	0	0
D	0	2	5	0	0
E	2	3	2	0	2

Machinist	Jobs				
	1	2	3	4	5
A	7	0	0	0	4
B	6	4	5	0	3
C	4	2	3	0	0
D	0	2	5	0	0
E	2	3	2	0	2

No of striking lines < n, so non-optimal

Machinist	Jobs				
	1	2	3	4	5
A	7	0	0	2	4
B	4	2	3	0	1
C	4	2	3	2	0
D	0	2	5	2	0
E	0	1	0	0	0

No of striking lines = n, optimality reached. Assignments

Machinist	Jobs				
	1	2	3	4	5
A	7	0	0	2	4
B	4	2	3	0	1
C	4	2	3	2	0
D	0	2	5	2	0
E	0	1	0	0	0

Cost: A2 = 3 + B4 = 2 + C5 = 4 + D1 = 3 + E3 = 9: 21

Q2. To stimulate interest and provide an atmosphere for intellectual discussion, the finance faculty in a management school decides to hold special seminars on four contemporary topics- leasing, portfolio management, private mutual funds, swaps and options. Such seminars should be held once per week in the afternoons. However, scheduling these seminars (one for each topic and not more than one seminar per afternoon) has to be done carefully so that the number of students unable to attend is kept to minimum. A careful study indicates that the number of students who cannot attend a particular seminar on a special day is as follows:

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options
Monday	50	40	60	20
Tuesday	40	30	40	30
Wednesday	60	20	30	20
Thursday	30	30	20	30
Friday	10	20	10	30

Find an optimal solution of the seminars. Also find out the total number of students who will be missing at least one seminar

Ans:

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options	Dummy
Monday	50	40	60	20	0
Tuesday	40	30	40	30	0
Wednesday	60	20	30	20	0
Thursday	30	30	20	30	0
Friday	10	20	10	30	0

Unbalanced as no of rows is not equal to no of columns. So a dummy column is taken

Row:

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options	Dummy
Monday	50	40	60	20	0
Tuesday	40	30	40	30	0
Wednesday	60	20	30	20	0
Thursday	30	30	20	30	0
Friday	10	20	10	30	0

Column:

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options	Dummy
Monday	40	20	50	0	0
Tuesday	30	10	30	10	0
Wednesday	50	0	20	0	0
Thursday	20	10	10	10	0
Friday	0	0	0	10	0

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options	Dummy
Monday	40	20	50	0	0
Tuesday	30	10	30	10	0
Wednesday	50	0	20	0	0
Thursday	20	10	10	10	0
Friday	0	0	0	10	0

Non-optimal as no of striking lines is not equal to m/n

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options	Dummy
Monday	40	20	50	0	10
Tuesday	20	0	20	0	0
Wednesday	50	0	20	0	10
Thursday	10	0	0	0	0
Friday	0	0	0	10	10

Assignments:

	Leasing	Portfolio Management	Private Mutual Funds	Swaps and Options	Dummy
Monday	40	20	50	0	10
Tuesday	20	0	20	0	0
Wednesday	50	0	20	0	10
Thursday	10	0	0	0	0
Friday	0	0	0	10	10

Q3. Convert the following LPP into an assignment problem and then solve

Minimise $Z = 8x_{11} + 5x_{12} + 6x_{13} + 6x_{21} + 9x_{22} + 4x_{23} + 5x_{31} + 7x_{32} + 7x_{33}$

Subject to

$x_{11} + x_{12} + x_{13} = 1 \qquad x_{11} + x_{21} + x_{31} = 1$

$x_{21} + x_{22} + x_{23} = 1 \qquad x_{12} + x_{22} + x_{32} = 1$

$x_{31} + x_{32} + x_{33} = 1 \qquad x_{13} + x_{23} + x_{33} = 1$

All $x_{ij} = 0, 1$

Ans:

	Job		
Worker	1	2	3
A	8	5	6
B	6	9	4
C	5	7	7

Row

	Job		
Worker	1	2	3
A	3	0	1
B	2	5	0
C	0	2	2

Column:

	Job		
Worker	1	2	3
A	3	0	1
B	2	5	0
C	0	2	2

	Job		
Worker	1	2	3
A	3	0	1
B	2	5	0
C	0	2	2

As no of striking lines = m=n, optimality reached

Assignments:

	Job		
Worker	1	2	3
A	3	0	1
B	2	5	0
C	0	2	2

Total cost = 5 + 4 +5 =14

Q4. ABC Company is engaged in manufacturing 5 brands of packed snacks. It is having five manufacturing setups, each capable of manufacturing any of its brands one at a time. The cost to make a brand on these setups vary according to the table below:

	S1	S2	S3	S4	S5
B1	4	6	7	5	11
B2	7	3	6	9	5
B3	8	5	4	6	9
B4	9	12	7	11	10
B5	7	5	9	8	11

Assuming five setups are S1, S2, S3, S4, & S5 and five brands are B1, B2, B3, B4 & B5. Find the optimal assignment of products on these setups resulting in the minimum cost

Ans:

	S1	S2	S3	S4	S5
B1	4	6	7	5	11
B2	7	3	6	9	5
B3	8	5	4	6	9
B4	9	12	7	11	10
B5	7	5	9	8	11

Balanced as m = n

Row:

	S1	S2	S3	S4	S5
B1	0	2	3	1	7
B2	4	0	3	6	2
B3	4	1	0	2	5
B4	2	5	0	4	3
B5	2	0	4	3	6

Column:

	S1	S2	S3	S4	S5
B1	0	2	3	0	5
B2	4	0	3	5	0

B3	4	1	0	1	3
B4	2	5	0	3	1
B5	2	0	4	2	4

	S1	S2	S3	S4	S5
B1	0	2	3	0	5
B2	4	0	3	5	0
B3	4	1	0	1	3
B4	2	5	0	3	1
B5	2	0	4	2	4

As no of striking lines < m = n, optimality not reached

	S1	S2	S3	S4	S5
B1	0	2	4	0	5
B2	4	0	4	5	0
B3	3	0	0	0	2
B4	1	4	0	2	0
B5	2	0	5	2	4

As no of striking lines = m = n, optimality reached

	S1	S2	S3	S4	S5
B1	0	2	4	0	5
B2	4	0	4	5	0
B3	3	0	0	0	2
B4	1	4	0	2	0
B5	2	0	5	2	4

Minimum cost = 4+5 + 6+7+5 = 27

Q5. XYZ electronics supplies television components to various television manufacturers. The past records indicate that a certain number of components assembled by the workers were returned because of product defects. The average number of defects produced by each worker per month is 82. Various component production of defective jobs is given in the following table

Workers	Jobs					
	1	2	3	4	5	6
A	23	29	15	31	21	14
B	31	25	17	27	31	23
C	15	23	19	24	22	31
D	19	17	26	15	13	23
E	26	19	15	17	17	29
F	24	25	11	15	29	21

Determine the optimal assignments of the workers to various jobs to minimises the total number of defects

Ans:

Row

Workers	Jobs					
	1	2	3	4	5	6
A	9	15	1	17	7	0
B	14	8	0	10	14	6
C	0	8	4	9	7	16
D	6	4	13	2	0	10
E	11	4	0	2	2	14
F	13	14	0	4	18	10

Column:

Workers	Jobs					
	1	2	3	4	5	6
A	9	11	1	15	7	0
B	14	4	0	8	14	6
C	0	4	4	7	7	16
D	6	0	13	0	0	10
E	11	0	0	0	2	14
F	13	10	0	2	18	10

Workers	Jobs					
	1	2	3	4	5	6
A	9	11	1	15	7	0
B	14	4	0	8	14	6
C	0	4	4	7	7	16
D	6	0	13	0	0	10
E	11	0	0	0	2	14
F	13	10	0	2	18	10

Optimality did not reach as no of striking lines < n = m

Workers	Jobs					
	1	2	3	4	5	6
A	9	9	1	13	5	0
B	14	2	0	6	12	6
C	0	2	4	5	5	16
D	8	0	15	0	0	12
E	13	0	2	0	2	16
F	13	8	0	0	16	10

Workers	Jobs					
	1	2	3	4	5	6
A	9	9	1	13	5	0
B	14	2	0	6	12	6
C	0	2	4	5	5	16
D	8	0	15	0	0	12
E	13	0	2	0	2	16
F	13	8	0	0	16	10

Assignments:

Workers	Jobs					
	1	2	3	4	5	6
A	9	9	1	13	5	0
B	14	2	0	6	12	6
C	0	2	4	5	5	16
D	8	0	15	0	0	12
E	13	0	2	0	2	16
F	13	8	0	0	16	10

Total no of defects = 14 + 17 + 15 + 13 + 19 + 15 = 93

Q6.

A fast food chain wants to build four stores. In the past, the chain has used six different construction companies and having been satisfied with each, has invited each to bid on each job. The final bids (in lakhs of rupees) were as shown in the following table

	Construction Companies					
	1	2	3	4	5	6
Store 1	85.3	88.6	87.5	82.4	89.1	86.7
Store 2	78.9	77.4	77.4	76.5	79.3	78.3
Store 3	82	81.3	82.4	80.6	83.5	81.7
Store 4	84.3	84.6	86.2	83.3	84.4	85.5

Since the fast-food chain wants to have each of the new stores ready as quickly as possible, it will award at most one job to one company. What assignment results in minimum total cost to the fast food chain?

Ans:

Un-balanced problem so we consider dummy rows

	Construction Companies					
	1	2	3	4	5	6
Store 1	85.3	88.6	87.5	82.4	89.1	86.7
Store 2	78.9	77.4	77.4	76.5	79.3	78.3
Store 3	82	81.3	82.4	80.6	83.5	81.7
Store 4	84.3	84.6	86.2	83.3	84.4	85.5
Dummy 1	0	0	0	0	0	0
Dummy 2	0	0	0	0	0	0

Row:

	Construction Companies					
	1	2	3	4	5	6
Store 1	2.9	6.2	5.1	0	6.7	4.3
Store 2	2.4	0.9	0.9	0	2.8	1.8
Store 3	1.4	0.7	1.8	0	2.9	1.1
Store 4	1	1.3	2.9	0	1.1	2.2
Dummy 1	0	0	0	0	0	0
Dummy 2	0	0	0	0	0	0

Column

	Construction Companies					
	1	2	3	4	5	6
Store 1	2.9	6.2	5.1	0	6.7	4.3
Store 2	2.4	0.9	0.9	0	2.8	1.8
Store 3	1.4	0.7	1.8	0	2.9	1.1
Store 4	1	1.3	2.9	0	1.1	2.2
Dummy 1	0	0	0	0	0	0
Dummy 2	0	0	0	0	0	0

	Construction Companies					
	1	2	3	4	5	6
Store 1	2.9	6.2	5.1	0	6.7	4.3
Store 2	2.4	0.9	0.9	0	2.8	1.8
Store 3	1.4	0.7	1.8	0	2.9	1.1
Store 4	1	1.3	2.9	0	1.1	2.2
Dummy 1	0	0	0	0	0	0
Dummy 2	0	0	0	0	0	0

Optimality not reached

	Construction Companies					
	1	2	3	4	5	6
Store 1	2.2	5.5	4.4	0	6	3.6
Store 2	1.7	0.2	0.2	0	2.1	1.1
Store 3	0.7	0	1.1	0	2.2	0.4
Store 4	0.3	0.6	2.3	0	0.4	1.5
Dummy 1	0	0	0	0.7	0	0
Dummy 2	0	0	0	0.7	0	0

Optimality not reached

	Construction Companies					
	1	2	3	4	5	6
Store 1	2	5.3	4.2	0	5.8	3.4
Store 2	1.5	0	0	0	1.9	0.9
Store 3	0.7	0	1.1	0.2	2.2	0.4
Store 4	0.1	0.4	2.1	0	0.2	1.3
Dummy 1	0	0	0	0.9	0	0
Dummy 2	0	0	0	0.9	0	0

Optimality not reached

	Construction Companies					
	1	2	3	4	5	6
Store 1	1.9	5.3	4.1	0	5.7	3.3
Store 2	1.5	0.1	0	0.1	1.9	0.9
Store 3	0.6	0	1	0.2	2.1	0.3
Store 4	0	0.4	2	0	0.1	1.2
Dummy 1	0	0.1	0	1	0	0
Dummy 2	0	0.1	0	1	0	0

Optimality reached. Assignments

	Construction Companies					
	1	2	3	4	5	6
Store 1	1.9	5.3	4.1	0	5.7	3.3
Store 2	1.5	0.1	0	0.1	1.9	0.9
Store 3	0.6	0	1	0.2	2.1	0.3
Store 4	0	0.4	2	0	0.1	1.2
Dummy 1	0	0.1	0	1	0	0
Dummy 2	0	0.1	0	1	0	0

Total Cost: 82.4 + 77.4 + 81.3 + 84.3 = 325.4

Q7. A company solicits bids on each of four projects from five contractors. Only one project may be assigned to any contractor. The bids received (in thousands of rupees) are given in the accompanying table. Contractor D feels unable to carry out project 3 and therefore submits no bid

Project	Contractor				
	A	B	C	D	E
1	18	25	22	26	25
2	26	29	26	27	24
3	28	31	30	-	31
4	26	28	27	26	29

Solve this assignment problem

Ans:

Project	Contractor				
	A	B	C	D	E
1	18	25	22	26	25
2	26	29	26	27	24
3	28	31	30	-	31
4	26	28	27	26	29

Unbalanced as no of rows < no of columns. So we use Dummy rows. And put Big M against 3D, as contractor D could not take project 3

Project	Contractor				
	A	B	C	D	E
1	18	25	22	26	25
2	26	29	26	27	24
3	28	31	30	M	31
4	26	28	27	26	29
Dummy	0	0	0	0	0

Row:

Project	Contractor				
	A	B	C	D	E
1	0	7	4	8	7
2	2	5	2	3	0
3	0	3	2	M	3
4	0	2	1	0	3
Dummy	0	0	0	0	0

Column:

Project	Contractor				
	A	B	C	D	E
1	0	7	4	8	7
2	2	5	2	3	0
3	0	3	2	M	3
4	0	2	1	0	3
Dummy	0	0	0	0	0

Project	Contractor				
	A	B	C	D	E
1	0	7	4	8	7
2	2	5	2	3	0
3	0	3	2	M	3
4	0	2	1	0	3
Dummy	0	0	0	0	0

Optimality not reached

Project	Contractor				
	A	B	C	D	E
1	0	6	3	8	7
2	2	4	1	3	0
3	0	2	1	M	3
4	0	1	0	0	3
Dummy	1	0	0	1	1

Optimality not reached as no of striking lines is < no of rows

Project	Contractor				
	A	B	C	D	E
1	0	5	2	7	7
2	2	3	0	2	0
3	0	1	0	M	3
4	1	1	0	0	4
Dummy	2	0	0	1	2

Now optimality reached

Project	Contractor				
	A	B	C	D	E
1	0	5	2	7	7
2	2	3	0	2	0
3	0	1	0	M	3
4	1	1	0	0	4
Dummy	2	0	0	1	2

Minimum total cost = 18 + 30 + 26 + 24 = 98 thousand

Q8. MCS Inc is a software Company which has three projects of AI with the departments of health, education and housing of union governments. Based on the background and experience of the project leaders, they differ in terms of their performance at various projects. The performance score matrix is given below:

Project Leaders	Projects		
	Health	Education	Housing
P1	20	26	42
P2	24	32	50
P3	32	34	44

Help the management by determining the optimal assignment which maximises the total performance score

Ans:

Maximisation problem. So we are making it a minimisation problem by subtracting each element in the matrix from the highest element in the matrix and the result is

Project Leaders	Projects		
	Health	Education	Housing
P1	30	24	8
P2	26	18	0
P3	18	16	6

Row:

Project Leaders	Projects		
	Health	Education	Housing
P1	22	16	0
P2	26	18	0
P3	12	10	0

Column

Project Leaders	Projects		
	Health	Education	Housing
P1	10	6	0
P2	14	8	0
P3	0	0	0

Project Leaders	Projects		
	Health	Education	Housing
P1	10	6	0
P2	14	8	0
P3	0	0	0

Optimality not reached, so

Project Leaders	Projects		
	Health	Education	Housing
P1	4	0	0
P2	8	2	0
P3	0	0	6

Optimality reached. So

Project Leaders	Projects		
	Health	Education	Housing
P1	4	0	0
P2	8	2	0
P3	0	0	6

Total performance score: 26 + 50 + 32 = 108

Suggestions:

This lesson is prepared purely from teachings imparted by the Guide book issued by Institute. The study guide on Operations Management issued by Institute is to be studied thoroughly to understand HAM method along with the process of arriving the optimality when no of striking lines are not becoming equal to no of rows/columns. For supplementary readings one can refer Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson.

Topic

Module 4:
Accounts of Banking, Electricity and Insurance Companies

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: Accounts of Banking Companies

- **Multiple Choice Questions**

1. In the context of a banking company the term 'CRR' stands for ____________.
   A. Capital reserve ratio
   B. Cash reserve ratio
   C. Contingency reserve ratio
   D. Cumulative reserve ratio
2. A bank may maintain cash reserve with itself or by way of a balance in the ____________ with the RBI.
   A. Current Account
   B. Savings Account
   C. Fixed Deposit Account
   D. Flexible Deposit Account
3. Which of the following is an objective of a bank's book keeping system?
   A. To keep up-to-date detailed ledgers
   B. To balance the trial balance every day
   C. To keep all control accounts in agreement with the detailed ledgers
   D. All of the above
4. Which of the following is a subsidiary book in a bank's books of accounts?
   A. General Ledger
   B. Profit and Loss Ledger
   C. Personal Ledger
   D. None of the above
5. Which of the following is (are) a characteristic(s) of a bank's book keeping system?
   A. Voucher summary sheets
   B. Daily trial balance
   C. Control Accounts
   D. All of the above

Answer: 1 – B; 2 – A; 3 – D; 4 – C; 5 - D

- **Comprehensive Problem**

1. Consider the following information provided by One 2 One Bank.

a. Rebate on Bills Discounted (as on 01.04.2023) ₹ 56,000. Discount Received during the year ₹2,04,000.

b. The following bills have been discounted during the year.

Amount of Bill (₹)	Rate of Discount	Due Date (including grace days)
1,30,000	13% p.a.	June 14, 2024
3,00,000	15% p.a.	July 19, 2024
8,60,000	12% p.a.	August 10, 2024

Calculate the amount of discount to be transferred to the Statement of Profit and Loss for the year ended on 31.03.2024. Also show the journal entry.

Solution:

Discount to be transferred to the Statement of Profit and Loss = ₹ 2,05,643

The Journal Entry is as follows:

Journal Entry

Date	Particulars	₹	₹
31.03.2024	Interest and Discount A/C................ Dr	54,357	
	To Rebate on Bill Discounted A/C		54,357

Workings:

Calculation for rebate on bill discounted

Bill Due Date	Days after Due date	Amount (₹)	Rate	Discount
14.06.2024	75	1,30,000	13%	3473
19.07.2024	110	3,00,000	15%	13562
10.08.2024	132	8,60,000	12%	37322
			Total	54357

Amount to be credited to P/L = 56000+204000-54357 = ₹ 205643

2. Calculate rebate on bills discounted as on 31st March 2024 and pass journal entry.

Date of bill	Amount (₹)	Period	Rate of discount
15.1.2024	1,00,000	5 months	9%
10.2.2024	60,000	4 months	8%
25.2.2024	80,000	4 months	8%
20.3.2024	1,20,000	3 months	10%

Solution:

Calculation of Discount

Date of bill	Period	Due date	Days beyond 31.3.22	Amount (₹)	Rate of discount	Amount of discount (₹)
15.1.2024	5 months	18.6.2024	79	1,00,000	9%	1947.95
10.2.2024	4 months	13.6.2024	74	60,000	8%	973.15
25.2.2024	4 months	28.6.2024	89	80,000	8%	1560.55
20.3.2024	3 months	23.6.2024	84	1,20,000	10%	2761.64
						7243.29

Journal Entry:

	Dr.	Cr.
Interest and Discount A/c………………Dr.	7243.29	
To Rebate on Bills Discounted A/c		7243.29

Topic: Accounts of Banking Companies

Comprehensive Problems

3. Prepare the Fire Insurance Revenue A/C as per IRDA regulations for the year ended 31st March, 2024 from the following details:

Particulars	₹
Claims paid	9,80,000
Legal expenses regarding claims	20,000
Premiums received	26,00,000
Re-insurance premium paid	2,00,000
Commission	6,00,000
Expenses of management	4,00,000
Provision against unexpired risk on 1st April, 2023	11,00,000
Claims unpaid on 1st April, 2023	1,00,000
Claims unpaid on 31st March, 2024	1,60,000

Create Reserve for Unexpired Risk @ 50%.

Solution:

Fire Insurance Revenue Account for the year ended on 31.03.2024

	Particulars		₹
1.	Premium earned	1	23,00,000
2.	Other income		Nil
3.	Interest, dividend and rent		Nil
	Total (A)		23,00,000
4.	Claims incurred	3	10,60,000
5.	Commission		6,00,000
6.	Operating expenses		4,00,000
	Total (B)		20,60,000
	Operating profit (A – B)		2,40,000

Workings:

(1) Premium earned

Particulars	₹
Premium received	26,00,000
Less: Re-insurance premium	2,00,000
Net premium	24,00,000
Less: Adjustment for change in reserve for unexpired risk (Note 2)	1,00,000
	23,00,000

(2) Change in reserve for unexpired risk

Particulars	₹
Unexpired risk reserve on 31.03.2024 (2400000 × 50%)	12,00,000
Less: Unexpired risk reserve on 01.04.2023	11,00,000
	1,00,000

(3) Claims incurred

Particulars	₹
Claims paid including legal expense (980000+20000)	10,00,000
Add: claims outstanding (closing)	1,60,000
Less: claims outstanding (opening)	1,00,000
	10,60,000

Section B: Auditing

Topic: Provisions Relating to Audit under Companies Act, 2013

- **Multiple Choice Questions**

1. As per section 144 of the Companies Act, 2013, a statutory auditor should not perform ________in the company in which he has been appointed as a statutory auditor.

A. Accounting and book keeping services

B. Actuarial services

C. Investment advisory services

D. All of the above

2. In case of failure of the Board to appoint the first auditor of a company other than a government company, the members shall appoint such auditor within ________ days at an extra ordinary general meeting.

   A. 30 days

   B. 60 days

   C. 90 days

   D. 120 days

Answer: 1 – D; 2 - C

- **Comprehensive Questions**

1. **Discuss the provisions of the Companies Act, 2013 relating to rotation of company auditors.**

Answer:

As per Sec. 139(2) read with Rule 5 of Companies (Audit and Auditors) Rules, 2014 a company should rotate auditors after specified time. In other words, the same auditor cannot continue forever.

However, rotation is applicable only to:

(1) Listed companies;

(2) Other prescribed class of companies (except One person & small companies) such as:

   (*a*) all unlisted public companies having paid up share capital ≥ ₹ 10 crores;

   (*b*) all private limited companies having paid up share capital ≥ ₹ 50 crores; or

   (*c*) all companies having public borrowings from financial institutions, banks or public deposits ≥ ₹ 50 crores.

Accordingly, the above companies shall not appoint or re-appoint:

(*a*) an individual as auditor for more than one term of five consecutive years; and

(*b*) an audit firm as auditor for more than two terms of five consecutive years.

Therefore, an auditor who has completed the term as discussed above *i.e.*, an individual (one term of 5 years) or a firm (two terms of 5 years each) is not eligible for re-appointment as auditor of the company for next 5 years. This is known as cooling off period.

Following are some illustrative case studies in this context.

Case 1:

ABC Ltd., a listed company, appoints **Mr. Murti** *(Individual)* as an auditor in its AGM dated 29th September, 2024. Mr. Murti will hold office of Auditor from the conclusion of this AGM up to the conclusion of sixth AGM *i.e.*, AGM to be held in the year 2029. Now as per Section 139(2), Mr. Murti shall not be re-appointed as Auditor in ABC Ltd. for a further term of five years *i.e.*, he cannot be appointed as Auditor up to year 2029.

Case 2:

Xylark Ltd., a listed company, appoints M/s Murti & Associates as an **audit firm** in its AGM dated 29th September, 2024. M/s Murti & Associates will hold office from the conclusion of this meeting up to conclusion of sixth AGM to be held in the year 2029. Now as per Section 139(2), M/s Murti & Associates can be appointed or re-appointed as auditor for one more term of five years *i.e.*, up to year 2034. It shall not be re-appointed as Audit firm in Xylark Ltd. for further term of five years *i.e.*, up to year 2039.

Topic

Module 5:
Capital Budgeting

Module 11:
Data Analysis and
Modelling

INTERMEDIATE

Group II - Paper-11

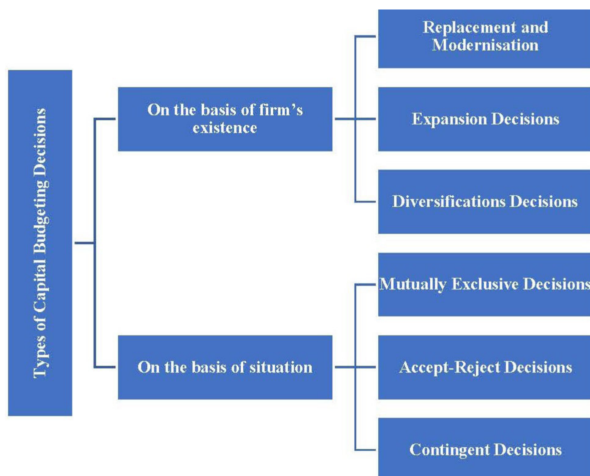
Financial Management and Business Data Analytics (FMDA)

Subject: Financial Management and Business Data Analytics

Capital Budgeting

Capital budgeting is the process of evaluating and selecting long-term investments that are consistent with the goal of shareholders (owners) wealth maximization. Capital budgeting decisions pertain to fixed/long-term assets which are in operation, and yield a return, over a period of time, usually, exceeding one year. They, therefore, involve a current outlay or series of outlays of cash resources in return for an anticipated flow of future benefits.

Capital expenditure is an outlay of funds that is expected to produce benefits over a period of time exceeding one year. Capital expenditure management includes addition, disposition, modification and replacement of fixed assets. Types of capital budgeting decisions are as follows:



Example 1:

SUTANUTI Ltd. is considering a proposal to replace an existing piece of equipment by a new one. The new equipment is operationally efficient and will result in savings in operating costs estimated at ₹ 1,50,000 annually.

It will cost ₹ 3,00,000 and will be purchased at the beginning of the year. The equipment dealer states that most companies use a 4-year life while depreciating equipment with no salvage value. As the equipment will be operational during the second quarter of the year, only 60 per cent of the estimated annual savings would be obtained in the first year. The company will incur a one-time expense of ₹ 30,000 in transferring production activities from the old equipment to the new one.

The equipment currently being used has a book value of ₹ 20,000. A review of its condition reveals that it can be used for an additional 4 years. The firm would receive ₹ 5,000 net of removal costs if it is disposed-off now.

However, it will have no salvage value after 4 years. The company uses the declining balance method of depreciation. The equipment is subject to 25 per cent depreciation together with other assets in the block. Assuming that the full year's depreciation is taken into account in the first year, and the corporate tax rate and required rate of return are 35 per cent and 15 per cent respectively, what action should **SUTANUTI** Ltd.'s management take?

Assume further that shifting expenses are allowed as a deductible item of expense for tax purposes in the year in which they are incurred.

Year	1	2	3	4
P.V. Factors	0.870	0.756	0.658	0.572

Solution:

Computation of Cash outflows

Cost of new equipment		₹ 3,00,000
Add: Shifting expenses	₹ 30,000	
Less: Tax benefit	₹ 10,500	19,500
Less: Sale proceeds of sold equipment		(5,000)
Incremental cash outflows		3,14,500

Determination of Cash Flow After Tax (CAFT) and NPV

Particulars	Year 1 (₹)	Year 2 (₹)	Year 3 (₹)	Year 4 (₹)
Cash operating savings	90,000	1,50,000	1,50,000	1,50,000
Less: Incremental depreciation	73,750	55,312	41,484	31,113
Taxable earnings (incremental)	16,250	94,688	1,08,516	1,18,887
Less: Taxes (0.35)	5,687	33,141	37,981	41,610
Earnings after taxes (EAT)	10,563	61,547	70,535	77,277
CFAT (EAT + Depreciation) x PVIF (0.15)	84,313	84,313	1,12,019	1,08,390
P.V. Factors	0.870	0.756	0.658	0.572
PV	73,352	88,345	73,709	61,999
Total present value				2,97,405
Less: Cash outflows				3,14,500
NPV				(17,095)

Recommendation: The company should reject the proposal as the NPV is negative

Working Notes

Depreciation base of new equipment:	(₹)
WDV of existing equipment	20,000
Add: Cost of new equipment	3,00,000
Less: Sale proceeds of existing equipment	5,000
Amount of equipment on which depreciation will be charged	3,15,000
Less: WDV of existing equipment	20,000
Base of incremental depreciation	2,95,000

Example 2

PATTON Ltd. is considering two mutually exclusive projects. Investment outlay of both the projects is ₹10,00,000 and each is expected to have a life of 5 years. Under three possible situations their annual cash flows and probabilities are as under:

Situation	Probabilities	Cash Flow	
		Project X (₹)	Project Y (₹)
Good	0.3	1,200,000	1,000,000
Normal	0.4	800,000	800,000
Bad	0.3	400,000	600,000

The cost of capital is 10 per cent.

You are required to find out which project should be accepted and why?

[Given PV of Annuity for Rupee one for 5 years @ 10% = 3.791]

Solution:

Project X

Situation	Probabilities	Cash Flow (₹)	Expected Cash Flow (₹)	Deviation	Deviation Square
1	2	3	4	5 = (3 - 800,000)	6 = (5)2 * 2
Good	0.3	1,200,000	360,000	400,000	48,000,000,000
Normal	0.4	800,000	320,000	-	-
Bad	0.3	400,000	120,000	(400,000)	48,000,000,000
			800,000		96,000,000,000

Standard Deviation (SD)= √(24,000,000,000) = 309838.6677

Expected Net Present Value (ENPV) = 800,000 * 3.791 = ₹ 3,032,800

NPV = ₹3,032,800 — ₹1,000,000 = ₹2,032,800

Project Y

Situation	Probabilities	Cash Flow (₹)	Expected Cash Flow (₹)	Deviation	Deviation Square
1	2	3	4	5 = (3 - 800,000)	6 = (5)2 * 2
Good	0.3	1,000,000	300,000	200,000	12,000,000,000
Normal	0.4	800,000	320,000	-	-
Bad	0.3	600,000	180,000	(200,000)	12,000,000,000
			800,000		24,000,000,000

Standard Deviation (SD) = = 154919.3338

Expected Net Present Value (ENPV) = 800,000 * 3.791 = ₹ 3,032,800

NPV = ₹3,032,800 — 1,000,000 = ₹2,032,800

Recommendation:

NPV in both projects being the same, the project should be decided on the basis of standard deviation and hence project 'B' should be accepted having lower standard deviation, means less risky.

Data Analytics
(Data Analysis and Modelling)

Data Mining

Data mining is the extraction of patterns and other useful information from massive data sets. Given the advancement of data warehousing technologies and the expansion of big data, the use of data mining techniques has advanced dramatically over the past two decades, supporting businesses in translating their raw data into meaningful information.

Importance of Data Mining

Data mining is important because it helps businesses and organizations make informed decisions, save money, and find new opportunities. Following are the advantages of data mining:

1. **Business planning and operations**: Data mining can help businesses increase customer trust, find new revenue sources, and improve production and operations.
2. **Fraud and credit risk detection**: It can help businesses detect credit risks and fraud.
3. **Healthcare**: Data mining can help doctors make more accurate diagnoses by combining a patient's entire medical history. Pharmaceutical companies can also use data mining to improve drug discovery and delivery.
4. **Cost-effective**: It is a cost-effective solution compared to other data applications.
5. **Analyze large amounts of data**: Data mining helps data scientists analyze large amounts of data quickly.
6. **Predict trends**: Data mining can help data scientists quickly make automated predictions of trends and behaviours.

Techniques of data mining

Using various methods and approaches, data mining transforms vast quantities of data into valuable information. Important data mining techniques are discussed below:

1. **Classification:** This technique is used to obtain important and relevant information about data and metadata. This data mining technique helps to classify data in different classes.

2. **Clustering:** Clustering is a division of information into groups of connected objects. Describing the data by a few clusters mainly loses certain confine details, but accomplishes improvement. It models data by its clusters. Data modeling puts clustering from a historical point of view rooted in statistics, mathematics, and numerical analysis.

3. **Regression:** Regression analysis is the data mining process is used to identify and analyze the relationship between variables because of the presence of the other factor. It is used to define the probability of the specific variable. Regression, primarily a form of planning and modeling. For example, we might use it to project certain costs, depending on other factors such as availability, consumer demand, and competition.

4. **Association rules:** An association rule is a rule-based technique for discovering associations between variables inside a given dataset. These methodologies are commonly employed for market basket analysis, enabling businesses to better comprehend the linkages between various items.

5. **Neural Networks:** Primarily utilised for deep learning algorithms, neural networks replicate the interconnection of the human brain through layers of nodes to process training data. Every node has inputs, weights, a bias (or threshold), as well as an output. If the output value exceeds a predetermined threshold, the node "fires" and passes data to the subsequent network layer. Neural networks acquire this mapping function by supervised learning and gradient descent, changing based on the loss function.

6. **Decision tree:** Using classification or regression algorithms, this data mining methodology classifies or predicts likely outcomes based on a collection of decisions. As its name implies, it employs a tree-like representation to depict the potential results of these actions.

7. **K-nearest neighbour:** K-nearest neighbour, often known as the KNN algorithm, classifies data points depending on their closeness to and correlation with other accessible data. This technique assumes that comparable data points exist in close proximity to one another. Consequently, it attempts to measure the distance between data points, often by Euclidean distance, and then assigns some on the most common category or average.

MCQs:

1. Which of the following activities is NOT a data mining task?

   (a) Predicting the future stock price of a company using historical records.

   (b) Monitoring and predicting failures in a hydropower plant.

   (c) Extracting the frequencies of a sound wave.

   (d) Monitoring the heart rate of a patient for abnormalities.

   Answer (c)

2. To detect fraudulent usage of credit cards, the following data mining task should be used Select one:

   (a) Outlier analysis

   (b) prediction

   (c) association analysis

   (d) feature selection

   Answer (a)

3. Which of the following are descriptive data mining activities?

   (a) Deviation detection

   (b) Classification

   (c) Clustering

   (d) Regression

   Answer (d)

4. ——- is not a data mining functionality.

   (a) Clustering and Analysis

   (b) Selection and interpretation

   (c) Classification and regression

   (d) Characterization and Discrimination

   Answer (b)

Topic

Module 7: Forecasting, Budgeting and Budgetary Control

INTERMEDIATE

Group II - Paper-12

Management Accounting (MA)

Module 7.1: Forecasting and Budgeting

Budgeting has gained widespread acceptance as a powerful tool for short-term planning and control in businesses of all sizes. By creating budgets, a business can outline its specific financial and operational plans for the upcoming period, usually an accounting period. Budgeting is a core application of management accounting principles and is invaluable to managers as it helps address challenges like inflation.

Understanding Budgets

A budget is a quantitative plan, approved in advance, that outlines the policies and objectives a company aims to achieve over a defined future period. Budgets typically cover elements such as projected income, expenditures, and capital deployment, allowing businesses to define their proposed actions and financial goals clearly. When effectively utilized, budgeting serves as a versatile tool for guiding the company toward its targets.

Forecast vs. Budget

Forecasting predicts future events, whereas a budget outlines planned financial operations. Forecasting precedes budget preparation and is essential for it, focusing on growth, development, projected revenue, customer reach, and profitability over a specific timeframe. Budgets detail the financial plans to meet these revenue goals and control costs.

Key differences between budgets and forecasts:

Budget: A financial plan prepared in advance for a forthcoming period, expressed in quantitative terms.

Forecast: Estimates future trends and outcomes based on past and present data.

Budgets are typically annual, while forecasts are conducted regularly. Variance analysis is performed between budgets and actual results but not for forecasts. The main focus of a budget is on what the business aims to achieve, while a forecast predicts what the business will achieve. Establishing a budget involves forecasting important variables such as sales, selling prices, material availability, material prices, and wage rates.

Uses of Budgets

- Budgets serve primary, secondary, and tertiary purposes in management accounting:
- Primary: Quantifying planned resource usage such as materials and labor, income generation, and resource procurement.
- Secondary: Quantifying payments for resources through cash budgeting and tracking cash collections from debtors.
- Tertiary: Informing individuals of their objectives, serving as a basis for negotiation, facilitating communication, and forming components of reward or payment systems.

Features of a Budget

1. Financial and/or Quantitative Statement: Expressed in numeric terms.
2. Futuristic: Prepared and approved prior to a defined period.
3. Goal Oriented: Aimed at attaining specific objectives.
4. Components: Includes income, expenditure, and employment of capital.

Objectives of Budgeting

1. Encouraging self-study across all aspects of operations.
2. Engaging management in coordinated efforts towards clearly defined objectives.
3. Defining and crystallizing company policies and aims.
4. Enhancing the effectiveness of using both people and capital.
5. Identifying potential areas for improvement.
6. Examining the company's relationship with its external economic environment.

Budgeting helps businesses plan and control their finances over a short term by outlining specific financial and operational goals. It's a key management accounting tool that addresses challenges like inflation. Budgets detail planned income, expenditures, and capital use, while forecasts predict future trends based on past data. Primary uses of budgets include resource planning and tracking, and they help align company

objectives. Essential features are being quantitative, futuristic, goal-oriented, and detailed. Key objectives involve encouraging internal evaluation, enhancing resource use, and fostering external relationships. When preparing a budget, consider product sales, procurement, manufacturing materials, labor, and other costs.

MCQ:

1. What distinguishes a budget from a forecast?
   a) A budget sets specific targets, whereas a forecast does not.
   b) A forecast is done more regularly than a budget.
   c) A forecast focuses on profit planning only.
   d) Variance analysis applies only to forecasts.
2. How should budgeting ideally be approached in terms of timing
   a) Irregularly
   b) Continuously
   c) As a one-time event
   d) Occasionally
3. Which statement is incorrect about fixed budgeting?
   a) It is designed for short-term objectives.
   b) It is suitable when actual outcomes are close to budget estimates.
   c) It is unaltered regardless of activity level changes.
   d) It adjusts frequently to meet changing conditions.
4. Which type of budgeting includes the use of charting methods?
   a) Fixed budgeting
   b) Flexible budgeting
   c) Both fixed and flexible budgeting
   d) Forecasting only
5. What is the primary focus of a forecast in budgeting?
   a) Tracking past events
   b) Predicting future trends
   c) Comparing financial statements
   d) Reviewing historical profits
6. Which of the following is a type of functional budget?
   a) Capital Expenditure Budget
   b) Variable Overhead Budget
   c) Master Budget
   d) Flexible Budget
7. What is a sales budget based on?
   a) Historical data only
   b) Forecasted production
   c) Estimated sales volume and price
   d) Competitor analysis
8. Which budget helps in preparing the income statement of a business?
   a) Production Budget
   b) Sales Budget
   c) Cash Budget
   d) Overheads Budget
9. Which overhead is a semi-variable cost in the context of overhead expenses?
   a) Salaries
   b) Depreciation
   c) Indirect Labour
   d) Power
10. What does a production budget forecast?
    a) Future financial statements
    b) Raw material purchases
    c) The volume of products to be produced
    d) Labour requirements

11. In budget preparation, what is considered the most crucial factor for a Sales Budget?
    a) Current sales volume
    b) Competitor pricing
    c) Market demand
    d) Inventory levels
12. What type of budget is developed by summarizing functional budgets?
    a) Sales Budget
    b) Master Budget
    c) Cash Budget
    d) Direct Material Budget

Answer:

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

Fills in the blanks:

1. The __________ budget is based on the expected sales volume and price.
2. Depreciation is classified as a __________ cost in budgeting.
3. In budgeting, __________ overheads do not change with production levels
4. The __________ budget helps allocate resources for office management.
5. The __________ budget is often prepared first in the budgeting process.

Answer

1. Sales
2. Fixed
3. Fixed
4. Administrative
5. sales

True and False:

1. A flexible budget is used only when there is a fixed production level.
2. Direct materials are included in the overhead budget.
3. Direct labour budget is not affected by production levels.
4. The production budget includes an estimate of finished goods inventory.
5. The sales budget forecasts revenue based on units sold and price.

Answer:

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

Module 7.2: Budgetary Control

Budgetary control is an essential financial management practice focused on the structured planning, coordination, and oversight of financial resources within an organization. Defined as "the establishment of budgets that align executive responsibilities with organizational policy, coupled with continuous comparison of actual results with budgeted outcomes to either secure objectives or provide a basis for revising policies," budgetary control is integral to effective financial oversight.

The primary elements of budgetary control include:

1. **Establishing Budgets** that reflect policy and organizational objectives.
2. **Aligning Executive Responsibilities** with the goals and requirements of policies.
3. **Ongoing Comparison of Actual vs. Budgeted Results** to monitor performance.
4. **Securing Objectives or Adjusting Policies** as necessary based on performance insights.

Thus, budgetary control is a flexible and dynamic process, empowering organizations to manage resources effectively, align activities with goals, and adapt to evolving circumstances for sustained success.

Key Features of Budgetary Control

The defining features of budgetary control are:

- Creating budgets for all organizational functions.
- Revising budgets to respond to changes in conditions.
- Continuously comparing actual results with budgeted goals.
- Taking corrective actions to address deviations.
- Analyzing discrepancies to understand the underlying reasons.

Objectives of Budgetary Control

The main objectives of budgetary control include:

- Outlining future positions and crafting detailed plans.
- Anticipating and preparing for likely conditions.
- Adapting plans in response to changing circumstances.
- Promoting collaboration and coordinated solutions to business challenges.
- Enhancing effective planning that supports goal achievement.
- Informing managers on progress in meeting targets.
- Recognizing employees for performance in relation to budget success.
- Benchmarking current performance against past periods.
- Keeping management informed through a structured review of performance.

Advantages of Budgetary Control

A well-implemented budgetary control system provides multiple benefits:

- Encourages responsible resource allocation and spending practices.
- Ensures organizational goals are represented in budget targets.
- Establishes a benchmark for evaluating performance against goals.
- Highlights areas needing attention and aids decision-making.
- Motivates employees by setting clear targets and offering rewards for achievement.
- Enhances coordination across departments and units.

Limitations of Budgetary Control

Despite its benefits, budgetary control has some limitations:

- Budgets can become rigid and may not adapt easily to changing conditions.
- Budget creation and monitoring can be resource-intensive.
- Setting overly ambitious goals can lead to employee frustration.
- May encourage a focus on short-term goals at the expense of long-term strategies.
- Employees may resist budget constraints or changes to established practices.
- Budgets are based on forecasts and assumptions, which may not always align with actual outcomes.

Connection Between Budgetary Control, Standard Costing, and Profit Reconciliation

Budgetary control and standard costing are closely aligned in their objectives and approach to managerial oversight and performance evaluation. Both practices involve setting targets or standards, measuring actual results against these benchmarks, and analyzing variances. In many organizations, the terms "budgeted performance" and "standard performance" are used interchangeably, illustrating their conceptual similarity. While budgets often draw on historical costs with adjustments for expected changes, standard costs are crucial in setting production cost budgets.

Similarly, budgets for overhead expenses may inform the determination of standard overhead rates for standard costing, with adjustments as needed. Although standard costs and budgets serve different functions within the organizational management framework, integrating them can enhance control and facilitate more effective decision-making.

MCQ

1. When budget allocations are determined without involving the budget owner, the budgeting process is termed:

   a) Top-down budgeting

   b) Negotiated budgeting

   c) Zero-based budgeting

   d) Participative budgeting

2. What is the primary purpose of a Selling & Distribution Overheads Budget?

   a) Estimating administrative expenses

   b) Planning capital expenditures

   c) Projecting sales-related expenses

   d) Forecasting cash flows

3. In preparing a Capital Expenditure Budget, which of the following is NOT typically considered?

   a) Replacement of existing assets

   b) Projected production volume

   c) Purchase of new assets

   d) Installation of improved assets

4. What is the main focus of Activity-Based Budgeting?

   a) Allocating costs to departments

   b) Managing costs by activity

   c) Planning only fixed costs

   d) Determining future sales

5. Which of the following is a disadvantage of Zero-Based Budgeting?

   a) Promotes excessive spending

   b) Requires significant time and resources

   c) Encourages wasteful activities

   d) Leads to inflexible budgets

6. For the upcoming year, budgeted sales are 500,000 units. Desired ending inventory of finished goods is 150,000 units, and the ending WIP inventory is equivalent to 60,000 units. Beginning inventory of finished goods is 80,000 units, and beginning WIP inventory equals 50,000 units. How many equivalent units should be produced?

   a) 580,000 units

   b) 550,000 units

   c) 500,000 units

   d) 575,000 units

7. Production at 50% capacity is 5000 units. What will be the production level at 80% capacity, assuming a flexible budget?

   a) 6000 units

   b) 7000 units

   c) 8000 units

   d) 9000 units

8. What is the primary aim of budgetary control?

   a) Increase sales volume

   b) Ensure strict adherence to company policies

   c) Continuously compare actual results with budgeted figures and take corrective action

   d) Simplify the accounting process

9. Which of the following is NOT a feature of budgetary control?
   a) Establishing budgets for each business purpose.
   b) Revising budgets for unchanging conditions.
   c) Analyzing deviations between actual and budgeted performance.
   d) Taking corrective actions for achieving objectives.
10. Budgetary control compares actual results to budgeted results to identify:
   a) Profits
   b) Financial trends
   c) Variances
   d) Resource availability
11. Budgetary control helps management to:
   a) Rely solely on past performance
   b) Limit departmental independence
   c) Focus on planning for the future
   d) Manage solely through financial reporting
12. In a system of budgetary control, who is responsible for analyzing performance and variances?
   a) External auditors
   b) The finance department only
   c) Departmental managers and executives
   d) Customers and suppliers

Answer

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

True and False

1. Budgetary control involves the continuous comparison of actual results with budgeted results.
2. Adverse variances occur when actual performance exceeds budgeted targets.
3. Budgetary control is only useful for large companies with extensive budgets.
4. Variance analysis is a key component of budgetary control, used to identify differences between actual and budgeted figures.
5. Fixed budgets are flexible and can be adjusted easily to changing conditions.

Answer

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

Fill in the blanks

1. The __________ Budget consolidates all functional budgets.
2. __________ budgeting allocates costs based on activities.
3. Selling & Distribution Overheads Budget depends heavily on __________ forecasts.
4. __________ budgets are used to adjust for changes in activity levels or production.
5. Budgetary control enables an organization to monitor __________ performance against predetermined targets.

Answer

1. Master
2. Activity-Based
3. Sales
4. Flexible
5. actual

CMA FINAL COURSE

Syllabus 2022

Topic

Module 7:

Laws and Regulations Related to Banking Sector

FINAL

Group III - Paper-13

Corporate and Economic Laws (CEL)

Laws and Regulations related to Banking Sector Role of RBI

Since its inception, Reserve Bank has been playing key role in the formulation of monetary, banking and financial policies. To facilitate the transition process and in order to effectively perform its varying roles in the changing banking scenario, from 'regulator' to 'facilitator' over the period, Department has undergone various organizational changes and so also in its activities, approach and functioning.

(i) **Inspection of banks**

Reserve Bank of India has been empowered under Banking Regulation Act, 1949 to conduct the inspection of banks and regulate them in the interest of banking system, banking policy and depositors/ public.

(ii) **Regulatory role of commercial banks**

Department of Banking Operations and Development exercises regulatory powers in respect of commercial banks and Local Area Banks (LABs).The Department of Banking Operations and Development is entrusted with the responsibility of regulation of commercial banks and LABs under the regulatory provisions contained in the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934 and other related statutes besides enunciation of banking polices. It's functions broadly relate to prescription of regulations for compliance with various provisions of Banking Regulation Act on establishment of banks such as licensing and branch expansion, maintenance of statutory liquidity reserves, management and operations, amalgamation, reconstruction and liquidation of banking companies.

(iii) **Anti - money laundering under PMLA**

RBI has a role in PMLA by creating an anti money laundering Cell(AML Cell) for combating Financing of Terrorism (CFT) and tracking domestic and global developments in AML and CFT.

(iv) **Approval / monitoring of Board level appointments of commercial banks.**

The key activity of the section, appropriately named as Appointments Section, relate

Approval of proposals from the domestic private sector banks for appointment/ removal of part-time Chairman/Managing Director/ whole-time Chairman and Chief Executive Officers. Ensuring compliance with the provisions of the Banking Regulation Act, 1949 with regard to the composition of the Board of Directors of commercial banks in the private sector.

Making recommendations to Government regarding appointment of Executive Directors/Chairmen & Managing Directors of public sector banks, fixation of their salaries, payment of superannuation benefits and other allied matters.

Making recommendations to Government regarding appointment of non-official directors, non-workmen directors and RBI Nominee Directors on the Boards of Nationalised banks.

(v) **Licensing of branches**

(a) Issue of authorisations to Indian commercial banks including Local Area Banks for opening of branches in pursuance to regulatory powers vested with Reserve Bank under the provisions of Banking Regulation Act, 1949.

(b) To consider representations / complaints from institutions / VIPs and members of public for opening / shifting / closure of bank offices.

(c) Review of branch licensing policy periodically

(d) Maintenance and updation of database on opening / substitution / closure / shifting of branches, Extension Counters, ATMs, etc.

(vi) **Banking policy**

It undertakes various new policy initiatives and reviews existing guidelines for progressive upgradation of prudential norms to move towards best practices. The major activities of the Section are as follows:

- Formulation of policy and issue of prudential guidelines pertaining to Capital adequacy; Income recognition; asset classification and provisioning pertaining to advances portfolio; Classification, valuation and operation of investment portfolio; and Credit exposure limits
- Formulation of policy and issues regarding capital structure of public sector banks, including raising of fresh equity, return of capital, recapitalisation.
- Formulation of policy and issuance of regulatory guidelines for implementation of the Basel II framework.

- Policy guidelines / clarifications on integrated risk management systems including Asset Liability Management and issue of guidance notes on various aspects.
- Policy issues/ guidelines pertaining to compromise settlement of NPAs of banks.
- Matters regarding Foreign Contributions Regulations Act – donations received by organizations from abroad.

(vii)Issue of directives to banks

Various directions are issued by RBI from time to time, on payment of Interest rates on various types of deposit accounts (including NRI deposit), maintenance of deposit accounts, prohibitions in respect of S.B. Accounts, matters relating to payment of additional interest and brokerage on deposits, appointment of agents for soliciting deposits, giving gifts/incentives to depositors/staff members, freezing of accounts, Resurgent India Bonds, Development Bonds, etc. RBI may also direct Capital Market Exposure of banks.

(viii) Collection and dissemination of information

Collection and dissemination of information from/to banks and notified All-India financial institutions (FIs) regarding defaulting borrowers with outstanding aggregating Rs.1 crore and above, which have been classified by them as 'doubtful' or 'loss' (non-suit filed accounts) on half-yearly basis viz., as on March 31 and September 30.

(ix) Overseeing/ monitoring Indian banks operations abroad

- Policy formulation and issue of guidelines regarding overseas operations of Indian banks, examination of proposals and grant of approvals for opening their Joint Ventures / Representative Offices / branches and review of their overseas operations including closure of branches / joint ventures / representative offices.
- Approval of Indian banks' proposals for entering into Management Agreements and correspondent banking arrangements with foreign entities.
- Preparation of proposals for submission before IDC of GOI regarding opening of branches / representatives offices of Indian banks abroad.

(x) Authorisation for dealing in precious metals

Policy matters relating to Gold Deposit and Gold Import Schemes and dealing with references received from banks in this regard, issue and renewal of authorization for banks for import of gold / silver / platinum and acceptance of gold under Gold Deposit Scheme and collection of data relating to import of gold and Gold Deposit Scheme and collection of data relating to import of gold and gold deposits by banks in India.

(xi) Overseeing and monitoring offshore banking units

- Approvals for setting up of Offshore Banking Units (OBUs) and issue of policy guidelines for the operation of OBUs in Special Economic Zones (SEZs).
- Correspondence with Government and other agencies relating to setting up of Special Economic Zones, International Financial Services Centres.

(xii)Monitoring and policy making industrial and export credit

The industrial credit segment has been considerably liberalized / deregulated over the period. At present, various items of work currently undertaken by IECS are distributed amongst three desks viz. (i) Policy Desk (ii) Export Credit Desk and (iii) Industrial Rehabilitation Desk.

(xiii)Interpretation of regulations

RBI is involved in interpretation of the various provisions of the Banking Regulation Act, 1949, Reserve Bank of India Act, 1934, etc. Examining and framing of rules/regulations and amendments thereto.

(xiv) Granting exemptions

Dealing with applications received from banks for exemptions from the various provisions of the Banking Regulation Act, 1949, and Rules framed thereunder.

(xv)Role in management of foreign exchange

Controlling dealings in foreign exchange by giving general or special permission for dealing in foreign exchange, excluding those cases where specific provisions have been made in Act, Rules or Regulations.

(xvi)Bankers bank: Commercial bank takes the support of RBI on fund requirement.

(xvii) Bankers to Central Govt./State Govt.

(xviii)Oversee payment and settlement system of the country.

(xix) Currency management within the country.

Topic

Module 15: Foreign Exchange Management

FINAL

Group III - Paper-14

Strategic Financial Management (SFM)

Section: International Financial Management
Topic: Foreign Exchange Rate

- **Multiple Choice Questions:**

1. You are a forex dealer in India. Rates of rupee and pound in the international market are US $0.01386952 and US $1.3181401 respectively. What will be your direct quote of £ (pound) to your customer.

A. ₹54.6987

B. ₹71.1408

C. ₹95.0386

D. ₹0.0105

Answer: (C)

Explanation:

Here, ₹ /$ = 1/0.01386952 = ₹ 72.1005; $/£ = 1.3181401

So, ₹ /£ = 72.1005 x 1.3181401 = 95.0386

2. P Ltd., an export customer requested his banker Q to purchase a bill for USD 80,000. Calculate the rate to be quoted to P Ltd. if Q wants a margin of 0.08%, given that the inter-bank rate is ₹ /$ 71.50/10.

A. ₹ 71.1569

B. ₹ 71.0431

C. ₹71.5572

D. ₹71.4428

Answer: (B)

Explanation:

P's banker will purchase $ from P and sell in the interbank market. In the interbank market, Q is a customer and hence he can sell at only ₹71.10 while Q can purchase in the interbank market at ₹71.50. Hence, if Q sells at ₹71.10, it has for itself only the margin of 0.08%. Hence it will quote to P (₹71.10 -.08% x 71.10) for purchasing the $ from P. i.e. 71.10-0.0569 = ₹71.0431

3. BLC Ltd. a valued customer engaged in import business, is in need to remit EURO 1 million to his European exporter. The spot rate of ₹/ US$ is ₹65.47/65.57 and that of US$/EURO is $ 0.8053/0.8057. What rate will a banker quote to BLC Ltd. if the bank's margin is 0.50%?

(A) ₹ 53.09

(B) ₹ 53.067

(C) ₹ 53.01

(D) ₹ 52.99

Answer: (A) ₹ 53.09

Explanation:

BLC Ltd. needs EURO to pay for import. BLC Ltd. will purchase EUROs. Hence bank would quote for selling = (₹ 65.57 x 0.8057) + (0.5% commission) = (₹ 52.83 x 1.005) = ₹ 53.09/ EURO

Topic: Segments of Foreign Exchange Market

- **Multiple Choice Question**

4. An Indian Company is planning to invest in the US. The annual rates of inflation are 8% in India and 3% in USA. If the spot rate is currently ₹ 60.50/$, what spot rate can you expect after 5 years, assuming the inflation rates will remain the same over 5 years?

A. ₹ 88.89

B. ₹ 54.95

C. ₹ 76.68

D. ₹ 76.10

Answer: (C) ₹ 76.68

Explanation:

F = S × [(1 + rA)n/ (1+ rB)n]; or, F(₹/$)

= 60.50 × [1 + 0.08)5 / (1+ 0.03)5]

= 60.50 × 1.267455

= ₹76.68

Comprehensive Problem:

1. The following two-way quotes appear in the foreign exchange market:

	Spot Rate	2-Months Forward
₹/US$	₹ 66.00/₹ 66.25	₹ 67.00/ ₹ 67.50

(i) How many US Dollars should a firm sell to get ₹ 50 Lakh after two months?

(ii) How many Rupees is the firm required to pay to obtain US $ 3,00,000 in the spot market?

(iii) Assume that the firm has US $ 1,19,000 earning no interest. ROI on Rupee Investment is 8% p.a. Should the firm encash the US $ now or 2 months later?

Solution:

(i) US dollars for ₹ 50 Lakh in the forward Market

Action	Sell Foreign Currency in Forward Market
Relevant Rate	Forward Bid Rate = ₹ 67.00
US $ Required to get ₹ 50 Lakh	₹ 50,00,000 ÷ ₹ 67.00 = US $ 74,626.87

(ii) Required to obtain US dollars 3,00,000 in the spot market

Action	Buy Foreign Currency in Spot Market
Relevant Rate	Spot Ask Rate = ₹ 66.25
Rupees Required to get $3,00,000	US $ 3,00,000 × ₹ 66.25 = ₹19,875,000

(iii) Evaluation of investment in Rupee

Forward Premium (for Bid Rates)

$= \frac{\text{(Forward rate - Spot Rate)}}{\text{Spot Ask}} \times \frac{12}{n} \times 100$

$= \frac{67 - 66}{66} \times \frac{12}{2} \times 100$

= 9.09%

Comment: Annualized Forward Premium for Bid Rates (9.09%) is greater than the Annual Return on Investment in Rupees (8%). Therefore, the firm should not encash its US $ balance now. It should sell the US $ in the forward market and encash them two months later.

Alternative:

Alternatively, if it encashes now, = ₹ 66 × 1,19,000 = ₹78,54,000

Interest at 8% p.a. 2 months = 8% × 2/12 × 78,54,000 = ₹1,04,720

Amount at the end of two months = ₹79,58,720

Hold for 2 months, then ₹ = 67 × 119000 = 79,73,000

Hence the amount should be encashed into Rupees two months later.

2. A Ltd. has imported computers from USA worth US $ 10 million and it requires 90 days to make the payment. The USA supplier has offered a 60 days interest free credit period but for additional credit for 30 days interest is to be charged at 8% per annum. (Consider 360 days p.a.)

The banker of A Ltd. Offers a 30 days loan at 10% per annum and its quotes for foreign exchange are as follows:

Spot 1 US $	₹ 74.50
60 days forward rate for 1 US $	₹ 75.10
90 days forward rate for 1 US $	₹ 75.50

You are required to evaluate the following options:

(i) Pay the USA supplier in 60 days or

(ii) Avail the supplier's offer of 90 days' credit. Advise A Ltd. accordingly.

Solution:

(i) Payment to supplier in 60 days

If the payment is made to supplier in 60 Days, the applicable forward rate for 1 US$	₹ 75.10
Payment due	US$ 1,00,00,000
Outflow in rupees (US$ 1,00,00,000 × ₹ 75.10)	₹ 75,10,00,000
Add: Interest on Loan for 30 days @ 10% p.a.	₹ 62,58,333
Total Outflow	₹ 75,72,58,333

Payment to supplier in 90 days

Amount Payable	US$ 1,00,00,000
Add: Interest on Credit Period for 30 days @ 8% p.a.	US$ 66,667
Total Outflow in US$	US$ 1,00,66,667
Applicable forward for 1 US$	₹ 75.50
Total Outflow (US$ 1,00,66,667 × ₹ 65.50)	₹ 76,00,33,359

3. An Indian exporter has sold handicraft items to an American business house. The exporter will be receiving US dollar 1 lakh in 90 days. Premium for a dollar put option with a strike price of ₹ 71.00 and a 90 days settlement is ₹ 1. The exporter anticipates the spot rate after 90 days to be ₹ 69.50.

(i) Should the exporter hedge its account receivable in the options market?

(ii) If the exporter is anticipating a spot rate to be ₹ 70.50 or ₹ 71.50 after 90 days, how would it affect the exporter's decision?

Solution:

Option	Put
Strike price	₹71 per US $
Premium	₹ 1 per US $
Settlement (expiration) rate	₹ 69.50

(i) Benefit from Put option

= Max [(Strike rate – Expiration rate), 0] – Premium

= Max [(₹ 71 per US $ - ₹ 69.50 per US $), 0] – ₹ 1 per US $

= ₹ (1.50 – ₹ 1) per US $

= ₹ 0.50 per US $

Here, if the exporter remains un-hedged, it will receive

= [₹ 69.50 per US $ × US $ 1,00,000)

= ₹ 69,50,000

But with hedging using Put Option, the exporter receives at the end of 90 days

Gain = (71 – 69.50) – 1 = 1.5 – 1 = 0.5 ₹ /$

For, US $1,00,000, the gain is (100000 × 0.5) = 50,000 ₹ As there is benefit in owing the Put, so the Exporter should hedge using the Put Option.

(ii) For Settlement price of ₹ 70.50 per US $,

Benefit From Put Option

= Max [(₹ 71 per US $ - ₹ 70.50 per US $),0] – ₹ 1 per US $

= (-) ₹ 0.50 per US $

For settlement price of ₹ 71.50 per US $,

Benefit From Put Option

= Max [(₹ 71 per US $ - ₹ 71.50 per US $), 0] – ₹ 1 per US $

= 0 – ₹ 1 per US $

= (-) ₹ 1 per US $

So, for anticipated price of ₹ 70.50 per US $ or ₹ 71.50 per US $, the exporter will not be hedging through a Put Option, as he does not have positive benefit.

Topic

Module 2:

Tax Management, Return and Assessment Procedure

Module 8:

E-commerce Transaction and Liability in Special Cases

FINAL

Group III - Paper-15

Direct Tax Laws and International Taxation (DIT)

Return of Income

The return of income is a document filed with the tax authorities that declares the income earned by an individual or entity during a specific period, typically a financial year. This document is crucial because it allows taxpayers to report their earnings, deductions, and tax liabilities. Filing a return of income is mandatory for individuals and entities that meet certain income thresholds, as specified by the tax laws and in case of few individual or entities, it is mandatory to file irrespective of size of income. By submitting this document, taxpayers ensure compliance with legal obligations and contribute to the nation's revenue system.

Filing of return

The following person need to file a return of income -

Assessee	Size of income
A company or a firm or any University/ College/ other institution referred to on Sec.35(1)(ii) or (iii)	Irrespective of the size of the income
Any other person	Gross total income [without considering deduction u/s 54's] exceeds the maximum amount which is not chargeable to income tax.

- An ordinarily resident person is mandatorily required to file a return of income if he has any asset located outside India or has signing authority in any account located outside India.
- A person is also required to file a return if he has satisfied either of the prescribed economic conditions.

Time limit for filing return of income:

Assessee	Due date
Assessee (or firm in which he is a partner) who required to furnish Audit Report u/s 92E	30th November
Assessee (or firm in which he is a partner) requires to get his accounts audited (other than referred above)	30th September
Assessee does not require to get his accounts audited	31st July

Loss-Return:

A company or firm must file its return of income even when there is loss to the company. Other assessee must file their loss-return within time if they want to claim the loss to be carried forward (other than loss under the head income from house property or unabsorbed depreciation.

Belated Return

A belated return can be filed within 31st Dec of the relevant assessment year or before the completion of the assessment, whichever is earlier.

Return of income of Charitable Trust

A charitable trust must file its return of income if Gross total income (before allowing exemption u/s 11 or 12) exceeds the maximum amount not chargeable to tax, before the due date as per sec. 139(1).

Return of income of Political Party

The chief executive officer of any political party must file return of income, if the amount of gross total income (before allowing exemption u/s 13A) exceeds the maximum amount not chargeable to tax.

Return of research association, etc.

Every research association, etc. who are eligible for exemption u/s 10 are require to file their return of income, if the total income without giving exemption u/s 10, exceeds the maximum amount not chargeable to income-tax.

Revised Return

If an assessee discovers any omission or wrong statement (*bonafide* in nature) in return originally filed, he can revise his return u/s 139(5), within 31st Dec. of the relevant assessment year or before completion of regular assessment, whichever is earlier. A belated return can also be revised. A loss return can also be revised.

Verification of Return u/s 140

Assessee	Signed and verified by
Individual	Individual himself, in general.
HUF	Karta or in his absence, other adult member
Company	Managing Director (MD) or in his absence, other director
Firm	Managing partner or in his absence, other partner
Local authority	Principal officer
Political party	Chief Executive Officer
Any other association	Any member or principal officer
Any other person	Such person or any other person competent to act on its behalf.

Updated return

Any person may furnish an updated return u/s 139(8A) of his income for the previous year relevant to such assessment year within 24 months from the end of the relevant assessment year on payment of additional tax being computed as per sec. 140B. In updated return, one cannot decrease his tax liability. Further, in case of search, etc. assessee is not allowed to file updated return.

Equalisation Levy

With the expansion of information and communication technology, the supply and procurement of digital goods and services have undergone exponential expansion everywhere, including India. The digital economy is growing at 10% per year, significantly faster than the global economy as a whole.

Currently in the digital domain, business may be conducted without regard to national boundaries and may dissolve the link between an income-producing activity and a specific location. From a certain perspective, business in digital domain doesn't seem to occur in any physical location but instead takes place in the nebulous world of "cyberspace." Persons carrying business in digital domain could be located anywhere in the world. Entrepreneurs across the world have been quick to evolve their business to take advantage of these changes. It has also made it possible for the businesses to conduct themselves in ways that did not exist earlier, and given rise to new business models that rely more on digital and telecommunication network, do not require physical presence, and derives substantial value from data collected and transmitted from such networks.

These new business models have created new tax challenges. The typical direct tax issues relating to e-commerce are the difficulties of characterizing the nature of payment and establishing a nexus or link between a taxable transaction, activity and a taxing jurisdiction, the difficulty of locating the transaction, activity and identifying the taxpayer for income tax purposes. The digital business fundamentally challenges physical presence-based permanent establishment rules. If permanent establishment (PE) principles are to remain effective in the new economy, the fundamental PE components developed for the old economy i.e. place of business, location, and permanency must be reconciled with the new digital reality.

The Organization for Economic Cooperation and Development (OECD) has recommended, in Base Erosion and Profit Shifting (BEPS) project under Action Plan 1, several options to tackle the direct tax challenges which include modifying the existing Permanent Establishment (PE) rule to include that where an enterprise engaged in fully de-materialized digital activities would constitute a PE if it maintained a significant digital presence in another country's economy. It further recommended a virtual fixed place of business PE in the concept of PE i,e creation of a PE when the enterprise maintains a website on a server of another enterprise located in a jurisdiction and carries on business through that website. It also recommended to impose of a final withholding tax on certain payments for digital goods or services provided by a foreign e-commerce provider or imposition of a equalisation levy on consideration for certain digital transactions received by a non-resident from a resident or from a non-resident having permanent establishment in other contracting state.

The proliferation of digital transactions and the rise of multinational digital companies have posed significant challenges for traditional tax systems worldwide. In response to the growing concern over tax avoidance and profit shifting by digital giants, many countries have introduced measures such as the Equalisation Levy to ensure a fair and equitable taxation framework. The Equalisation Levy, often dubbed the "Google Tax" or "Digital Tax," is a novel tax mechanism aimed at taxing certain digital transactions.

In order to address these challenges, Chapter VIII of the Finance Act, 2016[1], titled "Equalisation Levy", provides for an equalisation levy. It is a tax levied on specified digital services provided by non-resident companies to Indian residents or entities. The levy aims to address the issue of tax avoidance by digital businesses that derive significant revenues from Indian users but may not have a physical presence or taxable presence (Permanent Establishment) in India. The scope of Equalisation Levy typically covers online advertising, digital platforms for sale of goods or services, and other specified digital services.

Different provisions thereof are discussed below:

A. Charge of equilisation levy on specified services [Sec. 165]

Equalisation levy shall be payable @ 6% of the consideration for any specified service received or receivable by a person, being a non-resident from:

i. a person resident in India and carrying on business or profession; or

ii. a non-resident having a permanent establishment in India.

- Specified service means
  - a) online advertisement,
  - b) any provision for digital advertising space or any other facility or service for the purpose of online advertisement and
  - c) any other notified service – Sec. 164(i)
- Online means a facility or service or right or benefit or access that is obtained through the internet or any other form of digital or telecommunication network – Sec. 164(f)

Taxpoint

These provisions extend to the whole of India.

Exception

The equalisation levy shall not be charged, where:

a) the consideration received or receivable for specified services shall not include the consideration, which are taxable as royalty or fees for technical services in India, read with the agreement notified u/s 90 or 90A of the Income-Tax Act.

b) the non-resident providing the specified service has a permanent establishment in India and the specified service is effectively connected with such permanent establishment;

c) the aggregate amount of consideration for specified service received or receivable in a previous year from resident in India or from a non-resident having a permanent establishment in India, does not exceed ₹ 1,00,000; or

d) the payment for the specified service by the person resident in India, or the permanent establishment in India is not for the purposes of carrying out business or profession.

Examples

1. Vikash Mundhra has advertised on Facebook to expand his business. He has to pay ₹ 2,00,000 in the previous year 2023-24 to Facebook for the advertising services availed. In this case, Vikash will deduct 6% of ₹ 2,00,000 i.e., ₹ 12,000, and pay the balance ₹ 1,88,000 to Facebook.

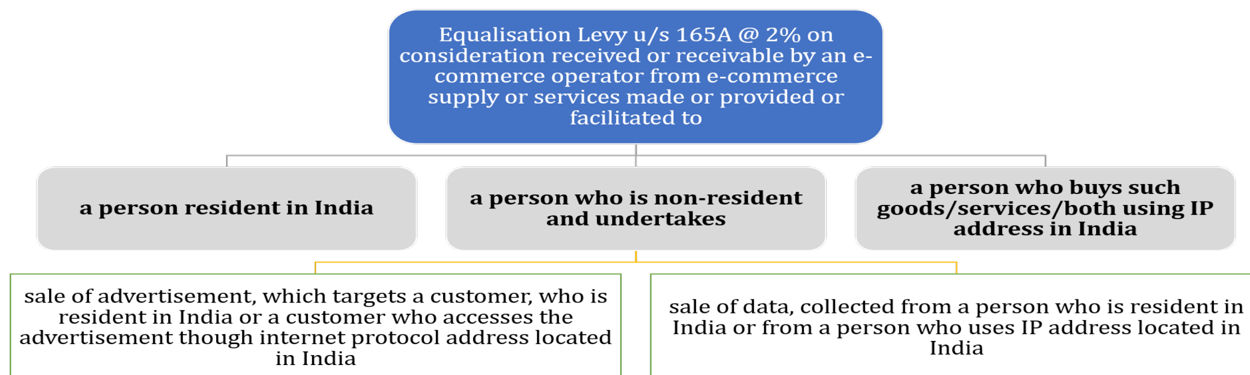
2. Ashok has advertised on Facebook to promote his business of baking. He is required to pay ₹ 20,000 in the previous year 2023-24 to Facebook for the advertising services availed. In this case, since during the financial year annual payments did not exceed ₹ 1,000,00, Ashok is not liable to deduct equalisation levy.

Collection and recovery of equalisation levy on specified services [Sec. 166]

Who is liable to deduct equalisation levy:

Every person, being a resident and carrying on business or profession or a non-resident having a permanent establishment in India (hereafter in this Chapter referred to as assessee) shall deduct the equalisation levy u/s 165 from the amount paid or payable to a non-resident in respect of the specified service

1. The equalization levy would come into effect from 01-06-2016 [Notification dated 27-05-2016]



Rate of levy: 6%

Threshold limit: Such deduction shall be made if the aggregate amount of consideration for specified service in a previous year exceeds ₹ 1,00,000.

Time limit for depositing the levy to the credit of the Central Government: The equalisation levy so deducted during any calendar month shall be paid by every assessee to the credit of the Central Government by the 7th day of the month immediately following the said calendar month.

Consequences of failure to deduct equalisation levy: Any assessee who fails to deduct the levy shall be (even though not deducted) liable to pay the levy to the credit of the Central Government in accordance with the aforesaid provisions

B. *Charge of equalisation levy on e-commerce supply of services [Sec. 165A]*

Equalisation levy shall be charged @ 2% of the amount of consideration received or receivable by an e-commerce operator from e-commerce supply or services made or provided or facilitated by it—

a. to a person resident in India; or

b. to a non-resident in the specified circumstances; or

- "Specified circumstances" mean—

  i. sale of advertisement, which targets a customer, who is resident in India or a customer who accesses the advertisement though internet protocol address located in India; and

  ii. sale of data, collected from a person who is resident in India or from a person who uses internet protocol address located in India

c. to a person who buys such goods or services or both using internet protocol address located in India.

Taxpoint

- *Consideration received or receivable* from e-commerce supply or services shall include:

  i. consideration for sale of goods irrespective of whether the e-commerce operator owns the goods, so, however, that it shall not include consideration for sale of such goods which are owned by a person resident in India or by a permanent establishment in India of a person non-resident in India, if sale of such goods is effectively connected with such permanent establishment.

  ii. consideration for provision of services irrespective of whether service is provided or facilitated by the e-commerce operator, so, however, that it shall not include consideration for provision of services which are provided by a person resident in India or by permanent establishment in India of a person non-resident in India, if provision of such services is effectively connected with such permanent establishment.

- *e-commerce operator* means a non-resident who owns, operates or manages digital or electronic facility or platform for online sale of goods or online provision of services or both;

- *e-commerce supply or services* means:

  i. online sale of goods owned by the e-commerce operator; or

  ii. online provision of services provided by the e-commerce operator; or

iii. online sale of goods or provision of services or both, facilitated by the e-commerce operator; or

iv. any combination of activities listed in clause (i), (ii) or clause (iii);

- *Online sale of goods* and *online provision of services* shall include one or more of the following online activities:

  a. acceptance of offer for sale; or

  b. placing of purchase order; or

  c. acceptance of the purchase order; or

  d. payment of consideration; or

  e. supply of goods or provision of services, partly or wholly

Exception

The equalisation levy shall not be charged:

a. the consideration received or receivable for e-commerce supply or services shall not include the consideration, which are taxable as royalty or fees for technical services in India, read with the agreement notified u/s 90 or 90A of the Income-Tax Act.

b. where the e-commerce operator making or providing or facilitating e-commerce supply or services has a permanent establishment in India and such e-commerce supply or services is effectively connected with such permanent establishment;

c. where the equalisation levy is leviable u/s 165 [i.e. A supra]; or

d. sales, turnover or gross receipts, as the case may be, of the e-commerce operator from the e-commerce supply or services made or provided or facilitated is less than ₹ 2 crore during the previous year.

Examples

1. ABC Inc. a non-resident is operating an electronic or digital platform, whereby services of enabling online meeting for various participants is being provided. The platform of ABC Inc. is being used for online webinars/meetings, etc. by Indian customers who are availing such services by paying annual/monthly charges. In this case, ABC Inc. is an e-commerce operator and online provision of services of enabling webinars/meetings by the said company will fall within the meaning of "e-commerce supply or services".

2. DEF, a UK-based company, approaches GHI which is a US-based company, targeting Indian customers at large, for placing advertisements of its food products on the digital platform of GHI. In this case, GHI will be liable to pay equalisation levy @ 2% of the consideration received by it from DEF.

3. XYZ, UK based Company, an e-commerce operator, collects data from an Indian resident person and further sells such data collected to KLM, a France-based company. In this case, XYZ selling the data collected from an Indian resident will be liable to pay equalisation levy @ 2% on the amount of consideration received by it from the KLM.

In conclusion, Equalisation Levy represents a significant development in the taxation of digital transactions, aimed at ensuring a level playing field and addressing tax challenges posed by the digital economy. While the levy has generated debate and controversy, its implementation underscores the need for innovative approaches to tax policy and administration in an increasingly digitalized world. By addressing compliance challenges, promoting international cooperation, and embracing technological solutions, governments can navigate the complexities of digital taxation and pave the way for a fair and sustainable tax environment for all stakeholders.

This note is applicable upto A.Y. 2024-25.

Topic

Module 3: Decision Making Techniques

FINAL

Group III - Paper-16

Strategic Cost Management (SCM)

Transfer Pricing

Transfer Pricing

01. Introduction

Transfer Price (TP) is the notional value of goods and services transferred from one division to the other division of an organisation. In other words, when internal exchange of goods and services take place between the different divisions of a firm, they have to be expressed in monetary terms. The monetary amount for those interdivisional exchanges is called as 'Transfer Price'. Transfer price is, thus, the price that one segment (sub unit, department, division etc.,) of an organization charges for a product or services supplied to another segment of the same organization. This idea can be understood with the help of Figure 1:

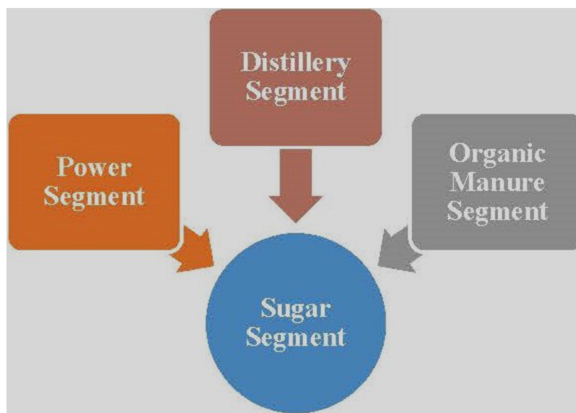


Figure 1

Let us understand the concept of Transfer Pricing with the help of Sugar Industry. In this case Sugar Segment gives bagasse to Power Segment to be used as fuel and in turn takes back steam and power from Power Segment. The price charged by Sugar segment for supply of bagasse and the price charged by Power segment for supply of power and steam are known as transfer price.

Further Molasses given to Distillery Segment and Press mud given to Organic Manure segment by Sugar segment are also chargeable with transfer price.

Transfer prices are used when individual entities of a larger multi product firm are treated and measured as separately run entities. As in the given case of Sugar Segment, all the divisions viz.: Sugar, Power, Distillery & Organic Manure are treated as separate profit centres. The determination of transfer prices is an extremely difficult and delicate task as lot of complicated issues are involved in the same. Inter division conflicts are also possible.

'Transfer Pricing' is needed to monitor the flow of goods and services among the divisions of a company and to facilitate measurement of divisional performance. The primary utility of transfer pricing is to measure the notional sales of one division to another division. Thus, the system of transfer prices adopted in the organization will have a significant effect on the performance evaluation of various divisions. It becomes very vital when there is internal transfer of goods or services and it is required to appraise the distinct performances of the divisions/ departments involved.

If profit centres are to be used, transfer prices become necessary in order to determine the separate performances of both the 'buying' and 'selling' profit centres. If transfer prices are set too high, the 'selling centre' will be favoured. On the other hand, if transfer prices are set too low, the 'buying centre' will receive an unwarranted proportion of the profits.

In the current era of globalization, the transfer pricing practice extends to cross border transactions as well as domestic ones. Multi-National Corporations (MNC) are legally allowed to use the transfer pricing method for allocating earnings among their various subsidiary and affiliate companies that are part of the parent organization. However, companies at times can also use this practice for planning their taxable income and reducing their overall taxes.

02. **Methods of Transfer Pricing:** There are several methods of fixation of 'Transfer Price' some of them can be understood with the help of figure 02 given below:

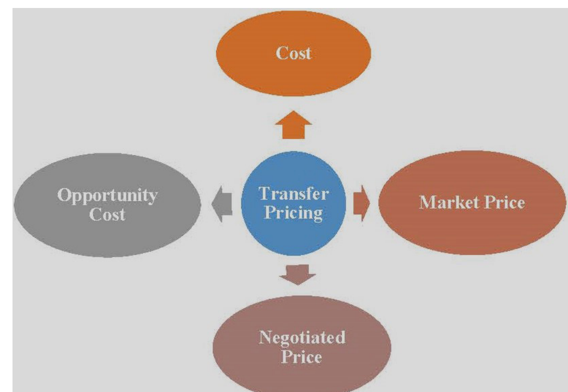


Figure 02

i. **Pricing based on Cost**: In these methods, "cost" is the base and following costs can be considered to ascertain the transfer price:

   a. Actual cost

   b. Cost Plus

   c. Standard Cost

   d. Marginal Cost

ii. **Market price as transfer price**: Under this method, transfer price will be determined according to the prevailing market price

iii. **Negotiated price**: Under this method, the transfer prices are fixed through negotiations between the selling and buying divisions.

iv. **Pricing based on opportunity cost**: This pricing recognizes the minimum price that the selling division is ready to accept and the maximum price that the buying division is ready to pay.

03. **Benefits:**

The benefits of Transfer Pricing Policy may be listed as under:

i. Divisional performance evaluation is made easier.

ii. It develops healthy inter-divisional competitive spirit.

iii. Management by exception is possible.

iv. It helps in co-ordination of divisional objectives in achieving organizational goals.

v. It provides useful information to the top management in making policy decisions like expansion, sub-contracting, closing down of a division, make or buy decisions, etc.,

vi. Transfer Price will act as a check on supplier's prices.

vii. It fosters economic entity and free enterprise system.

viii. It optimizes the allocation of company's financial resources based on the relative performance of various profit centres, that in turn, are influenced by transfer pricing policies.

ix. Transfer pricing also plays a vital role in strategic tax planning. In that case, the transfer pricing mechanism provides a means whereby companies can shift tax liabilities to low-cost tax jurisdictions and gain cost advantages.

The benefits and advantages of transfer pricing can be understood and appreciated better while going through the illustrative example furnished hereafter.

04. **Illustrative Example:** The given illustration is a good example to make use of transfer pricing for optimum utilisation of limited resources.

Division A is a profit centre that produces three products X, Y and Z. Each product has an external market. The details are as follows:

Particulars	X	Y	Z
External market price per unit (₹)	48	46	40
Variable cost of production in division A (₹)	33	24	28
Labour hours required per unit in division A	3	4	2
Maximum Market Demand	800 units	500 units	300 units

Product Y can be transferred to Division B, but the maximum quantity that might be required for transfer is 300 units of Y.

Instead of receiving transfers of Product Y from Division A, Division B could buy similar product in the open market at a slightly economical price of ₹45 per unit.

What should the transfer price be for each unit for 300 units of Y, if the total labour hours available in Division A are?

(a) 3800 hours

(b) 5600 hours.

05. **Solution:**

Steps to solve this illustration can be summarised as per figure 3 below:

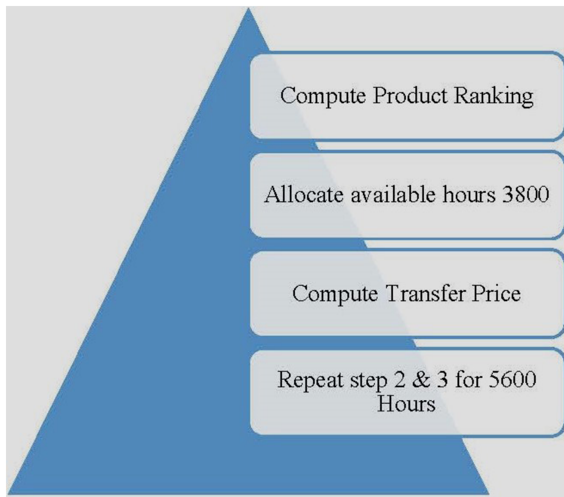


Figure 03

Step 1: Since available labour hours are limited, so first of all we need to work out the

Contribution per labour hour from external sales:

Particulars	X	Y	Z
Market price (₹)	48	46	40
Variable cost (₹)	33	24	28
Contribution (₹)	15	22	12
Labour hours required	3	4	2
Contribution per labour hour (₹)	5	5.50	6
Ranking	III	II	I

(a) Computation of transfer price when available hours are 3800:

Step 2:

Allocation of Hours if the available labour hours are 3800

Particulars	X	Y	Z
Maximum Market Demand (Unit)	800	500	300
Labour hours required per Unit	3	4	2
Hours needed for External Sales	2400	2000	600
Allocation of Hours if available hours are 3800	1200 (balancing)	2000	600

The existing capacity is not sufficient, even, to produce the units to meet the external sales. In order to transfer 300 units of Y, 1200 hours are required in which division A has to give up the production of X to the extent of 1200 hours (400 units).

Step 3:

So, Transfer price for 300 units of Y will, therefore, work out to

Variable Cost of Y (₹24) + [{(Contribution loss for X (₹5 × 1200 hours = 6,000)}÷300] = 24 + 20 = ₹44/-

(b) Computation of transfer price when the available labour hours are 5600:

Step 4:

Allocation of Hours if the available labour hours are 5600

Particulars	X	Y	Z
Maximum Market Demand (Units)	800	500	300
Labour hours required per Unit	3	4	2
Hours needed for External Sales	2400	2000	600
Balance of hours (Surplus)		600	

Labour Hours needed for 300 units of Y= 300×4 = 1200

Surplus Labour Hours Available = 5600 – 5000 = 600

Short fall in Labour Hours = 1200 – 600 = 600

The short fall 600 hours may have to be diverted from X resulting in a contribution loss of ₹3,000/- (600 hours × ₹5)

Step 5:

Transfer price for 300 units of Y will, therefore, work out to

Variable Cost of Y (₹24) + [{Contribution loss for X (₹5 × 600 hours = 3,000)} ÷ 300] = ₹24 + ₹10 = ₹34/-

6. Learning Take:

Opportunity cost plays key role in determining Transfer Price.

Topic

Module 12: Evaluation of Corporate Image

FINAL

Group IV - Paper-17

Cost and Management Audit (CMAD)

COST AND MANAGEMENT AUDIT

1. **Relationship between corporate image and governance**

The relationship between corporate image and governance is intricate and interdependent. Corporate image refers to the perception of a company held by its stakeholders, including customers, investors, employees, and the wider public. Governance, on the other hand, encompasses the system of rules, practices, and processes through which a company is directed and controlled.

Key connections between corporate image and governance:

Reputation: Effective governance contributes to a positive corporate image by demonstrating transparency, accountability, and ethical decision-making, thereby enhancing the company's reputation. An entity with reputation risk can't survive in the long run.

Trust: Strong governance fosters trust among stakeholders, which is critical for maintaining a positive corporate image. Stakeholder relationship management is critical for building the requisite trust factor.

Credibility: Good governance practices, such as disclosure and transparency, reinforce a company's credibility and contribute to a favourable corporate image.

Risk management: Robust governance frameworks help mitigate risks, protecting the company's image from potential damage. Risk Management function includes – identification, monitoring, appetite for bearing , transfer of risk , and mitigation etc.

Stakeholder engagement: Governance mechanisms, like investor relations and stakeholder communication, influence how stakeholders perceive the company. Transparency , appropriate and timely disclosure is key to such engagement.

Social responsibility: Companies demonstrating good governance often prioritize social responsibility, enhancing their image as responsible corporate citizens.

Financial performance: Effective governance is linked to better financial performance, which positively impacts corporate image.

Compliance: Adherence to regulatory requirements and industry standards reinforces a company's commitment to governance, supporting a positive image.

Impact of poor governance on corporate image:

Damage to reputation

Loss of stakeholder trust

Decreased investor confidence

Regulatory scrutiny

Financial penalties

Builds negativity in society about the entity

Negative media coverage

Decreased customer loyalty

Call for boycott

Best practices to promote positive corporate image through governance:

Establishing a strong, independent board of directors

Implementing transparent financial reporting

Timely and appropriate disclosure to Stock Exchanges

Foster open communication with stakeholders

Develop and enforce a 'Code of Conduct' for Company Staff and Executives

Ensure executive accountability

Conduct regular risk assessments and review of mitigation steps

Engage in corporate social responsibility initiatives

Engagement in upliftment of nearby communities for their development

Developing infrastructure at locations

Monitor and address stakeholder concerns

By prioritizing good governance, companies can cultivate a positive corporate image, reinforcing their

reputation, credibility, and trust among stakeholders. Conversely, poor governance can significantly harm a company's image and long-term success

Parameters to be used to measure corporate image

Measuring corporate image involves assessing stakeholders' perceptions and attitudes towards an organization. Here are key parameters to gauge corporate image:

A. Primary Parameters:

Reputation Index

Brand Awareness

Stakeholder Engagement

Customer Satisfaction

Employee Satisfaction

Financial Performance

Social Responsibility

Leadership Effectiveness

Communication Effectiveness

Governance and Ethics

B. Secondary Parameters:

Media Sentiment Analysis

Social Media Engagement

Net Promoter Score (NPS)

Employee Turnover Rate

Customer Retention Rate

Community Involvement

Innovation and Adaptability

Quality of Products/Services

Crisis Management

Industry Rankings and Awards

C. Qualitative Metrics:

Stakeholder surveys and focus groups

Customer testimonials and case studies

Employee feedback and exit interviews

Media and social media monitoring

Industry expert opinions

Reputation audits

Competitor analysis

Content analysis of company publications

Assessment of company culture

Review of corporate social responsibility initiatives

D. Quantitative Metrics:

Website traffic and engagement metrics

Social media metrics (e.g., followers, engagement rate)

Customer satisfaction scores (e.g., CSAT, NPS)

Employee engagement scores (e.g., eNPS)

Financial performance metrics (e.g., revenue growth, ROI)

Media coverage metrics (e.g., press mentions, sentiment analysis)

Survey and feedback response rates

Net promoter score (NPS)

Customer retention and acquisition rates

Governance and compliance metrics (e.g., audit findings)

Measurement Tools and Techniques Used :

Surveys (online, phone, in-person)

Focus groups and interviews

Social media listening tools

Media monitoring software

Reputation management platforms

Customer feedback systems

Employee engagement platforms

Financial analysis software

Competitor analysis tools

Data analytics platforms

By tracking these parameters, organizations can gain

insights into their corporate image and identify areas for improvement

2. Discuss with examples the 'Complexity of Cost Accounting Standards'

The complexity of cost accounting standards can arise from various factors, including:

1. Industry-specific requirements and practices
2. Frequent updates and revisions
3. Diverse stakeholder interest
4. Globalization and multinational operations
5. Unique organizational structures
6. Operational complexity and limitations
7. Evolving business models
8. Integration with financial accounting
9. Regulatory compliance

Examples of complexity:

Example 1: Complexity: Allocating indirect costs between Departments.

Scenario: A manufacturing company has two Departments viz. Production and Research & Development (R&D). The company incurs indirect costs, such as utilities and facility maintenance.

Challenge: Selecting the most appropriate method and ensuring accurate allocation.

Solution: Apply a cost allocation method, such as:

- Direct Labour Hours (DLH)
- Machine Hours (MH)
- Area (Square Foot)

Example 2: Complexity: Allocating common costs between Joint products.

Scenario: A company produces two joint products, Product A and Product B, using a shared production process.

Challenge: Determining the most suitable method and ensuring accurate cost allocation.

Solution: Apply a method such as:

- Physical Units Method
- Sales Value Method
- Relative Market Value Method

Example 3: Accounting for By-Products

Scenario: A company produces a main product and a by-product.

Complexity: Valuing and accounting for the by-product.

Solution: Apply a method such as:

- Net Realizable Value (NRV) Method
- Sales Value Method

Challenge: Determining the most suitable method and ensuring accurate valuation.

Example 4: Compliance with Multiple Regulatory Requirements

Scenario: A multinational company operates in various countries, each with unique cost accounting regulations.

Complexity: Ensuring compliance with diverse regulatory requirements.

Solution: Establish a comprehensive compliance framework.

Challenge: Staying up-to-date with changing regulations and ensuring consistency.

Example 5: Accounting for Inventory Costs

Scenario: A retail company uses the First-In, First-Out (FIFO) method for inventory valuation.

Complexity: Determining the cost of goods sold (COGS) when inventory levels fluctuate and market having inflationary symptoms.

Solution: Apply FIFO method, considering factors like:

- Beginning inventory
- Purchases
- Sales
- Ending inventory

Challenge: Ensuring accurate COGS calculation.

Example 6: Cost Allocation for Shared Services

Scenario: A company's IT department provides services to multiple departments.

Complexity: Allocating IT costs to respective departments.

Solution: Apply a cost allocation method, such as:

- Full Time Engagements (FTE)
- Headcount (No.)
- Department-wise hours booked

Challenge: Selecting the most appropriate method..

Example 7: Accounting for Research and Development (R&D) Costs

Scenario: A pharmaceutical company invests in R&D.

Complexity: Determining which R&D costs are capitalizable.

Solution: Apply standards like IAS 38.

Challenge: Identifying and valuing intangible assets.

Example 8: Accounting for Environmental Costs

Scenario: A manufacturing company incurs environmental remediation costs.

Complexity: Determining the timing and amount of cost recognition.

Solution: Apply standard IAS 37.

Challenge: Estimating future remediation costs.

Example 9: Accounting for Currency Exchange Rates

Scenario: A multinational company conducts international transactions.

Complexity: Accounting for foreign currency transactions and translations.

Solution: Apply standards like IAS 21.

Challenge: Managing exchange rate fluctuations

Example 10: Accounting for Corporate Social Responsibility (CSR) Initiatives

Scenario: A company invests in CSR activities.

Complexity: Determining the accounting treatment for CSR costs.

Solution: Apply standards like IAS 38.

Challenge: Identifying and measuring CSR expenses.

Mitigating complexity through-

1. Consultation with experts
2. Investment in training and development
3. Implementation of robust accounting systems
4. Stay updated on regulatory changes
5. Simplify processes wherever possible

By acknowledging and addressing these complexities, organizations can ensure accurate cost accounting, informed decision-making, and compliance with regulatory requirements.

Topic

Module 6: Consolidated Financial Statements and Separate Financial Statements

FINAL

Group IV - Paper-18

Corporate Financial Reporting (CFR)

Prepare summarised consolidated and separate/individual balance sheet in the books of Dana Limited as at 31-03-2022, 31-03-2023 and 31-03-2024. [Amount Rs. In lakhs]

Dana Ltd., a listed company, acquired 18% shares in Cloud Ltd. on 31-03-2022 at 100 paid by cash; further 42% shares on 31-03-2023 paid by issue of shares with paid up value 240 at market value of 360, (when fair value of previously held interest of 18% is estimated at 130) and further 15% shares on 31-03-2024 at 120 paid by cash.

The individual/separate balance sheet data and other data of Dana Ltd. and Cloud Ltd. are presented below.

	31-03-22 (before acquisition of 18%)		31-03-23 (before acquisition of 42%)		
	Dana	Cloud	Dana	Cloud	
	Bk Value	Bk Value		Bk Value	Mkt Value
Non-Current Assets (other than Investment in shares of Cloud Ltd)	800	500	900	560	600
Current Assets	600	300	600	340	330
Total Assets	1400	800		900	
Equity Share Capital	600	400	600	400	
Other Equity	500	200		300	
Non-Current Liabilities	200	120	200	120	125
Current Liabilities	100	80	100	80	85
Total of Equity and Liabilities	1400	800		900	
Profits during 2022-23			200	100	

	31-03-24 (before acquisition of further 15%)		
	Dana	Cloud	
	Bk Value	Bk Value	Mkt Value
Non-Current Assets (other than Investment in shares of Cloud Ltd)	1000	620	650
Current Assets	720	380	390
Total Assets		1000	
Equity Share Capital		400	
Other Equity		420	
Non-Current Liabilities	190	110	100
Current Liabilities	90	70	75
Total of Equity and Liabilities		1000	
Profits during 2023-24	240	120	

Solution:

Summarised consolidated and separate/individual balance sheets in the books of Dana Limited. [Amount Rs. In lakhs]

	A. Individual	B. Separated		C. Consolidated	
	31-03-22	B1. 31-03-23	B2. 31-03-24	C1.31-03-23	C2.31-03-24
Non-Current Assets (other than Investment in shares of Cloud Ltd)	800	900	1000	1500	1660
Investment in shares of Cloud Ltd.	100	460	580		
Goodwill				58	58
Current Assets	500	600	600	930	980
Total Assets	1400	1960	2180	2488	2698
Equity Share Capital	600	840	840	840	840
Other Equity	500	820 Note 1	1060	850 Note 2	1179.25 (Note 5)

Non-Controlling Interest				288 Note 3	213.75 (Note 5)
Non-Current Liabilities	200	200	190	325	305
Current Liabilities	100	100	90	185	160
Total of Equity and Liabilities	1400	1960	2180	2488	2698

Notes, Journal entries and explanations:

A. Ther is no consolidation for 18% holding.

Journal for purchase of 18% shares in Cloud Ltd. acquired on 31-03-2022.

		Dr.	Cr.
Investment A/C	Dr.	100	
To Cash			100

Thus, Investment appears in Individual balance sheet and Current assets are reduced by 100. No other changes are there.

B. For acquiring 42% shares in addition to previously held 18% interest, Dana acquires control of Cloud and preparation of both consolidated (Ind AS 110) and separate balance sheet (Ind AS 27) is required.

B1. Separate balance sheet:

Journal for purchase of 42% shares in Cloud Ltd. on 31-03-2023.

		Dr.	Cr.
Investment A/C	Dr.	360	
To Equity Share Capital			240
To Security Premium (Other Equity)			120

Note 1: Thus, Investment appears in separate balance sheet at 100+360 = 460 and Equity Share Capital is increased by 240 to 600 + 240 = 840 and Other Equity is increased during the year by profits of 200 and by security premium of 120. Other Equity = 500 +200 +120 = 820.

B2. Separate balance sheet:

Journal for purchase of further 15% shares in Cloud Ltd. on 31-03-2024.

		Dr.	Cr.
Investment A/C	Dr.	120	
To Cash			120

Thus, Investment appears in separate balance sheet at 460 + 120 = 580 and Current assets are reduced by 120.

C. For acquiring 42% shares in addition to previously held 18% interest, Dana acquires control of Cloud and preparation of both consolidated (Ind AS 110) and separate balance sheet (Ind AS 27) is required.

C1. Consolidated Balance Sheet on 31-03-2023

Controlling Interest = 18 + 42 = 60%

Journal for acquiring control on 31-03-2023

	Non-Current Assets (Fair value)	Dr.	600	
	Current Assets (Fair value)	Dr.	330	
	Goodwill (Balancing figure)	Dr.	58	
	To Non-Current Liabilities (Fair value)			125
	To Current Liabilities (Fair value)			85
	To Investment (Previously held interest at Fair value)			130

	To Non-Controlling Interest [Note 3]		288
	To Purchase Consideration		360
	Investment A/C Dr.	30	
	To Other Equity		30
	(for excess of Fair value over book value)		
	Purchase Consideration Dr.	360	
	To Equity Share Capital To Security Premium (Other Equity)		240 120

Note 3. Non-Controlling Interest = 40% of Net Assets

Non-Current Assets (Fair value) Current Assets (Fair value)	600 330	
Total		930
Non-Current Liabilities (Fair value) Current Liabilities (Fair value)	125 85	
Total		210
Net Assets		720
Non-Controlling Interest = 40%*720		288

Note 2: Consolidated Other Equity = 820 (Separate balance sheet) + 30 (profit on revaluation of previously held interest) = 850

C2. Working Note for Consolidated Balance Sheet on 31-03-2024

Note 4

Post acquisition profits of Cloud	120	
Reversal of revaluation Loss of current items Current assets Current liabilities	 10 5	
Total		135
Share of Non-Controlling Interest = 40%*135		54
Share of Controlling Interest = 60%*135		81
Non-Controlling Interest before acquiring 15%= 288 + 54 (40% of 2023-24 profits)		342
For acquiring further 15% shares on 31-03-2024 Non-Controlling Interest is reduced by 15%*342/40%		128.25
Value of Residual 25% Non-Controlling Interest = 342-128.25		213.75

Controlling Interest = 60% + 15% = 75%

Non-Controlling Interest = 40% - 15% = 25%

Journal for acquiring further 15% shares on 31-03-2024

	Dr.	Cr.
Non-Controlling Interest A/C (15% purchase) Dr. To Cash To Other Equity (Profit)	128.25	 120 8.25

Note 5: Workings for consolidation on 31-03-2024

	Bk Value on 31-03-2024		Adjustments	Amount
	Dana	Cloud		
Non-Current Assets (other than Investment in shares of Cloud Ltd)	1000	620	Revaluation at acquisition 40	1660
Goodwill			At acquisition	58
Current Assets	720	380	Cash paid for purchase a part of NCI= 120	980
Total Assets				2698
Equity Share Capital	840	400	600+240	840
Other Equity	1060	420	Note 6	1179.25
Non-Controlling Interest			Note 4	213.75
Non-Current Liabilities	190	110	Revaluation at acquisition = 5	305
Current Liabilities	90	70	90+70	160
Total of Equity and Liabilities				2698

Note 6: Other Equity at 31-03-2024

Opening Balance	850
Profits during 23-24	240
Share of Cloud (Note 4)	81
Profits from purchase a part of NCI	8.25
Closing Balance	1179.25

An introduction to preparation of consolidated Balance Sheet

In this issue we shall discuss two recent significant international developments in corporate reporting embracing both financial and non-financial information.

A. IFRS Foundation assumed responsibility for the Integrated Reporting Framework in August 2022 and

B. IFRS Foundation issued two IFRS Sustainability Disclosure Standards effective from 01-01-2024

A. Integrated Reporting Framework

Integrated Reporting Framework is accepted by IFRS foundation in August 2022.

Under IFRS foundation, the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB) are jointly responsible for the Integrated Reporting Framework.

The Integrated Reporting Framework promotes adoption of integrated reporting across the world.

An integrated report summarises how the organisation creates, preserves or erodes value in the short, medium and long term.

The primary purpose of an integrated report (IR) is to explain to providers of financial capital how an organization creates, preserves or erodes value over time.

Although the primary users of integrated report are the providers of financial capital IR benefits all stakeholders interested in an organization's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.

Seven Guiding Principles

The IR Framework specifies seven guiding principles for preparation and presentation of an integrated report:

1. It should have strategic focus and future orientation with respect to value creation and use of and effects on capitals
2. It should have connectivity of information, both financial and non-financial to show a holistic view
3. It should provide an insight on the organisation's relationships with key stakeholders.

4. It should consider materiality
5. It should be concise.
6. It should provide reliable and complete information.
7. It should be consistent over time and comparable with other organisations
8. Content Elements

The integrated reporting framework has outlined 8 content elements:

1. Organisational overview and external environment
2. Governance
3. Business model
4. Risks and opportunities
5. Strategy and resource allocation
6. Performance
7. Outlook
8. Basis of preparation and presentation

B. **IFRS Sustainability Disclosure Standards**

IASB issued two IFRS Sustainability Disclosure Standards effective from 01-01-2024.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

The objective of IFRS S1 General Requirements for Disclosure of Sustainability related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

Information about sustainability-related risks and opportunities is useful to primary users because an entity's ability to generate cash flows over the short, medium and long term is inextricably linked to the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity's value chain.

IFRS S2 Climate-related Disclosures

The objective of IFRS S2 Climate-related Disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

This Standard requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. For the purposes of this Standard, these risks and opportunities are collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects'

Thus, the IR Framework and the IFRS sustainability standards (IFRS S1 and IFRS S2) are complementary tools for investor-focused communications.

When used together, the Integrated Report portrays a holistic view of a company's value creation process and the disclosures required by the IFRS sustainability standards make the company's sustainability and climate-related information comparable with other companies' disclosures.

Topic

Module 10: GST Returns

Module 11: Accounts and Records

FINAL

Group IV - Paper-19

Indirect Tax Laws and Practice (ITLP)

GST Returns

The implementation of the Goods and Services Tax (GST) in many countries has transformed the indirect tax landscape, replacing a myriad of indirect taxes with a unified tax regime. Central to the GST framework is the concept of GST returns, which play a crucial role in tax compliance, revenue collection, and taxpayer accountability. In this comprehensive guide, we explore the intricacies of GST returns, including their purpose, types and filing requirements.

The basic features of the return mechanism in GST includes electronic filing of returns, uploading of invoice level information, auto-population of information relating to input tax credit from returns of supplier to that of recipient, invoice level information matching and auto-reversal of input tax credit in case of mismatch. The returns mechanism is designed to assist the taxpayer to file returns and avail ITC. A return is required to be filed for the following purposes:

a. Mode for transfer of information to tax administration;

b. Compliance verification program of tax administration;

c. Finalization of the tax liabilities of the taxpayer within stipulated period of limitation; to declare tax liability for a given period;

d. Providing necessary inputs for taking policy decision;

e. Management of audit and anti-evasion programs of tax administration.

Under GST, a regular taxpayer needs to furnish monthly returns and one annual return. There are separate returns for a taxpayer registered under the composition scheme, non-resident taxpayer, taxpayer registered as an Input Service Distributor, a person liable to deduct or collect the tax (TDS/TCS), a person granted Unique Identification Number. It is important to note that a taxpayer is not required to file all the types of returns. In fact, taxpayers are required to file returns depending on the activities they undertake. The GST Council has however recommended to ease the compliance requirements for small tax payers by allowing taxpayers to file details of outward supplies in Form GSTR-1 on a quarterly basis. All the returns are to be filed online. Returns can be filed using any of the following methods:

1. GSTN portal (www.gst.gov.in)
2. Offline utilities provided by GSTN
3. GST Suvidha Providers (GSPs).

Returns under GST Laws

Form	Particulars	Due Date	Applicable to
GSTR-3B	Monthly/ Quarterly summary return As per sec. 2(92), "quarter" shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year;	To be filed as under: ➢ Registered persons, who are not under QRMP Scheme – 20th of the next month. ➢ Registered persons, who have opted for QRMP Scheme- a. Aggregate turnover up to ₹ 5 Cr. in the previous financial year and registered in category 1[1] States – **22nd** of the next month following the quarter. b. Aggregate turnover up to ₹ 5 Cr. in the previous financial year and registered in category 2[2] States – **24th** of the next month following the quarter ➢ pay the tax due in each of the first two months of the quarter by depositing the due amount in Form GST PMT-06, by 25th day of the month succeeding such month under the head "Monthly payment for quarterly taxpayer"	All registered persons other than: 1. Input service distributor (ISD), 2. Non-resident taxable person, 3. Person paying tax u/s: a. 10 – Composition levy b. 51 – Tax deduction at source c. 52 - Collection of tax at source

1. Category – 1: States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union Territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep

2. Category – 2: States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi

Form	Particulars	Due Date	Applicable to
GSTR-1 / IFF	Statement for furnishing details of outward supplies	To be filed by either of the following persons on or before the below given dates: ➢ Registered person, who are not under QRMP Scheme - 11th of the next month ➢ Registered persons, who have opted for QRMP Scheme - 13th of the subsequent quarter However, such persons can furnish details of outward supplies using IFF for the first 2 months of the quarter as under: - 1st month of the quarter – on or before 13th of the subsequent month (max value = ₹ 50 Lakhs) - 2nd month of the quarter - on or before 13th of the subsequent month (max value = ₹ 50 Lakhs) ➢ Invoices furnished using the said facility in the first two months are not required to be furnished again in Form GSTR-1.	Normal / regular taxpayer
GSTR-4	Return by composition tax payers	CMP-08 by 18th of the month succeeding the quarter. GSTR-4 Annually by 30th April following the end of a financial year.	Composition taxpayer
GSTR-5	Return by non-resident tax payers	13th of the next month or within 7 days after expiry of registration, whichever is earlier	Non-resident taxpayer
GSTR-5A	Monthly return by online information and database access or retrieval services (supply to a person other than a registered person i.e., online non-taxable recipient)	20th of the next month	Online information and database access or retrieval services
GSTR-6	Monthly return by input service distributors	13th of the next month	Input service distributors
GSTR-7	Monthly return for TDS	10th of the next month	Tax Deductor
GSTR-8	Monthly return (statement) for collection of tax at source	10th of the next month	E-commerce operator
GSTR-9/9A/9C	Annual return	31st December of the next financial year	Various person (Covered in Final)

Form	Particulars	Due Date	Applicable to
GSTR-10	Final Return	Within 3 months of the date of cancellation or date of receipt of order of cancellation, whichever is later	Registered person whose registration has been cancelled
GSTR-11	Return to be filed by a person having UIN (Unique Identity Number) w.r.t inward supplies received by him to file refund of the taxes paid by him on inward supplies.		Person having UIN

In conclusion, GST return filing is a critical aspect of GST compliance, requiring diligent record-keeping, accurate reporting, and timely submission of returns. By understanding the purpose, types, filing requirements, and compliance challenges associated with GST returns, taxpayers can navigate the complexities of the GST regime more effectively. Embracing best practices, leveraging technology solutions, and seeking professional guidance can enhance the accuracy, efficiency, and compliance integrity of GST return filing, ultimately contributing to a robust and transparent indirect tax ecosystem. As GST laws continue to evolve and adapt to changing business dynamics, staying proactive and vigilant in GST compliance will remain essential for businesses to thrive in the GST era.

Accounts and Records

Under the Goods and Services Tax (GST) regime, maintaining accurate accounts and records is crucial for compliance and effective tax administration. The GST law mandates that every registered taxpayer must keep and maintain certain specified accounts and records. Proper bookkeeping ensures transparency and helps the tax authorities verify the correct amount of tax due and collected. Here's a look into the requirements and importance of accounts and records under GST:

Types of Accounts and Records

The GST law requires various information. To adhere to these, the following accounts and records are, *inter-alia*, required to be maintained by a registered person:

- **Invoices**: All tax invoices, credit notes, debit notes, and delivery challans must be preserved.
- **Purchase Register**: Record of all purchases made for the business.
- **Sales Register**: Record of all sales transactions.
- **Stock Register**: Details of stock, including opening and closing balances, goods received, and goods sold.
- **Input Tax Credit Availed**: A register to record ITC availed during the period.
- **Output Tax Payable and Paid**: Details of tax payable on outward supplies and the tax actually paid.
- **Advance Register**: Records of advances received for supply of goods or services.
- **HSN/SAC Code-wise summary**: For goods or services supplied.
- **Other accounts**: Specified by the law such as accounts of outward supply, inward supply, and ITC availed.

Period of Retention of Records

As per the GST law, every registered person must retain these accounts and records for a period of 72 months (6 years) from the due date of furnishing the annual return for the year pertaining to such accounts and records. If there is any litigation, then records need to be retained for one year after the order has been passed or for 72 months, whichever is later.

Place of Maintenance of Accounts

The accounts and records must be maintained at the principal place of business. In case the taxpayer has multiple places of business, records relating to each place should be kept at the respective locations. However, a consolidated record can also be maintained at the principal place of business.

Electronic Form of Accounts

The GST law allows taxpayers to maintain accounts and records in an electronic form. Taxpayers must also ensure that the electronic records are accessible from India and can be produced on demand.

Inspection and Audit of Records

The proper maintenance of accounts and records is crucial because they can be inspected and audited by the GST authorities. During such inspections, the authorities may verify various aspects such as the correctness of turnover declared, taxes paid, refunds claimed, and ITC availed. In case of discrepancies, penalties may be levied, and additional tax demands may be raised.

Consequences of Non-Maintenance of Accounts

Failure to maintain the prescribed accounts and records can lead to several consequences, including:

- **Penalty**: A penalty of up to ₹25,000 can be levied for non-maintenance of accounts and records.
- **Assessment**: The tax authorities may assess the tax liability based on available information, and such assessments may be unfavorable to the taxpayer.
- **Prosecution**: In severe cases, non-compliance with record-keeping requirements can lead to prosecution under the GST law.

Role of Technology in Record Keeping

In the era of digital transformation, technology plays a pivotal role in maintaining accounts and records. Various GST-compliant accounting software and enterprise resource planning (ERP) systems are available to help businesses maintain accurate records, file returns on time, and ensure compliance with GST provisions.

Compliance and Reconciliation

One of the critical aspects of GST compliance is the periodic reconciliation of accounts and records with the data filed in GST returns. Regular reconciliation helps in identifying and rectifying discrepancies, ensuring that the financial statements and GST returns are aligned. This process includes matching sales and purchase registers with the GSTR-1 and GSTR-2A returns, verifying ITC claimed, and ensuring that all invoices are properly recorded.

Challenges in Maintaining GST Records

Despite the benefits of maintaining proper accounts and records, businesses face several challenges, including:

- **Complexity**: The complexity of GST law and frequent changes can make record-keeping a daunting task.
- **Volume of Transactions**: High transaction volumes, especially for large businesses, require robust systems and processes for accurate recording.
- **Technological Barriers**: Small and medium-sized enterprises (SMEs) may face difficulties in adopting advanced technological solutions due to cost constraints and lack of technical expertise.

Best Practices for Effective Record Keeping

To ensure compliance and avoid penalties, businesses should adopt the following best practices:

- **Regular Updates**: Keep the accounts and records updated regularly to avoid last-minute rushes and errors.
- **Use of Technology**: Implement GST-compliant accounting software to automate record-keeping and ensure accuracy.
- **Periodic Review**: Conduct periodic reviews and internal audits to verify the correctness of records.
- **Training and Awareness**: Ensure that the accounting and finance team is well-versed with GST provisions and record-keeping requirements through regular training sessions.

Conclusion

Maintaining accurate and comprehensive accounts and records under GST is not just a legal requirement but also a best practice for efficient business management. It ensures transparency, aids in tax compliance, and helps businesses avoid legal issues and penalties. As the GST law continues to evolve, businesses must stay updated with the latest provisions and adapt their record-keeping practices accordingly. Leveraging technology and adopting best practices can significantly enhance the accuracy and efficiency of maintaining GST accounts and records, ultimately contributing to the smooth functioning of the business and compliance with GST law.

Topic

Module 3:
Economic Efficiency of the Firm – Performance Analysis

Module 8:
Valuation of Assets and Liabilities

ELECTIVES

Paper-20A

Strategic Performance Management and Business Valuation (SPMBV)

Strategic Performance Management

Performance analysis is a critical aspect of evaluating a firm's success, focusing on how well it utilises resources to achieve its objectives. When examined from the perspective of economic efficiency, performance analysis delves into how effectively a company uses inputs such as labour, capital, and raw materials to produce outputs, such as goods and services, while minimising waste and costs. Economic efficiency can be broadly categorised into two types: allocative efficiency, where resources are distributed optimally, and productive efficiency, where goods are produced at the lowest possible cost.

In the context of a firm's performance, achieving economic efficiency implies that the company is capable of maximising its output without increasing the amount of input, or maintaining the same level of output while reducing input. This concept is critical for businesses that operate in competitive markets, as it allows them to offer products at competitive prices, improve profitability, and maintain a sustainable position in the market. This write-up will explore the concept of performance analysis from the perspective of economic efficiency and present a comprehensive case study to illustrate its application .

Understanding Economic Efficiency

Economic efficiency can be seen as a state where a firm cannot increase output without increasing inputs or where a firm cannot reduce inputs without reducing output. This is often achieved through the optimal use of resources, strategic cost management, and the elimination of wasteful processes. The concept of economic efficiency is associated with two key metrics: technical efficiency and allocative efficiency. Technical efficiency refers to a firm's ability to produce the maximum amount of output with a given set of inputs. Allocative efficiency, on the other hand, focuses on the firm's ability to allocate resources in way that the cost of production is minimised, and the product mix aligns with consumer preferences .

A firm achieves economic efficiency when it can produce at the lowest possible cost per unit while maintaining the quality of the goods or services. Economic efficiency is not just about cutting costs but also about optimising resource usage. For instance, if a company is able to improve its production process by adopting new technology that reduces the time required to produce a product, it achieves higher technical efficiency. Simultaneously, if it can reduce the cost of production inputs, such as raw materials or labour, without compromising on quality it achieves better allocative efficiency.

Importance of Performance Analysis for Economic Efficiency

Performance analysis helps identify how well a firm is using its resources to generate output, profits, and competitive advantage. It includes evaluating productivity, cost management, profit margins, and overall operational efficiency. Firms that regularly assess their performance are better positioned to identify inefficiencies and areas where they can improve resource utilisation.

There are several key performance indicators (KPIs) that firms use to gauge economic efficiency. These include:

Cost-Benefit Analysis (CBA): This involves comparing the costs and benefits of different business decisions. A firm that is economically efficient will have a favourable cost-benefit ratio, meaning that the benefits of its actions outweigh the costs.

Labour Productivity: This measures the output produced per unit of labour. Firms that are able to achieve higher productivity with the same or fewer employees demonstrate better economic efficiency.

Return on Investment (ROI): This metric helps firms understand the profitability of their investments. A higher ROI indicates that the firm is using its resources effectively to generate returns.

Energy Efficiency: With rising energy costs, firms need to manage their energy consumption effectively. Firms that can produce the same output using less energy are more economically efficient.

Total Factor Productivity (TFP): TFP is a measure of productivity that captures the efficiency with which a firm combines all its inputs, such as capital, labour, and technology, to produce output.

By analysing these indicators, firms can gain insights into their operational efficiencies and make informed decisions on how to improve their economic performance. For example, if a firm's labour productivity is lower than the industry average, it might explore options such as employee training, process automation, or restructuring to enhance productivity.

Several factors influence a firm's economic efficiency, including technological innovation, economies of scale, market competition, and resource allocation.

Technological Innovation: Technology plays a critical role in improving a firm's economic efficiency. Automation, artificial intelligence, and machine learning can streamline operations, reduce human error, and lower production costs. Firms that invest in technology often find themselves able to produce more with less, leading to enhanced efficiency.

Economies of Scale: Firms can achieve cost advantages as they increase the scale of production. Economies of scale allow companies to spread fixed costs over a larger number of units, reducing the cost per unit. This is particularly beneficial for firms in manufacturing sectors where production processes are highly scalable.

Market Competition: Competitive markets push firms to optimise their operations in order to offer competitive prices. Companies that fail to achieve economic efficiency may find it difficult to survive in markets where competitors are able to produce goods at lower costs.

Resource Allocation: Effective allocation of resources, including capital, labour, and materials, is crucial for economic efficiency. Firms must ensure that resources are used where they are most needed and where they can generate the highest returns. Misallocation can lead to waste and inefficiency.

Case Study: Toyota Motor Corporation

To illustrate the concept of performance analysis from the perspective of economic efficiency, let us consider the case of Toyota Motor Corporation, a global leader in the automotive industry known for its lean manufacturing system.

Background

Toyota is renowned for its pioneering approach to manufacturing, particularly the Toyota Production System (TPS), which focuses on minimising waste and enhancing productivity. This system is often cited as a benchmark for economic efficiency in manufacturing. Through TPS, Toyota has been able to achieve high levels of technical efficiency, producing cars at lower costs while maintaining high-quality standards.

Technological Innovation and Lean Manufacturing

One of the key elements that contribute to Toyota's economic efficiency is its adoption of lean manufacturing principles. Lean manufacturing focuses on eliminating waste, reducing production time, and enhancing product quality. Waste is defined broadly to include any activity that does not add value to the product, such as overproduction, waiting times, excess transportation, unnecessary processes, and defects.

By applying lean manufacturing techniques, Toyota has been able to streamline its production processes, significantly reducing costs. For instance, Toyota employs a just-in-time (JIT) inventory system, which ensures that parts and materials are delivered to the production line only when they are needed. This minimises the amount of inventory that needs to be stored, reducing storage costs and the risk of overproduction.

Additionally, Toyota has invested in automation and robotics, which help in maintaining consistency and precision in production. Robotics reduces the need for manual labour in repetitive tasks, which not only speeds up production but also minimises errors, leading to improved economic efficiency.

Economies of Scale

As one of the largest automobile manufacturers in the world, Toyota benefits from economies of scale. Its large-scale production facilities enable the company to produce cars at a lower cost per unit. This cost advantage allows Toyota to offer its vehicles at competitive prices while maintaining profitability. For instance, by producing a large number of similar models, Toyota is able to negotiate better deals with suppliers, lowering the cost of raw materials.

Focus on Quality and Continuous Improvement

Toyota's commitment to quality has also played a significant role in its economic efficiency. The company follows a philosophy known as "Kaizen,"

which translates to "continuous improvement." Kaizen involves continuously seeking ways to improve production processes, even if the improvements are minor. This philosophy has ingrained a culture of efficiency within the company, where employees at all levels are encouraged to identify and eliminate inefficiencies.

For example, if an assembly line worker notices a recurring issue with a component, they have the authority to halt production and address the problem, ensuring that defects are dealt with at the source. This reduces the likelihood of defective products reaching the market, minimising the cost associated with recalls and warranty claims.

Environmental Efficiency and Sustainability

Economic efficiency at Toyota is also linked to its efforts in sustainability. The company has been proactive in developing hybrid and electric vehicles, which cater to the growing demand for environmentally friendly cars. By focusing on fuel efficiency and reducing emissions, Toyota has been able to position itself as a leader in the green car segment. Hybrid models like the Toyota Prius are designed to consume less fuel, translating to lower operating costs for customers and lower emissions, which is in line with global environmental standards.

Toyota's hybrid technology has allowed the company to gain a competitive edge in markets where fuel efficiency and emissions regulations are strict. This approach to environmental efficiency not only improves Toyota's brand image but also opens up new markets, contributing to overall economic efficiency.

Labour Productivity and Human Resource Management

Another aspect of Toyota's efficiency is its approach to human resource management. The company places significant emphasis on training and empowering its workforce. Employees are not just trained to perform specific tasks but are also encouraged to understand the entire production process. This holistic understanding allows workers to identify inefficiencies that might not be apparent to management. By involving employees in problem-solving and decision-making, Toyota ensures that its workforce is aligned with the company's goals of economic efficiency and continuous improvement.

Challenges and Limitations

Despite Toyota's success, the firm has faced challenges that have impacted its economic efficiency. The 2010 recall crisis, where millions of vehicles were recalled due to safety concerns, highlighted the risk of focusing too heavily on cost-cutting measures. While efforts to reduce costs are a core part of economic efficiency, they should not come at the expense of product quality and consumer safety. Toyota has since addressed these issues by strengthening its quality assurance processes, demonstrating the importance of balancing cost-efficiency with quality control.

In examining economic efficiency, it is essential to consider a holistic view of a firm's operations. Companies like Toyota showcase that economic efficiency is not merely about reducing costs but involves a multifaceted approach that includes technological innovation, quality improvement, workforce empowerment, and sustainability. Through lean manufacturing and continuous improvement philosophies, Toyota has been able to set an example of how firms can balance efficiency with quality. The lessons learned from Toyota's practices can be applied across various industries, highlighting the universal importance of economic efficiency for business success.

Business Valuation

The valuation of assets and liabilities is a fundamental concept in finance and accounting. It involves determining the worth of an entity's assets (what it owns) and liabilities (what it owes) to provide an accurate financial position of a business or individual. Valuation plays a critical role not only for businesses looking to assess their balance sheets but also in scenarios such as mergers and acquisitions, taxation, investment decisions, and even legal disputes. In this essay, we will explore the principles, methods, and challenges of valuing assets and liabilities. We will also discuss a case study to illustrate the application of these concepts in a real-world scenario.

Understanding the Basics

Assets are economic resources owned by an entity that are expected to bring future benefits. They can be tangible, like buildings and machinery, or intangible, such as patents and trademarks. On the other hand, liabilities are the obligations that a company owes to others. These could range from loans and mortgages to accounts payable and deferred tax liabilities. The valuation of these elements, therefore, requires a reliable assessment method that considers both the current and future implications.

The fundamental purpose of valuing assets and liabilities is to provide a true and fair view of the entity's financial standing. Accurate valuation helps stakeholders, including investors, creditors, and regulators, make informed decisions. However, arriving at an accurate value is not always straightforward; it involves a mix of objective data, subjective assumptions, and sometimes, regulatory guidelines.

Principles of Asset Valuation

Valuing assets involves determining their current or fair market value, taking into account the cost of acquiring the asset, its condition, its expected lifespan, and its potential to generate income. Here are some common methods used:

1. **Cost Method**: This method values assets based on the original cost of acquisition, less any depreciation. It is often used for assets like machinery, equipment, and vehicles. The cost method works well for assets that have a straightforward, measurable value. However, it may not be suitable for assets that have appreciated over time, such as real estate.
2. **Market Approach**: The market approach determines the value of an asset based on the price it would fetch in an open market. This is often used for real estate and securities. Market value is determined by comparing similar assets recently sold or currently available in the market. The accuracy of this method depends on the availability of comparable market data.
3. **Income Approach**: This approach values an asset based on the future cash flows it is expected to generate. It is often applied to income-producing assets like rental properties or business units. The expected future cash flows are discounted back to their present value, taking into consideration the risk associated with the asset.
4. **Replacement Cost Approach**: This method estimates the cost of replacing the asset with a similar one. It is often used for assets that do not have a direct income stream, like machinery or industrial equipment. While useful in specific contexts, this approach can be difficult when dealing with unique or specialised assets.

Valuation of Liabilities

Just as assets need to be valued, so too do liabilities. This involves determining the present value of future payments that are expected to be made to satisfy these obligations. The key methods include:

1. **Amortised Cost**: For liabilities such as loans and bonds, the amortised cost is the initial cost adjusted for any repayments and interest. This method provides a more accurate picture than simply using the face value of the liability, especially if the obligation carries a variable interest rate.
2. **Fair Value Approach**: The fair value of a liability is the price that would be paid to transfer or settle the liability. For instance, if a company has issued bonds, the fair value of those bonds may be higher or lower than the face value, depending on market interest rates. This approach is particularly useful in dynamic markets where the value of liabilities can fluctuate significantly.
3. **Present Value of Future Obligations**: This method calculates the present value of future cash outflows required to settle a liability. This is common for pension obligations, lease liabilities, and deferred tax liabilities. Accurate valuation requires appropriate discounting to reflect the time value of money.

Challenges in Valuation

The valuation of assets and liabilities is fraught with challenges. Firstly, different methods can yield different results, making it difficult to determine which valuation is more accurate. Secondly, valuation often involves forecasting, which means that future uncertainties can lead to incorrect valuations. Thirdly, subjective judgement is sometimes required, which can introduce bias into the valuation process.

For instance, the valuation of intangible assets such as brand value, goodwill, and intellectual property is highly subjective. These assets do not have a clear market value, and their worth may fluctuate based on market perception, competition, and even broader economic conditions. Similarly, liabilities like contingent liabilities or pension obligations can be challenging to value because they depend on events that may or may not happen in the future.

Moreover, changes in accounting standards, legal requirements, and market conditions can affect how assets and liabilities should be valued. The shift towards fair value accounting, for example, has created both opportunities and challenges. While fair value can provide a more realistic picture of an entity's financial position, it can also lead to volatility, as the value of assets and liabilities might change frequently.

Case Study: Valuation of a Tech Company in M&A Deal

To understand how asset and liability valuation works in practice, let us consider a hypothetical case study involving a technology company, TechBright, that is being acquired by a larger conglomerate, InnovateCorp. The acquisition requires an in-depth analysis of TechBright's assets and liabilities to determine a fair purchase price.

Step 1: Identifying Assets and Liabilities

TechBright's assets include physical assets like office buildings, servers, and equipment. It also has intangible assets, including software products, patents, and brand recognition. The liabilities include loans, accounts payable, and deferred tax obligations.

Step 2: Valuation of Assets

TechBright's office building and equipment were valued using the **cost method**, with adjustments made for depreciation. However, the software products were valued using the **income approach** because they are expected to generate significant revenue in the future. The valuation team forecasted the future cash flows from these products and discounted them to present value, taking into account the risks associated with the technology industry, such as rapid obsolescence and competition.

Patents were valued using a combination of the **income approach** and the **market approach**. Similar patents were analysed to understand their market value, while future royalty income from these patents was also estimated. This dual approach helped InnovateCorp get a clearer understanding of the worth of TechBright's intellectual property.

Step 3: Valuation of Liabilities

The loans on TechBright's balance sheet were valued at amortised cost, reflecting the outstanding principal and accrued interest. However, deferred tax liabilities were a bit more complex, requiring the valuation team to estimate the future tax implications based on TechBright's anticipated revenue streams.

Step 4: Arriving at a Purchase Price

After valuing both assets and liabilities, InnovateCorp was able to estimate the net asset value of TechBright. However, an adjustment was made to account for potential synergies, such as cost savings and new market opportunities, that InnovateCorp expected to realise from the acquisition. As a result, InnovateCorp proposed a purchase price that was above the net asset value, recognising the strategic fit and future growth potential of the acquisition.

Conclusion

Valuation of assets and liabilities is a critical process that requires a careful balance of objective data, subjective judgement, and an understanding of market dynamics. The choice of valuation method depends on the nature of the asset or liability, the availability of reliable data, and the purpose of the valuation. For example, a real estate investor may prefer the market approach, while a technology company might rely on the income approach to value its software products.

However, no matter the method used, the goal remains the same—to provide a fair, accurate, and reliable assessment of value. While valuation may never be entirely free from uncertainty and bias, robust methodologies and transparent assumptions can help mitigate these challenges. In the case of TechBright, a comprehensive analysis allowed InnovateCorp to arrive at a purchase price that was fair to both parties, underscoring the importance of proper valuation practices.

Moving forward, as markets evolve and new types of assets emerge, the methods of valuation will also need to adapt. With the rise of digital assets, cryptocurrencies, and other novel asset classes, traditional valuation models may not always suffice, and new frameworks will have to be developed. Thus, the field of valuation remains a dynamic and ever-evolving discipline, critical for accurate financial reporting, informed decision-making, and efficient capital allocation.

Topic

Module 4:
Sovereign Risk and Insolvency 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 (Sovereign Risk and Insolvency Risk)

Sovereign Risk

Is the likelihood that a Government will default on its Loan obligation by failing to meet its Principal Payments or Interest. It comes in different forms and may result in Losses to Investors in addition to Negative Political Consequences. Central Banks can reduce the actual and perceived Sovereign Risk by imposing Foreign Exchange Regulations.

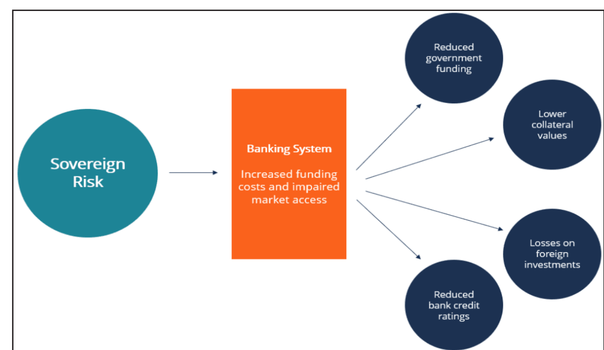
Sovereign Risk is a Country's Probability of missing a debt obligation in its present economic status. Sovereign Risks come in many forms and pose a considerable challenge to the Banking System and a country's Financial Stability in general. Strong Central Banks will impose Foreign Exchange Regulations to reduce the value of a Foreign Exchange Contract, thus minimizing the risk of default.

Some key factors that influence a country's Sovereign Risk include Natural Disasters, Political Instability, and refusal to comply with the Previous Payment Agreement. Sovereign Risk is one of the problems associated with lending is ensuring that both parties to the contract adhere to the loan's terms and conditions. Generally, it is difficult to ensure that the borrower abides by the terms set out in the bond contract to timely principal and interest payments.

There are legal obligations that are enforceable in a court, and those who cannot meet their debt obligations may file for bankruptcy. However, repaying the debt is, in large part, voluntary but are encouraged to avoid indirect penalties imposed on countries that do not honour their loan obligations. Furthermore, no systematic procedure is similar to bankruptcy, by which a country owing a large amount of debt can adopt to discharge its obligations. As a result, a sovereign risk arises when a country is not in a position to service its foreign debt.

Sources of a Sovereign Risk: Sovereign risk arises from several sources. Foreign exchange traders face sovereign risk when a foreign country breaks up from its currency union. For example, foreign currency devaluation can affect the currency trade and alter currency benefits to traders.

Another potential source of sovereign risk is when the government lacks sufficient resources when its bonds are due to mature, rendering it unable to honour foreign debt obligations. Sovereign risk may also result from the collapse of the economic environment due to increasing inflation, making it difficult for the government to honour maturing debt obligations. Hence, Sovereign Risk is the likelihood that a government will default on its loan obligation by failing to meet its principal payments or interest. It comes in different forms and may result in losses to investors in addition to negative political consequences.



Sovereign Risk is the Risk that a country's government will default on its debt or other obligations. It can impact Banks in a number of ways, including:

Balance Sheets: When banks hold sovereign debt, an increase in sovereign risk can reduce the value of their assets and net worth. This can limit their ability to lend and borrow.

Funding: Banks may increase their use of more stable funding sources, like retail deposits and equity, to reduce their reliance on interbank deposits and central bank financing.

Sovereign Risk can be caused by a number of factors, including: Political instability, Natural disasters, Refusal to comply with previous payment agreements, and Economic or political uncertainty. Strong Central Banks can help reduce the perceived riskiness of government debt, which can lower borrowing costs for the country.

Insolvency Risk

In the Banking Sector:

Insolvency refers to a financial state in which a Bank is unable to meet its financial obligations and is at Risk of becoming Bankrupt. In such cases, regulatory intervention is necessary to take control of the bank and either appoint an administrator/conservator or proceed with receivership to close the Bank.

Insolvency Risk in Banking is the possibility that a Bank will be unable to meet its financial obligations and become Bankrupt. When a bank becomes insolvent, regulators may intervene to appoint an administrator or conservator, or close the bank. Factors that can contribute to insolvency risk include:

- ✓ Poor cash flow management.
- ✓ Excessive expenditures.
- ✓ Client failure.
- ✓ Unforeseen market changes.
- ✓ Poor projections.
- ✓ Disorganized economic processes.

In the Business Entities: Investors often consider a company's insolvency risk before investing in bonds or equity. Companies with a high risk of insolvency may have difficulty raising capital from creditors or investors. Bankruptcy Risk, or Insolvency Risk, is the likelihood that a company will be unable to meet its debt obligations. It is the probability of a firm becoming insolvent due to its inability to service its debt. Many investors consider a firm's bankruptcy risk before making equity or bond investment decisions.

Some steps that can be taken to prevent insolvency risk include:

- ✓ Shortening supply chains.
- ✓ Avoiding concentration in one geographic region.
- ✓ Evaluating client creditworthiness before signing agreements.
- ✓ Balancing the client portfolio so that the bank is not relying too heavily on one or two clients.

Assessing Insolvency Risk:

Making accurate credit risk assessments of company and of customers and suppliers is the first step in creating protection against insolvency risk. Keep an eye on these warning signs.

Declining profitability: for example, sales lower or cost of goods sold higher?

Declining capitalisation (also referred to as "book value"): has debt-to-equity ratio fallen below 30%?

Poor interest coverage ratio: this shows operating profits may not be able to cover interest expenses.

Weakened balance sheet.

Cash flow and liquidity problems are fixed costs or interest payments creeping up, or do have a high number or amount of customer overdue payments? Check out business liquidity calculator to assess how liquidity could evolve depending on external factors such as a drop in sales, payments delays or one-off losses.

Operating margins are they becoming thinner?

Debt maturities, refinancing, and ability to raise capital: under what terms can you refinance debt? Can go to the capital markets or turn to line of credit to raise money if need be?

To Conclude: Insolvency risk is the likelihood that a bank will be unable to meet its financial obligations and become bankrupt. It can be caused by a number of factors, including: Poor cash flow management, Excessive expenditures, Client failure, Unforeseen market changes, and Poor projections.

When a bank becomes insolvent, regulators may intervene to take control of the bank and appoint an administrator or conservator. The bank may also be closed through receivership. Insolvency can impact not only the bank's owners and managers, but also uninsured creditors, counterparties, and society as a whole.

Risk Management in Insurance

(Insurance Intermediaries, General Insurance, Health Insurance and Life Insurance)

Insurance is a financial offering that legally binds the insurance company to pay claims of the policyholder when a specific event occurs. The insurer accepts the risk that the event might occur in exchange for a corresponding premium. The distribution of these policies is handled either directly by the carriers through a D2C model, or through financial intermediaries. Historically, we have known them as agents and brokers but there are many more now.

An insurance intermediary acts as a bridge between insurers and their clients. Some intermediaries work with insurers, whereas others work with their clients. In most cases, though, they work to match the right insurer with the right consumer. They ensure that consumers get all the cover they need at a price they can afford, and that insurers don't take on any unnecessary risk.

Insurance is rarely an off-the-shelf product. Different people will pay different premiums based on their individual risk profile. The insurer is concerned with risk, and the consumer is concerned with getting the cover they need at a fair price. An insurance intermediary works as a bridge between insurers and consumers to ensure that everyone's happy.

There are a few different types of insurance intermediaries:

- Agents.
- Brokers.
- Surveyors.
- Administrators.

Some of these will work alongside the client, whereas others will work alongside the insurer.

What is an Insurance Agent?

Insurance agents work to solicit and procure business for insurance companies. This might involve selling new policies to new customers or renewing policies for existing customers. Their work benefits both the consumer and the insurer. They'll help ensure the consumer is not underinsured, and that they don't pay too much for cover they don't need. But they'll also help ensure the insurer doesn't take on any unnecessary risk.

Corporate agents are typically corporate entities representing the insurance company and selling its policies. For instance, a bank offering policies on behalf of the Insurance Companies (Bancassurance partnership).

What is an Insurance Broker?

Insurance brokers usually represent consumers. They'll take the time to understand their clients' needs, then liaise with multiple insurance companies to find them exactly the level of cover they need, at a fair price.

If both brokers and insurers engage with clients to sell them cover, then what's the difference?

The key difference between agents and brokers is that agents are only permitted to represent one insurance company within a sector. Brokers, though, can represent multiple insurers.

Insurance brokers on the other hand typically work for the policyholders in the insurance process and act independently in relation to insurers. Brokers assist customers in the choice of their insurance by presenting them with alternatives in terms of products and carriers. They obtain quotes from various insurers and guide customers in identifying the adequate policy from a range of products. They are broadly of three kinds – composite broker, direct broker, and insurance broker.

Over time, the role of the brokers has evolved. They now offer services such as the evaluation and implementation of risk management strategies as well as claims management. Currently, customer demographics, technology, economic and environmental factors strictly require insurance brokerage firms to strategize effective sales strategies to create an impactful customer experience. Brokers are also investing in digital technologies and creating specialist divisions that would offer personalized services (a testament to the improving analytical capabilities).

What is a Surveyor?

Some insurance claims involve covering the costs associated with damage, such as claims concerning fire, flood, and theft. In these claims, the insurer will hire a

surveyor to assess the extent of the damage. After this, they'll determine how much the insurer should pay out to the insured.

Surveyors are usually independent, impartial third parties. They're not there to reduce the amount the insurer has to pay, but nor are they there to ensure the consumer gets the biggest possible settlement. They're there to ensure the outcome is fair to both parties that the consumer gets exactly the settlement they're entitled to, and that the insurer isn't paying out more than is necessary.

Surveyors and loss assessors are intermediaries employed by carriers to determine the damage if there is a claim that is expected to go beyond a certain defined limit. Ideally, they are expected to observe the damage and submit their report about it independent of the insurer and the insured. There are different eligibility criteria to become one-for instance, to become a surveyor and loss assessor for motor insurance, one must have qualifications in mechanical or automobile engineering. Similarly, a surveyor for marine insurance requires qualifications in marine engineering or naval architecture; and a surveyor of a crop insurer requires a degree in agricultural sciences.

What is a Third-Party Administrator?

Insurance companies often hire third-party administrators to manage certain time-consuming tasks, including:

- Claims processing.
- Operational administration.
- Marketing.
- Underwriting.
- Actuarial services.

Some third-party administrators may take on more specialised roles. As part of a business health insurance plan, for example, the third-party administrator might liaise directly with healthcare providers to ensure the insured gets the treatment they need. And they might manage paperwork and process hospital bills, to ensure there are no delays in treatment or settlements.

And lastly, TPAs or Third-Party Administrators, support insurers in providing health services to their customers. It helps carriers in claims servicing under health insurance policies by way of preauthorization of cashless treatment or settlement of claims other than cashless claims or both. Other than claim processing, a TPA is also responsible for sharing knowledge about health insurance to policyholders and improve their services to ensure a seamless customer experience.

To Conclude:

Insurance intermediaries in India include insurance brokers, corporate agents, and third-party administrators:

Insurance brokers: Licensed by the Insurance Regulatory and Development Authority (IRDA) and governed by the Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002.

Corporate agents: Licensed by the IRDA and governed by the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002.

Third-party administrators: Regulated under the Insurance Regulatory and Development Authority of India (IRDA).

Insurance intermediaries are responsible for providing information to potential customers, advising them, and coordinating with the insurer after the sale. The IRDA has regulations in place to protect policyholders and ensure that intermediaries meet certain obligations.

Here are some tips for dealing with insurance intermediaries:

- ✓ Insist on quality service and timely delivery.
- ✓ Fill out the proposal form and ask the intermediary to explain any terms don't understand.
- ✓ Check that the intermediary is authorized to process premium payments and insist on a signed receipt.
- ✓ Read policy thoroughly and contact the intermediary if any questions.
- ✓ Understand the documents and procedures involved in making a claim.

Topic

Module 4: Value Addition

ELECTIVES

Paper-20C

Entrepreneurship and Start Up (ENTS)

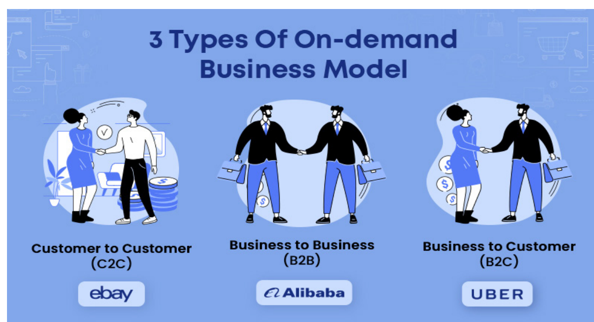
Paper 20C : Entrepreneurship and Startup
Startup Models

Different business models are used for different types of startups. These are as follows:

1. Marketplace model: The marketplace model is a type of business model that allows you to act as the go-between for sellers and buyers. Likely the most popular company to use the marketplace model is Amazon. The main advantages of using a marketplace model include the fact that you won't need to store any inventory and that you won't have any overhead costs, which takes away a significant amount of the frustration and expenses that typically come with running a business.

Source: https://www.valueappz.com/blog/how-market place-model-work

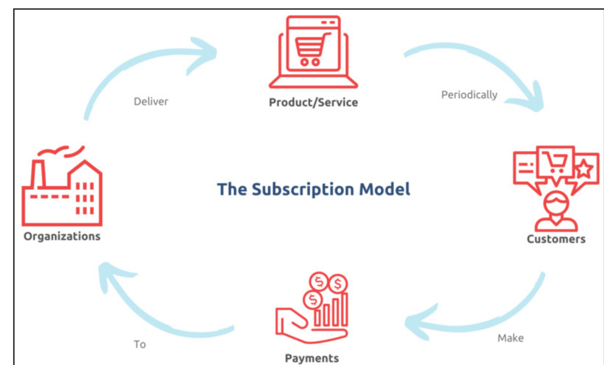
2. On-demand model: An on-demand business model provides customers with products or services when they need them, often through a mobile app. Uber is a top example of this business model that allows customers to request a ride, after which a driver will pick them up and take them to their destination.



Source:https://www.apurple.co/insights/on-demand-business-model/

3. Disintermediation model: The disintermediation model is a standard business model that's used by a wide range of wholesalers, manufacturers, and businesses that offer direct sales. The goal of this model is to get rid of the middleman, which lowers the cost of doing business for the manufacturer. The main benefit of using this business model is that the end-user should be able to pay a much lower cost than they normally would for a product or service. Examples of Companies who use this model are: Walmart, Alibaba, Dell and Amway.

4. Subscription model: The subscription model is an increasingly popular business model that involves a company selling a service via a subscription as opposed to a one-off product. This business model is being used by a large number of companies to obtain stable cash flows that are recurrent. The most popular subscription services are Spotify and Netflix, which provide customers with access to music, movies, and TV shows for a monthly or yearly subscription fee.



Source:https://upstartcommerce.com/why-you-must-implement-the-subscription-model/

5. Freemium model: The freemium model is among the more popular business models for startups since it combines free and premium services into one business model via a tiered approach. The free service that you offer to everyone would include basic features of the service. The premium component of this business model allows you to create a premium service that offers more features and perks than the free service. If a startup is centered around web design and development, one could start by offering a free package that includes some basic design services. You could then create a premium package that includes extra features like free hosting, video production, and unlimited design revisions.

Advantages

(a) Companies can easily acquire potential users and collect their user information and data.

(b) Companies can make revenue on ads and boost their own business numbers to enhance the application.

(c) For startups, it provides a large amount of brand awareness without requiring a lot of customer support.

Disadvantages

(a) Free users never convert to paid users.

(b) Too many features on the free version may prevent users from upgrading to a premium version.

(c) Users may get tired of a free version that doesn't offer additional bells and whistles.

6. Virtual good model: The virtual good model is commonly used by video game developers but can also apply to a range of other businesses. This type of business model provides customers with the ability to purchase virtual goods, which only exist online. In a video game, these virtual goods could be extra lives or weapon upgrades. Many companies that create smaller games for smartphones will implement a virtual good store within the game where users can purchase all kinds of online goods. Aside from game developers, creative thinking will be needed to use this business model. A company like Facebook allows users to purchase and send a virtual gift to another user, which has proven to be popular. Since you only need to bandwidth for these virtual goods, the margins are very high.

Examples of Companies who use this model: Facebook, Acclaim Games.

Features of Virtual Good Model:

(a) **Cost savings:** Virtual prototypes are cheaper to build than physical ones, and they don't require storage space. They can also reduce rework, increase productivity, and improve survey performance.

(b) **Flexibility:** Virtual learning environments (VLEs) can make the educational process more flexible, especially in terms of time. Students can access learning materials at any time, and they can align their studies with other plans.

(c) **Isolation:** While a flexible virtual environment can be good for work-life balance, it can also be isolating. Virtual workers may feel like they're the only ones struggling with a task, and they may not know how to ask for help.

(d) **Accessibility:** Virtual events can be more accessible and inclusive than in-person events. Some say that the main benefit of virtual events is ease of access or higher attendance, while others say it's attracting a more diverse audience.

(e) **Simple management:** Virtual offices require little management, and employees have more flexibility to develop their own workflow and productivity habits

7. Reseller model: The reseller model is a business model that's very similar to the marketplace model. When a startup operates as a reseller, they will focus on promoting and selling products that are produced or manufactured by another company or individual. In this business model where a company sells products or services through an intermediary, or reseller, instead of directly to the end customer. The reseller model can be profitable and beneficial for both the company and the reseller:

(a)For the company: Resellers can help companies expand their market reach, generate additional revenue, and leverage the reseller's customer base.

(b)For the reseller: Resellers can earn commissions or revenue shares on their sales, and benefit from access to a proven product or service.

Examples of Companies who use this model: Amazon, Ebay

Case Scenario

MakeMyTrip is one of the most popular and dependable Indian travel companies founded in 2000 by Deepak Kalra. MakeMyTrip (MTM) is India's leading online travel agency, with nearly eight million visitors to their site every month. It offers travel services, including airline ticketing, domestic and international holiday packages, hotel reservations, railway reservations, and bus tickets. MakeMyTrip also has numerous international offices in New York, Singapore, Kuala Lumpur, Phuket, Bangkok, and Dubai. In addition to travel tickets, MMT is improving and enhancing the whole process of making travel arrangements, including hotels, tour guides, restaurants, travel packages, etc. This has significantly helped MMT expand its empire and become a well-known brand name in the travel industry.

The company creates more innovative services to the corporate travel sector through its MyBiz platform.

It offers centralized payment processing, expense management, and reporting solutions to streamline corporate travel operations. Through partnerships with third-party vendors, MakeMyTrip offers additional services like visa processing, travel insurance, and other travel-related products. The company earns revenue by receiving a share of the fees or premiums for these value-added services.

(Source:https://shyamfuture.com/a-case-study-on-makemytrips)

Choose the correct option from the given alternatives based on the above scenario:

1. Consider the following statements in connection with Value Addition in startups:

   (I) It is the process of enhancing a product or service to increase its perceived value to the customer.

   (II) It improves the original product to make it more attractive to customers.

   Which of the statements given above is/are correct?

   (a) Only (I)

   (b) Only (II)

   (c) Both (I) and (II)

   (d) Neither (I) or (II)

Answer: (c)

2. Which of the following process is a set steps between an idea's conception and its implementation?

   (a) Innovation

   (b) Research

   (c) Startups

   (d) Conceptualization

   Answer: (a)

3. Which of the following is not a business model of MakeMyTrip?

   (a) B2C services model

   (b) Freemium model

   (c) Franchise model

   (d) None of the above

   Answer (b)

4. Which of the following positioning process is used by MakeMyTrip?

   (a) Continuous process

   (b) Reiterative process

   (c) Continuous and Reiterative process

   (d) Sporadic process

   Answer: (c)

NOTES

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.

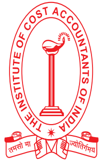
Recognition and Rewards: Selected articles will be featured prominently in the CMA Student E-Bulletin, providing you with a valuable platform to showcase your expertise. Additionally, authors of published articles will be acknowledged and the top contributors may be eligible for special recognition and 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,

Team DoS
The Institute of Cost Accountants of India

E-mail – studies.ebulletin@icmai.in



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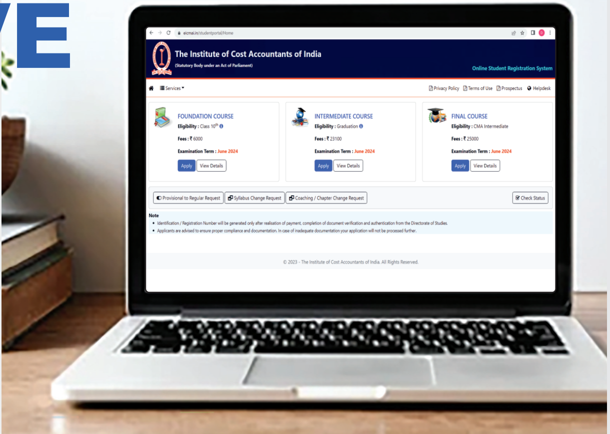
NEW IT INITIATIVE TO PROVIDE ENHANCED FACILITIES TO CMA STUDENTS



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
- Request Conversion from Old Syllabus to New Syllabus
- Request changes in Oral / Postal Coaching and opt for Chapter-to-Chapter Conversion
- Convert from Provisional to Regular status

Additional services for students will be seamlessly incorporated in the near future.

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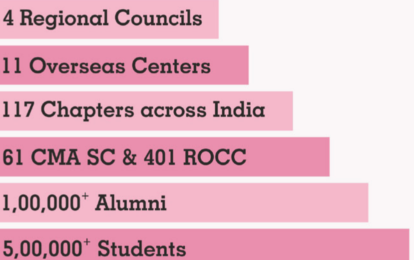

Value Added Services for the CMA Students

- Study Materials
- Students E-Bulletin
- Knowledge Web Series
- E-Library
- Webinars
- Model Question Papers
- MCQ Portal
- Tutorial Workshops
- 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

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- 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/-*

*Installment facility available

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+91-33-2252-1723
Website : www.icmai.in

Ref. No. DOS/CIRCULAR/10-2/2024 Date: October 24, 2024

CIRCULAR

Sub: **Necessary Documents to be submitted to resolve pending requirements for appearing in the Dec 2024 term examinations.**

A good number of students scheduled to take the Dec 2024 term examinations have few pending requirements. The Directorate of Studies has been actively sending reminders via email to the respective students, emphasizing the submission of essential documents needed for examination clearance, including those for **Provisional (Foundation & Intermediate) /Practical Training (Final) /IOTP Training (Final)**.

It is recommended to check your registered mobile number and/or email on a regular basis for these reminders and ensure the completion of clearance **latest by November 15, 2024**. Not providing the necessary documents by the designated date could lead to the Examination Department being unable to issue a regular admit card for the Dec-2024 term examinations.

Students may check their pending requirement through the following web link: https://eicmai.in/Eligibility-Checking/Login.htm

This is for information of all concerned students of the Institute for appearing in the Dec- 2024 term of examinations.

CMA (Dr.) D.P. Nandy
Additional Secretary & HoD - Studies

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Website : www.icmai.in

Ref. No.: DOS/CIRCULAR/10-1/2024 Date: October 16, 2024

CIRCULAR

Sub: Reciprocal Exemption between ICMAI and ACCA-UK Members as per MOU

Qualification based reciprocal exemption to be offered to ACCA-UK Members for pursuing the CMA Course under Syllabus 2022 and to the CMA Qualified/CMA Members pursuing ACCA Course as per Memorandum of Understanding (MOU) dated 9th August, 2021 (Addendum dated 7th October, 2024).

1. CMAs pursuing ACCA Qualification:

Criteria	Paper Exemptions	Paper to Qualify
ACMA / FCMA with 5 years of work experience	**Exempted from 9 papers of ACCA** • Accountant in Business • Management Accounting • Financial Accounting • Corporate and Business Law • Taxation • Financial Reporting • Financial Management • Performance Management • Audit and Assurance	**Have to sit in 4 papers of ACCA** • Strategic Business Leader • Strategic Business Reporting **Any 2 papers from following options** • Advanced Financial Management • Advanced Audit and Assurance • Advanced Taxation • Advanced Performance Management
CMA Qualified and ACMA with less than 5 years of work experience	**Exempted from 7 papers of ACCA** • Accountant in Business • Management Accounting • Financial Accounting • Corporate and Business Law • Taxation • Financial Reporting • Financial Management	**Have to sit in 6 papers of ACCA** • Performance Management • Audit and Assurance • Strategic Business Leader • Strategic Business Reporting **Any 2 papers from following options** • Advanced Financial Management • Advanced Audit and Assurance • Advanced Taxation • Advanced Performance Management

2. ACCA Members pursuing CMA Qualification under Syllabus 2022:

Paper Exemptions	Paper to Qualify
Exempted from 15 papers of CMA Qualification **Foundation** Paper 1 : Fundamentals of Business Laws and Business Communication (FBLC) Paper 2 : Fundamentals of Financial and Cost Accounting (FFCA) Paper 3 : Fundamentals of Business Mathematics and Statistics (FBMS) Paper 4 : Fundamentals of Business Economics and Management (FBEM) **Intermediate** Paper 5 : Business Laws and Ethics (BLE) Paper 6 : Financial Accounting (FA) Paper 8 : Cost Accounting (CA) Paper 9 : Operations Management and Strategic Management (OMSM) Paper 10 : Corporate Accounting and Auditing (CAA) Paper 11 : Financial Management and Business Data Analytics (FMDA) Paper 12 : Management Accounting (MA) **Final** Paper 14 : Strategic Financial Management (SFM) Paper 16 : Strategic Cost Management (SCM) Paper 18 : Corporate Financial Reporting (CFR) **(Optional – Any one of the following Papers)** Paper 20A: Strategic Performance Management and Business Valuation (SPMBV) Paper 20B: Risk Management in Banking and Insurance (RMBI) Paper 20C – Entrepreneurship and Start up (ENTS)	**Have to sit in 5 papers** **Intermediate** Paper 7: Direct and Indirect Taxation (DITX) **Final** Paper 13: Corporate and Economic Laws (CEL) Paper 15: Direct Tax Laws and International Taxation (DIT) Paper 17: Cost and Management Audit (CMAD) Paper 19: Indirect Tax Laws and Practice (ITLP)

Page 1 of 2

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NOTE:

1. Qualification based subject exemption fee for 15 (fifteen) Papers is Rs. 25,000/- (Rupees Twenty-Five Thousand Only), which shall be paid by the ACCA Members at the time of applying subject exemption, after getting registered in Intermediate Course.

   [Subject exemption Link: https://eicmai.in/studentfacility/Login.aspx?ReturnUrl=%2fstudentfacility%2f]

2. Intermediate Course Fees: Rs. 23,100/- (Rupees Twenty-Three Thousand One Hundred Only). All registrations are to be made through "On-line admission Portal" only.

   [On-line Admission Link: https://eicmai.in/studentportal/Home]. Please refer to the latest Prospectus for any change in Course Fees.

3. Final Course Fees: Rs. 25,000/- (Rupees Twenty-Five Thousand Only). All registrations are to be made through "On-line admission Portal" only.

   [On-line Admission Link: https://eicmai.in/studentportal/Home]. Please refer to the latest Prospectus for any change in Course Fees.

4. **ACCA Members shall be exempted from undergoing the applicable Training(s) and Workshops of ICMAI.**

For further details please visit the websites: www.icmai.in or www.accaglobal.com

CMA Dr. D.P. Nandy
Additional Secretary & HoD - Studies

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Website: www.icmai.in

Ref. No.: DOS/CIRCULAR/10/2024 **Date: October 08, 2024**

CIRCULAR

Sub: Skills Training Program for Intermediate & Final Level Students appearing in December 2024 Term Examinations

It is hereby clarified that students appearing for the Intermediate & Final examinations in December 2024 term shall complete all Skills Training activities including successful completion of assignments, as applicable, by **February 28, 2025.**

- The online **'Communication & Soft Skills'** Program for Intermediate level conducted by IIT Madras (NPTEL) has been offered to the students who have registered in the Intermediate Course on or after February 11, 2024 with full course fee. These students are advised to contact their respective Regions, Chapters or CMASCs for **'MS-Office'** and **'E-Filing'** training.

- Login credentials for other Skills Training Programs related to the Intermediate and Final Courses will be provided in due course, following the completion of the December 2024 examination form submission process.

- For students who have registered between August 11, 2020 and February 10, 2024 with full course fee, but have not yet received Skills Training credentials, need-based logins will be issued after the completion of the December 2024 term examination form submission process.

- Students who have already completed the Skills Training Program under the previous scheme are not required to undergo it.

- For more information about new Skills Training Program, please visit the following webpage – **https://icmai.in/studentswebsite/Skill_Training.php**

This is for information of all concerned.

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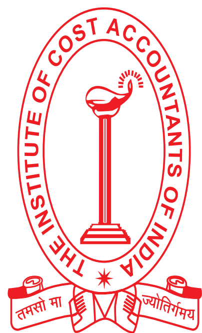

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