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Azadi Ka Amrit Mahotsav

October - 2022 Issue

CMA Student E - Bulletin

FINAL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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The Institute of Cost Accountants of India

Statutory Body under an Act of Parliament

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CONTENTS

KNOWLEDGE
Update

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

GROUP: 3, PART: 13

CORPORATE
LAWS & COMPLIANCE - (CLC)

Shri Subrata Kr. Roy
Company Secretary & Consultant
He can be reached at:
subrataoffice@rediffmail.com

Your Preparation Quick

Syllabus Structure
A Companies Act 60%
B Other Corporate Laws 25%
C Corporate Governance 15%

Learning Objectives:

Read the Study Material minutely.

- For details or if you don't understand Study Material or the section is important to identify the topic, then refer to Bare Act, otherwise reference to Bare Act is not necessary. For Company Law, book by Avtar Singh is recommended. For other laws Institute Study Material is sufficient.
- The words used in any of the texts as mentioned above should be understood by immediate reference to the Dictionary.
- The main points coming out in any of the provisions should be either underlined or written in separate copy which has to be repeated again and again.
- Theoretical knowledge should be adequate and clear before solving practical problems.
- Don't write wrong English. It changes the meaning and therefore answer may be wrong even when the student's conception is clear. Also don't make spelling mistakes.

Company Capital

Rights and Role of Shareholders and company meetings

Rights of shareholders: The Law provides for various kinds of rights of a shareholder. However, the following rights are very important for a shareholder.

(i) ***Right to vote***: shareholders, other than those holding non-voting shares, are entitled to vote for or against the resolutions in General Meetings of shareholders. Proportionate to the holding, i. e. each share has one vote.

(ii) ***Right to Rights Shares:*** Whenever the company decides to increase its share capital the shareholder may decide that further shares shall be allotted to the existing shareholders proportionate to their existing holding. Here, the shareholding pattern will remain same if all shareholders subscribe to the rights issue allotted to them.

(iii) ***Right to Bonus Shares:*** When the free reserves of the company arrives at a comfortable position, the company may decide to allot shares without any price to the existing shareholder on proportionate basis. Reserves are undistributed profits which accumulate year after year and free reserves are reserves not specified for any particular purpose.

(iv) ***Right to dividend:*** Dividend is a part of a profit earned by the company and distributed to the shareholder as percentage to their shareholding.

Voting rights afe excecised in meetings of sharholders

Company Meetings: Broadly, meetings in a company are of the following types: -

Meetings of Members:

These are meetings of the members / shareholders of the company. Member's meetings are of the following types: -

Annual General Meeting:

An Annual general meeting (AGM) must be held by every type of company, public or private, limited by shares or by guarantee, with or without share capital or unlimited company, once a year.

Timing of the meeting:

Every company must in each year hold an annual general meeting. Not more than 15 months must elapse between two annual general meetings. However, a company may hold its first annual general meeting within 18 months from the date of its incorporation. AGM should be held within 6 months of closure of accounting year and 9 months in case of first AGM,

The AGM must be held on a working day during business hours (9 Am to 6 PM) at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situated. Unlisted companies can hold at any place within the country if all shareholders agree in writing.

Notice of AGM:

A notice of at least 21+2+2=25 days before the meeting must be given to members. The time, date and place of the meeting must be mentioned in the notice. Shorter notice can be given if all the shareholders agree in writing.

The notice of the meeting must be accompanied by a copy of the annual financial statement of the company, director's report on the position of the company for the year and auditor's report on the accounts.

The notice should also state that a member is entitled to attend and vote at the meeting and is also entitled to appoint proxies in his absence. Notice of meeting shall be sent to every member, auditor and director of the company.

Default in holding AGM

In case of default, National Company Law Tribunal (NCLT) shall on application of any member call or direct calling of Annual General Meeting (AGM).

Business to be transacted at Annual General Meeting:

The following matters constitute ordinary business at an AGM: -

a. Consideration of annual accounts, director's report and the auditor's report
b. Declaration of dividend
c. Appointment of directors in the place of those retiring
d. Appointment of and the fixing of the remuneration of the statutory auditors.

Any other business would be considered as special business.

In case any there is any other business (special business) discussed and decided upon, an **explanatory statement** of the special business must also accompany the notice calling the meeting. Such statement shall explain the background and rationale of the proposal.

Special Resolution and ordinary resolution

The Act requires some decisions of the shareholders has to be taken with more than 75% voting. Special resolutions require that the votes casted in favour shall be more than three times of the votes casted against. The intention to move as special resolution is mentioned

Shareholders' right to propose resolution

Any shareholder having 1 % shares or share with face value of 5 lakhs may propose resolution, subject the Act and Articles of association of the company.

Report of AGM and filing of resolutions

(i) All special resolutions are to be within 30 days with ROC.
(ii) A report on AGM to be filed within 30 days.

Extraordinary general meeting

Every general meeting (i.e. meeting of members of the company) other than the annual general meeting or any adjournment thereof, is an extraordinary general meeting. Such meeting is usually called by the Board of Directors for some urgent business which cannot wait till the next AGM. Every business transacted at such a meeting is special business, since ordinary business cannot be transacted in Annual General Meeting (AGM). May be held at any place within the country. Notice will be as per AGM. Notice shall mention the Business to be transacted.

Extraordinary general meeting on requisition by shareholders

The members of a company have the right to require the calling of an extraordinary general meeting by the directors. The board of directors of a company must call an extraordinary general meeting if required to do so by the following number of members: -

a. not less than one-tenth of such of the voting rights in regard to the matter to be discussed at the meeting; or
b. Such meeting should be called by the company within 21 days of receiving the requisition within 45 days of receiving the notice.

The requisition must state the objects of the meetings and must be signed by the requisitioning members. The Board shall call a meeting within 21 days of receipt if such requisition and the meeting be called within 45 days of the receipt of requisition, failing which the requisitionists themselves shall hold the meeting, which will be valid meeting.

NCLT to call EGM

If for any reason, it is impracticable to call a meeting of a company, other than an annual general meeting, or to hold or conduct the meeting of the company, the Company Law Board may, either i) on its own motion, or ii) on the application of any director of the company, or of any member of the company, who would be entitled to vote at the meeting, order a meeting to be called and conducted as the Company Law Board thinks fit,

Class meetings are meetings which are held by holders of a particular class of shares, e.g., preference shareholders. Such meetings are normally called when it is proposed to vary the rights of that particular class of shares. At such meetings, these members discuss the pros and cons of the proposal and vote accordingly

Meeting of debenture holder's creditors

At such meetings, generally matters pertaining to the variation in terms of security or to alteration of their rights are discussed.

Requisites of Valid Meetings

The following conditions must be satisfied for a meeting to be called a valid meeting: -

1. It must be properly convened.
2. Proper and adequate notice.
3. The meeting must be legally constituted.

Proxy

Every notice calling a meeting of the company must contain a statement that a member entitled to attend and vote is entitled to appoint one proxy in the case of a private company and one or more proxies in the case of a public company and that the proxy need not be member of the company.

Quorum

Quorum refers to the minimum number of members who must be present at a meeting in order to constitute a valid meeting. A meeting without the minimum quorum is invalid and decisions taken at such a meeting are not binding.

In case the Company Law Board calls or directs the calling of a meeting of the company, when default is made in holding an annual general meeting, the Government may give directions regarding the quorum including a direction that even one member of the company presents in person, or by proxy shall be deemed to constitute a meeting. As per the present law, the quorum requirement is as follows:

Members of the Company upto	Quorum
1000	5
1001-5000	15
5001	30
Private company	02

Proceedings during Meeting:

The courses of actions which are undertaken in a meeting are termed as proceedings. In a proceeding of a meeting the Chairman of that meeting describe in brief the position and performance of the company and actions or initiatives taken for better performance of the company. The meeting is presided by The Chairman whiose decision on the proccedings shall be final.

Postal ballot

Approval of shareholders may be taken by getting written consent in writing by postal ballot. The forms are sent to the shareholder and he shall reply within 30 days. CG has notified issues which can be resolved through postal

AGM through VC/OAVM

In April 2020, Govt. allowed companies to go for virtual meetings.

Remote evoting:

e-Voting is voting through an electronic system where members/shareholders can vote on resolutions of companies requiring members/shareholders consent.

The need for e-Voting arises when a company wishes to pass a resolution by Postal Ballot/AGM/EGM which requires members/shareholders consent.

Ministry of Corporate Affairs has authorised NSDL for setting up an electronic platform to facilitate members/shareholders to cast vote in electronic form. Accordingly, NSDL has set-up an electronic infrastructure to facilitate members/shareholders to cast votes in electronic form through internet.

Every listed company or a company having not less than one thousand shareholders, shall provide to its member's facility to exercise their right to vote at general meetings by electronic means.

(i) the company shall cause an advertisement to be published, specifying therein the following matters, namely:- (a) statement that the business may be transacted by electronic voting; (b) the date of completion of sending of notices; (c) the date and time of commencement of voting through electronic means; (d) the date and time of end of voting through electronic means; (e) the statement that voting shall not be allowed beyond the said date and time;(f) website address of the company and agency, if any, where notice of the meeting is displayed; and (g) contact details of the person responsible to address the grievances connected with the electronic voting;

(ii)) the e-voting shall remain open for not less than one day and not more than three days: Provided that in all such cases, such voting period shall be completed three days prior to the date of the general meeting; (vii) during the e-voting period, shareholders of the company, holding shares either in physical form or in dematerialized form, as on the record date, may cast their vote electronically:

Recorded transcript of the meeting to be hosted in website.

Venue e voting: though tab: electronic devise

Venue physical voting:

(i) voice vote

(ii)through show of hands

(iii) poll: ballot papers are used.

Independent professionals to act as scrutinizers and report to chairman.

Minutes of the meeting

Shall be final once signed by the chairman and shall be taken as evidence of proceedings in court. Summary of proceedings, all, appointments. Chairman my not record anything which defamatory, irrelevant or detrimental to the interest of the company.

To be signed by chairman of present meeting or next meeting. To be recorded within 30 days of the meeting; can be inspected by members during business. Copies shall be given on payment of nominal fees.

GROUP: 3, PART: 14

STRATEGIC
FINANCIAL MANAGEMENT - (SFM)

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

Your Preparation Quick

Syllabus Structure

A Investment Decisions **25%**
B Financial Markets and Institutions **20%**
C Security Analysis and Portfolio Management **25%**
D Financial Risk Management **30%**

Learning Objectives:

After studying this section on Strategic Financial Management, you will be able to:

- understand the direct and indirect quotations
- know the European terms and American terms

Section C & Study Note 8: Security Analysis and Portfolio Management

➢ **Portfolio Management**

- **Concept of Portfolio Management**

The term 'portfolio' refers to a collection of investments such as stocks, shares, mutual funds, bonds, cash and so on depending on the investor's income, budget and convenient time frame. Accordingly, portfolio management is defined as the art and science of making decisions about the investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance. In other words, portfolio management refers to the selection of securities and their continuously changing the composition of the portfolio for optimizing the return for a given level of risk and maximizing the wealth of an investor.

It is mainly concerned with allocating assets while downsizing risk.

- **Alternative Approaches to Portfolio Management**

I. Active Portfolio Management

The aim of the active portfolio manager is to make better returns than what the market dictates. Active managers buy stocks when they are undervalued and sell them when they climb above the norm.

Active portfolio management involves the quantitative analysis of companies to determine the cost of stock in relation to its potential. To do this, the active manager shuns the efficient market hypothesis and instead relies on ratios to support his claim. To downsize risk, the active manager prefers to diversify investments amongst the various sectors.

The central issue with active portfolio management is that it all comes down to the manager's skill.

II. Passive Portfolio Management

At the opposite end of active management comes the passive investing strategy. Those who subscribe to this theory believe in the efficient market hypothesis. The claim behind the passive strategy is that the fundamentals of a company will always be reflected in the price of the stock.

Therefore, the passive manager prefers to dabble in index funds which have a low turnover, but good long-term worth. With index funds, your cash is invested percentagewise in proportion to the market capitalization. The point of opting for the lower yield is to combat the cost of management fees, while profiting through stability.

III. Discretionary Portfolio Management

In Discretionary portfolio management services, an individual authorizes a portfolio manager to take care of his financial needs on his behalf. The individual issues money to the portfolio manager who in turn takes care of all his investment needs, paper work, documentation, filing and so on. In discretionary portfolio management, the portfolio manager has full rights to take decisions on his client's behalf.

IV. Non-Discretionary Portfolio Management

The non-discretionary manager is simply a financial counsellor. He advises the investor in which routes are best to take. While the pros and cons are clearly outlined, it is up to the investor to choose his own path. Only once the manager has been given the go ahead, does he make a move on the investor's behalf. Whether you decide to use a portfolio manager or you choose to take on the role yourself, it is important to opt for a viable strategy and ensure that it is put forward in a logical way. The merit of maintaining a sensible portfolio is that it cuts down the confusion while providing investments that fit the individual's goals.

- **Different Phases of Portfolio Management**

Following are the various phases of portfolio management.

a. Specification of investment objectives and constraints
b. Choice of asset mix
c. Formulation of portfolio strategy
d. Selection of securities
e. Portfolio execution
f. Portfolio revision
g. Portfolio evaluation

- **Objectives of Portfolio Management**

The objectives of portfolio management include the following.

a. Return: Investors expect a good rate of return from their investments. Return from investment may be in terms of revenue return or income (interest or dividend) and/or in terms of capital return (capital gain i.e., difference between the selling price and the purchasing price). The total return is the sum of revenue return and capital return. In portfolio management, we come across two concepts of returns – expected return and realised return.

The expected return refers to the anticipated return for some future period. The expected return is estimated on the basis of actual returns in the past periods. On the other hand, the realized return is the net actual return earned by the investor over the holding period. It refers to the actual return over some past period. While expected return is used to make appropriate section of securities, realised return is used to assess the actual performance of the portfolio

b. **Risk:** Risk represents the variation in return. In other words, the chance that the actual return from an investment would differ from its expected return is referred to as the risk. Measuring risk is important because minimizing risk and maximizing return are interrelated objectives. There are two types of risk i.e., Systematic Risk and Unsystematic Risk.

c. **Liquidity:** Liquidity, with reference to investments, means that the investment is saleable or convertible into cash without loss of money and without loss of time. Different types of investments offer different type of liquidity. Most of financial assets provide a high degree of liquidity. Shares and mutual fund units can be easily sold at the prevailing prices. An investor has to build a portfolio containing a good proportion of investments which have relatively high degree of liquidity. For example, cash and money market instruments are more liquid than the capital market instruments which in turn are more liquid than the real estate investments.

d. **Safety:** An investor should take due care that the investment made is safe. Safety depends upon several factors such as the economic conditions, organization where the investment is made, earnings stability of that organization, etc. Guarantee or collateral available against the investment should also be taken care of. For example, Bonds issued by RBI are completely safe investments as compared with the bonds of a private sector company. Again, investment in debentures is safer than investment in preference shares.

e. **Tax Benefits:** Investments differ with respect to tax treatment of initial investment, return from investment and redemption proceeds. For example, investment in Public Provident Fund (PPF) has tax benefits in respect of all the three characteristics. Equity Shares may entail exemption from taxability of dividend income but the transactions of sale and purchase are subject to Securities Transaction Tax or Tax on Capital gains.

f. **Regularity of Income:** The prime objective of making every investment is to earn a stable return. If returns are not stable, then the investment is termed as risky. For example, return (i.e., interest) from

Savings a/c, Fixed deposit a/c, Bonds & Debentures are stable but the expected dividends from equity share are not stable. The rate of dividend on equity shares may fluctuate depending upon the earnings of the company.

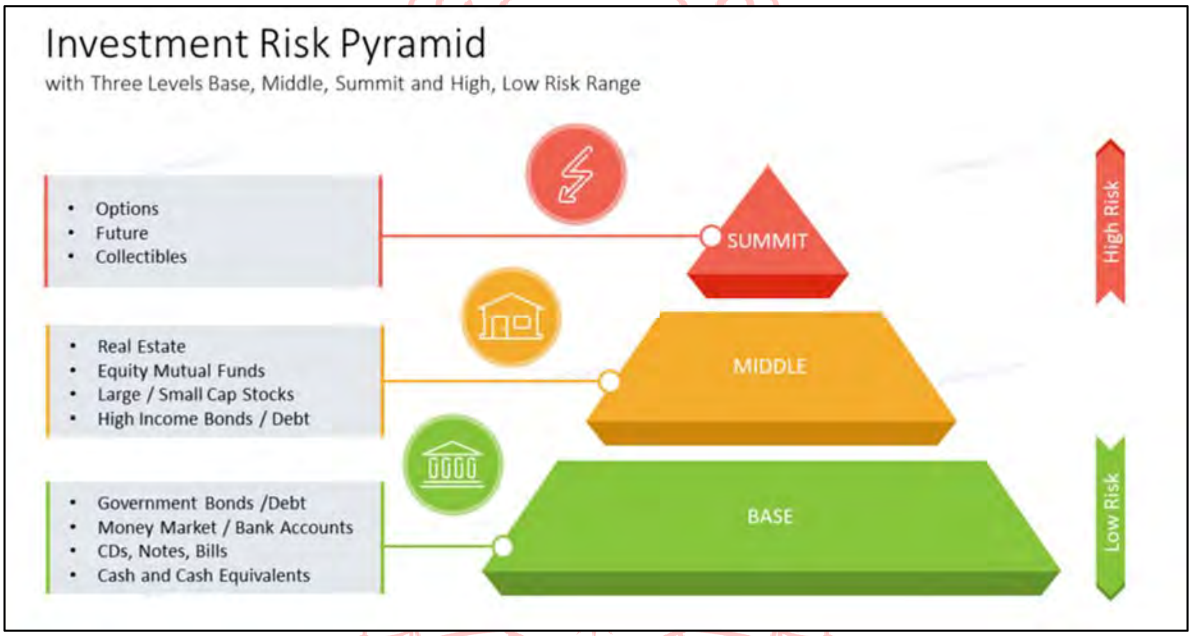
- **Alternative Investible Assets**

An investor may invest in one of the following types of assets.

a. Physical assets like real estate, gold/jewellery, commodities etc. and/or

b. Financial assets such as fixed deposits with banks, small saving instruments with post offices, insurance/provident/pension fund etc. or marketable assets like shares, bonds, debentures, derivatives, mutual fund etc.

Various assets have different levels of risk and return potential associated with them. Consider the following diagram.



a. Base of the Pyramid: The foundation of the pyramid represents the strongest portion, which supports everything above it. This area should be comprised of investments that are low in risk and have foreseeable returns. It is the largest area and composes the bulk of your assets.

b. Middle Portion: This area should be made up of medium-risk investments that offer a stable return while still allowing for capital appreciation. Although riskier than the assets creating the base, these investments should still be relatively safe.

c. Summit: Reserved specifically for high-risk investments, this is the smallest area of the pyramid (portfolio) and should be made up of money you can lose without any serious repercussions. Furthermore, money in the summit should be fairly disposable so that you don't have to sell prematurely in instances where there are capital losses

GROUP: 3, PART: 15

STRATEGIC

COST MANAGEMENT DECISION MAKING - (SCMD)

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

Your Preparation Quick

Syllabus Structure
A Cost Management **20%**
B Strategic Cost Management Tools and Techniques **50%**
C Strategic Cost Management - Application of Statistical Techniques in Business Decisions **30%**

Learning Objectives:

The Strategic cost management framework provides a clear plan of attack for addressing costs and decisions that affect them. It helps to get answers on:

- Is there a plan for strategic cost management
- Have the controlling functions for each significant cost in the organization been identified
- Are there resources devoted to finding or obtaining new approaches to breaking cost barriers
- Is cost modelling being used or is there an active effort to develop or buy cost modeling capability

Moving Beyond the Traditional Retail – Walmart's Way

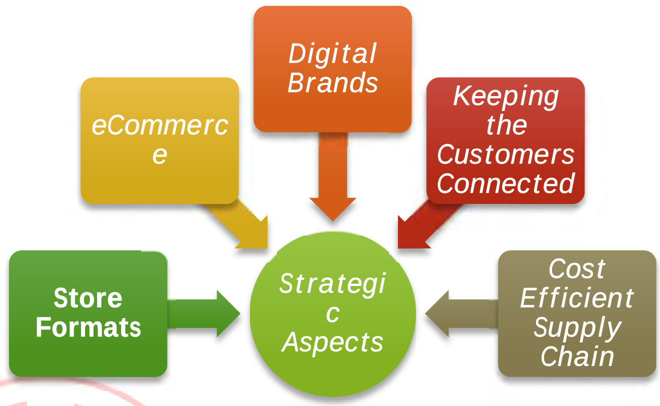
01.00 Walmart Inc.

From a humble beginning as a small discount retailer, in 1962, in Rogers, Ark., Walmart has opened thousands of stores in the U.S. and expanded internationally over the last six decades. The captivating theme drivers are "Every Day Low Prices' (ELDP) and "Everyday Low Cost" (EDLC). EDLP is Walmart's pricing philosophy under which it prices items at a low price every day and, thereby, bonds the customers' trust with the caring assurance that the prices will not change under frequent promotional activity. "Every Day Low Cost" (EDLC) is Walmart's commitment to control expenses so that cost savings can be passed along to the customers. Walmart claims the lucrative attribute of creating a seamless experience to let customers shop anytime and anywhere either online or in stores.

Walmart operates approximately 10,500 stores and clubs under 46 banners in 24 countries and eCommerce websites. They employ 2.3 million associates around the world — nearly 1.6 million in the U.S. alone. The financial metrics for the fiscal 2022 embrace Revenue of $572.8 billion; Operating Cashflow of $24.2 billion; Returns to Shareholders to the extent of $15.9 billion; focussed International Business with a Net Sales of $101 billion; and eCommerce with a Net Sales of $73 billion.

Given such a splendid performance, we propse to highlight five of the strategic aspects of the operations of Walmart in U.S. comprising:

i. Custom-Tailored Store Formats
ii. eCommerce
iii. e-Tailers and Digital Brands
iv. Keeping the Customers Connected
v. Cost Efficient Supply Chain



02.00 Custom-Tailored Store Formats

Today's customer seeks the convenience of one-stop shopping that Walmart focusses. From grocery and entertainment to sporting goods and crafts, Walmart provides the deep assortment that customers appreciate — whether they're shopping online at Walmart.com, through one of the mobile apps or shopping in a store. Walmart currently operates three primary store formats in the U.S., each custom tailored to its neighborhood. Walmart has stores in 50 states and Puerto Rico offering low prices on the broadest assortment of products through a variety of formats including the Supercenter, Discount Store and Neighborhood Market.

02.01 Supercenter: Walmart began building Supercenters in 1988. Each Supercenter occupies around 182,000 square feet employing about 300 associates. Walmart Supercenters offer a one-stop shopping experience by combining a grocery store with fresh produce, bakery, deli and dairy products with electronics, apparel, toys and home furnishings. Most Supercenters are open 24 hours, and may also include specialty shops such as banks, hair and nail salons, restaurants, or vision centers.

02.02 Discount Store: Since Sam Walton opened his first discount store in Rogers, Ark., in 1962, Walmart has built hundreds across the U.S. Smaller than a Supercenter, discount stores employ about 200 associates and offer electronics, apparel, toys, home furnishings, health and beauty aids, hardware and more in about 106,000 square feet of open, brightly lit space.

02.03 Neighborhood Market: Walmart Neighborhood Markets were designed in 1998 as a smaller-footprint option for communities in need of a pharmacy, affordable groceries and merchandise. Each one is approximately 38,000 square feet and employs up to 95 associates. Walmart Neighborhood Markets offer fresh produce, meat and dairy products, bakery and deli items, household supplies, health and beauty aids and a pharmacy.

03.00 Creating a Seamless Shopping Experience thro' eCommerce

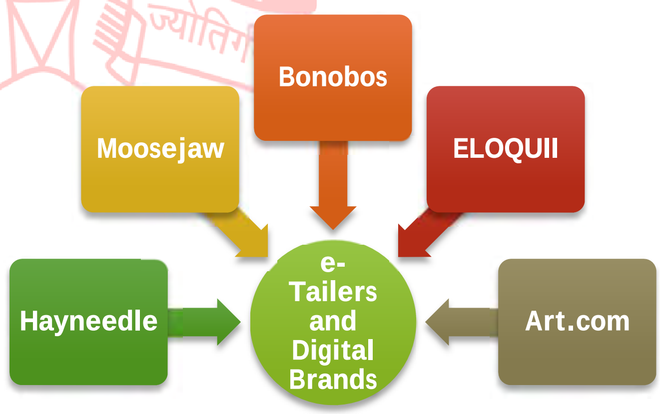
Walmart has been changing the face of retail since its first store opened in 1962. They have continued to pursue ways to bring technology into retail to offer customers a seamless shopping experience. You can find a ton of items in a Walmart store, but as customers increasingly shop across digital and physical storefronts, they have made it easier for you to find what you need right at your fingertips. With innovations like Curbside Pickup, Mobile Scan & Go and a whole host of apps, Walmart is providing customers with more ways to save time and money while reimagining how digital and physical shopping work together.

As one of the world's largest brick-and-mortar retailers, Walmart is also one of the fastest growing and most dynamic e-commerce organizations. With 90% of the U.S. population living within 10 miles of Walmart stores, they are primed to combine their physical locations with their e-commerce business to offer a level of convenience never before seen. Its website, Walmart.com, sees up to 100 million unique visitors a month, according to comScore, and is growing every year. In 2016, Walmart acquired Jet.com and began expanding its portfolio of e-commerce sites. As part of the Jet acquisition, Hayneedle.com (home furnishings) also joined Walmart's family.

Thus goes Walmart's endeavour to create an experience that lets customers shop anytime, anywhere — delivering exactly what they want, when they want it.

04.00 e-Tailers and Digital Brands

Walmart continues to acquire additional specialty e-tailers and digital brands. The result? An unparalleled selection of brands and categories, and a family of sites that provides a great end-to-end experience for customers.



04.01 Hayneedle: Hayneedle, founded in 2002, is a leading online home furnishings and decor retailer that includes the world's largest outdoor living selection. With over 3,000 brands, Hayneedle is a go-to source for furniture, decor, exclusive designs and more for every space, style and budget. Hayneedle is headquartered in Omaha, Nebraska.

04.02 Moosejaw: Moosejaw, founded in 1992, is a leading online active outdoor retailer with a large web presence and over 10 physical store locations, including one in Bentonville, Arkansas, that opened in 2021. Moosejaw carries more than 400 brands and offers an extensive assortment of apparel and gear for activities such as climbing, hiking, camping, snow sports, yoga, swimming and biking, among others. Moosejaw is headquartered in Madison Heights, Michigan.

04.03 Bonobos: Bonobos, founded in 2007, is one of the largest clothing brands ever built on the web specializing in men's clothing. Based in New York City, Bonobos operates a unique retail model including more than 60 completely personalized retail stores, called Guideshops, coupled with an engaging e-commerce platform. Known as the retailer with the perfect fit and customer service ninjas that exceed expectations, Bonobos makes shopping painless, and may be even fun.

04.04 ELOQUII: ELOQUII is a digitally native brand selling women's apparel in sizes 14-28. Founded in 2011 as part of The Limited and re-launched online in 2014 as an independent direct to consumer brand, this fashion-forward line is a source of delight for customers. ELOQUII is based in Columbus, Ohio, as well as Long Island City, New York.

04.05 Art.com: Art.com is the largest online retailer in the art and wall décor category with two million curated images, including a growing exclusive assortment. Founded in 1998, the retailer also boasts best-in-class on-demand and customization capabilities. Art.com makes its home in Emeryville, California.

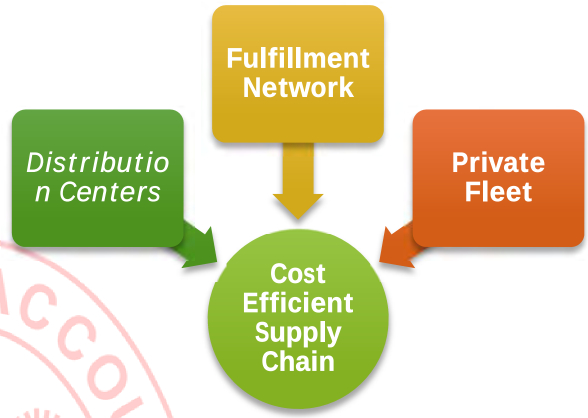
05.00 Keeping the Customers Connected

Walmart.com offers a variety of features to serve the needs of their connected customers. It's part of their promise of creating convenience at the lowest price, no matter how you shop. Here are just a few ways Walmart is helping customers save time and money:

- Walmart App – From Walmart Pay to Mobile Express Returns, prescription refills and grocery orders with same-day pickup, Walmart helps you get more done with just the touch of a button.
- Mobile Scan & Go – Shop and checkout with your phone in-store.
- Curbside Pickup – Order online, pickup in store.
- NextDay Delivery – In many markets, customers can enjoy fast, free shipping on eligible orders over $35.
- Walmart+ – Membership program that brings together in-store and online benefits.
- Walmart GoLocal – Walmart's delivery as a service business that provides delivery to customers from businesses of all sizes.
- Built for Better – an online shopping destination that makes it easy for customers to identify and shop for products that are built better – for them and for the planet.

06.00 Cost Efficient Supply Chain

In a way, Walmart's supply chain may be perceived as its core competitive strength. The broad links of the cost-efficient supply chain include Distribution Centers, Fulfillment Network and Private Fleet.



06.01 Distribution Centers: Walmart's 210 distribution centers are hubs of activity for its business. Walmart's distribution operation is one of the largest in the world servicing stores, clubs and direct delivery to customers. Walmart's transportation has a fleet of 9,000 tractors, 80,000 trailers and more than 11,000 drivers.

- The distribution center network ships general merchandise and dry groceries along with other specialty categories to their consumers daily.
- There are six disaster distribution centers, strategically located across the country and stocked to provide rapid response to struggling communities in the event of a natural disaster.
- Each distribution center is more than 1 million square feet in size and employs 600+ personnel unloading and shipping over 200 trailers daily.
- Every distribution center supports 90 to 100 stores in a 150+ mile radius.

Walmart is continuing to create solutions that gets products on shelves even faster, but also makes warehouse work easier on their associates. Since 2017, Walmart has worked with Symbotic to optimize its systems and transform its supply chain. While this technology works to sort, store, retrieve and pack freight onto pallets, it also provides an opportunity to train the associates on how to use this new equipment, developing new skills and preparing them for jobs in the future. Walmart has also rolled-out a high-tech consolidation center in Colton, California, that will enable three times more volume to flow through the center.

06.02 Fulfillment Network: For the customers, it's as easy as a tap on their screen. But what goes on behind the scenes? The short answer: a ton of people power, highly-efficient fulfillment campuses dedicated to e-commerce, a world-class transportation fleet and a touch of magic. With cutting-edge systems and unrivaled scale, Walmart is able to serve customers quickly and offer more choices for how they'd like to receive their orders — shipped to their homes or picked up at their local stores for free.

- Walmart's newest e-commerce fulfillment centers are capable of shipping and handling millions of items.
- Walmart's fulfillment centers are strategically located across the U.S. to give it very quick and highly efficient access to U.S. customers using ground shipping.

- Each fulfillment center is unique and designed with special characteristics based on the area where it's located. For example, Walmart's fulfillment center in Davenport, Florida, has 62 dock doors that can withstand wind speeds of 120 mph due to hurricane risk.

06.03 Private Fleet: Walmart is able to move goods to and from distribution centers because they maintain a private fleet of trucks and a skilled staff of truck drivers. The team of drivers is assumed to be one of the best in the world. They realise that they are part of one of the largest and safest fleets, and every year they drive 1.1 billion miles to make millions of deliveries to stores and clubs of Walmart. Each driver averages around 100,000 miles annually-that's like driving around the world 4 times! Together with the truck drivers, Walmart is constantly working to ensure that they are moving merchandise in responsible and sustainable ways. Drivers follow the most efficient routes to their destinations and work to minimize the number of "empty miles" they drive. This way, they use less fuel, drive fewer miles and maximize the merchandise they deliver while minimizing their environmental impact.

07.00 Quick Take

Every Day Low Prices with store formats cutom-tailored to its neighborhood; Creating a Seamless Shopping Experience thro' eCommerce; e-Tailers and Digital Brands; Keeping the Customers Connected; and Cost-Efficient Supply Chain are certainly the 'Key Success Factors' for Walmart "Moving Beyond the Traditional Retail"!

GROUP: 3, PART: 16

CA Vikash Mundra

He can be reached at:

vikash@taxpointindia.com

DIRECT TAX

LAWS AND INTERNATIONAL TAXATION - (DTI)

Your Preparation Quick

Syllabus Structure

A Advanced Direct Tax Laws **50%**

B International Taxation **30%**

C Case StudyAnalysis **20%**

Learning Objectives:

- To develop basic idea about the problem of International double taxation
- To get acquainted with the methods of reliefs
- To have acquaintance with the basic provisions of the provisions of the Indian Income-tax Act regarding reliefs for double taxation.

Appeal before ITAT [Sec. 252 to 255]

Appeal against an order of Commissioner (Appeals) lies with the Income Tax Appellate Tribunal (ITAT). Both tax payer and the Assessing Officer can file appeal before the Appellate Tribunal. Several Benches of the Appellate Tribunal constituted all over India by the Central Government and it functions under the Ministry of Law. It consists of as many judicial and accountant members as the Central Government thinks fit to exercise the powers and discharge the functions conferred on the Appellate Tribunal by this Act.

Qualification of members

Member	Qualification
Judicial	• He has held a post of Judicial Officer in the territory of India for at least 10 years; or • He has been served as a member of the Indian Legal Service in Grade II post or any higher post for at least 3 years; or • He has been an advocate for at least 10 years.
Accountant	• He has practiced as a Chartered Accountant for at least 10 years; or • He has practiced as a registered accountant for at least 10 years; or • He has practiced partly as a registered accountant and partly as a Chartered Accountant for at least 10 years; or • He has been a member of the Indian Income-tax Service, Group A and has held the post of the Additional Commissioner of Income tax or any equivalent or higher post for at least 3 years.

President of the ITAT

- The Central Government shall appoint:
  - **a.** a person who is a sitting or retired Judge of a High Court and who has completed not less than 7 years of service as a Judge in a High Court; or
  - **b.** one of the Vice-Presidents of the Appellate Tribunal,

  \- to be the President thereof.

- The Central Government may appoint one or more members of the Appellate Tribunal to be the Vice-President(s) thereof.
- The Vice-President shall exercise such of the powers and perform such of the functions of the President as may be delegated to him by the President by a general or special order in writing.

Appealable Orders and Procedure of Appeal

Appealable Orders	**A. Appeal by assessee**
	1. An order passed by a Commissioner (Appeals) u/s 154, 250, 270A, 271, 271A, 271J or 272A; or
	2. An order passed by a Principal Commissioner or Commissioner u/s 12AA or 12AB [registration of trust], 80G(5)(vi), 263 [revision order], 154, 270A or 271 or 272A; or **3.** An order passed by an Assessing Officer u/s 143(3) or 147 or 153A or 153C in pursuance of the directions of the Dispute Resolution Panel or with the the approval of the Commissioner (or Principal Commissioner) as referred to in sec. 144BA(12) or an order passed u/s 154 or 155 in respect of such order. **4.** An order passed by an Assessing Officer u/s 115VZC(1) **5.** An order passed by the prescribed authority u/s 10(23C)(iv) or (v) or (vi) or (via) **6.** An order passed by Principal Chief Commissioner or Chief Commissioner or Principal Director General or Director General or Principal Director or Director u/s 272A [penalty].
	B. Appeal by the Principal Commissioner or Commissioner The Principal Commissioner or Commissioner may direct the Assessing Officer to appeal against the order passed by the Commissioner (Appeals) u/s 154 or 250 [The Board has directed that the appeal shall be filed by the department only if tax effect exceeds ₹ 50,00,000, subject to certain exceptions]
Time limit for filing appeal	Within 60 days. The period shall start from the date on which order sought to be appealed is communicated to the assessee or Commissioner.
Delay in filing appeal	Tribunal may admit belated application on sufficient cause being shown.
Withdrawal of appeal	An assessee cannot withdraw an appeal filed to Tribunal

Form	Form 36	
Documents to be submitted and number of copies thereof	**1.** Memorandum of Appeal **2.** Order appealed against (including one certified copy) **3.** Order of Assessing Officer **4.** Grounds of appeal before first appellate authority **5.** Statement of facts filed before first appellate authority **6.** In case, appeal against order levying penalty, relevant order	
Fee payable by assessee	Where assessed income as computed by the Assessing Officer is -	
	• Upto ₹ 1,00,000	– ₹ 500
	• Exceeds ₹ 1,00,000 but does not exceed ₹ 2,00,000	– ₹ 1,500
	• Exceeds ₹ 2,00,000	– 1% of Assessed income [Max. ₹ 10,000]
	Stay petition	– ₹ 500
	Any other case	– ₹ 500
Fee payable by CIT	No fees shall be payable in case of appeal by Commissioner	
Verification of Form	Form 36 and grounds of appeal should be verified by the person authorized to verify the return of income u/s 140 [Rule 47]	
Cross objection	Assessing Officer or the assessee, as the case may be, on receipt of notice that an appeal against the order of the Commissioner (Appeals) has been filed by the other party, may file a memorandum of cross objection with the Tribunal	
Time limit for filing of cross-objections	Within 30 days of receipt of notice that appeal has been filed by the other party. However, Tribunal may admit belated memorandum of cross objection on sufficient cause being shown.	
Form for filing of cross-objections	Form 36A	
Fee for cross objection	Nil	
Order of tribunal	The Appellate Tribunal may, after giving both the parties to the appeal an opportunity of being heard, pass such orders as it thinks fit. Tribunal must record its reasons for its decisions. Order should set out all facts and contentions. *Communication of order*: Tribunal shall send a copy of the order passed by it to the assessee and to the Principal Commissioner or Commissioner.	

	Notes: **a)** Decision of Tribunal on matter involving question of fact is final. However, one can file a writ petition. **b)** A decision of the tribunal, when passed in appeal, is final not only for the assessee but also for the tribunal itself. **c)** The assessee cannot seek to reopen and reargue the whole matter. i.e. order of Tribunal cannot be reviewed by Tribunal. **d)** On a question of fact determined by ITAT, a writ petition can be filed to the High Court challenging the fact finding process adopted by the ITAT. If the High Court is satisfied that the fact finding process was not correct, then it will quash the order passed by the ITAT and direct the ITAT to do the fact finding in the proper manner and/or as per the direction of the High Court. If the writ petition is dismissed by the High Court then the assessee can file a Special Leave Petition to the Apex Court challenging the fact finding process of the ITAT. If the Apex Court is satisfied that the fact finding process was incorrect then the Apex Court quash the order passed by the ITAT and direct the ITAT to do the fact finding in the proper manner and/or as per the direction of the Apex Court.
Rectification of mistake (Miscellaneous Application)	• The Tribunal may, at any time within 6 months from the end of the month in which the order was passed, with a view to rectify any mistake apparent from the record, amend any order passed by it. • Mistake may be brought to the notice of the Tribunal by the assessee or the Assessing Officer. • Where assessee applies for any rectification, it shall be accompanied by a fee of ₹ 50. • An amendment which has the effect of enhancing an assessment or reducing a refund or otherwise increasing the liability of the assessee, shall not be made unless the Appellate Tribunal has given notice to the assessee of its intention to do so and has allowed the assessee a reasonable opportunity of being heard. • It is to be noted that income tax authority [including CIT(A)] can rectify order u/s 154, however in that case: **a.** Assessee is not required to pay any fee; and **b.** Time limit is 4 years from the end of the financial year in which the order sought to be rectified was passed.
Additional grounds which	Tribunal has discretionary power to refuse additional ground to be raised. Tribunal may permit the assessee to urge grounds of appeal not mentioned in the

may be taken in appeal	memorandum of appeal.
Additional evidence	The parties to the appeal are not entitled to produce additional evidence of any kind, either oral or documentary before the Tribunal. However, if the Tribunal requires production of any document, examination of any witness or filing of any affidavit to enable it to pass orders, it may allow such document to be produced, witness to be examined, affidavit to be filed and such evidence to be adduced.
Paper Book	The appellant or the respondent, as the case may be, may submit a paper book in duplicate containing documents or statements or other papers referred to in the assessment or appellate order, which it may wish to rely upon. The paper book duly indexed and page numbered is to be filed at least a day before the hearing of the appeal along-with proof of service of copy of the same on the other side at least a week before. The Bench may in appropriate cases condone the delay and admit the paper book. The Tribunal can also, on its own direct preparation of paper book in triplicate by and at the cost of appellant or the respondent as it may consider necessary for disposal of appeal. Each paper in the paper book is to be certified as true copy by the party filing the same. Additional evidence, if any, should not be part of the paper book and it should be filed separately
Time limit for passing order	Appellate Tribunal, where it is possible, may hear and decide such appeal within a period of 4 years from the end of the financial year in which such appeal is filed. However, the Tribunal, after considering the merits, may pass an order of stay in any proceedings for a period not exceeding 180 days (provided the assessee deposits not less than 20% of the amount of tax, interest, fee, penalty, or any other sum payable or furnishes security of equal amount in respect thereof) from the date of such order and the Tribunal shall dispose of the appeal within the said period of stay specified in that order. However, no extension of stay shall be granted by the Appellate Tribunal, where such appeal is not so disposed of within the said period of stay as specified in the order of stay, unless the assessee makes an application and has complied with the condition and the Appellate Tribunal is satisfied that the delay in disposing of the appeal is not attributable to the assessee, so however, that the aggregate of the period of stay originally allowed and the period of stay so extended shall not exceed 365 days and the Appellate Tribunal shall dispose of the appeal within the period or periods of stay so extended or allowed. Further if such appeal is not so disposed of within the period allowed (original and

	extended), the order of stay shall stand vacated after the expiry of such period (i.e., 365 days), even if the delay in disposing of the appeal is not attributable to the assessee.
Cost of appeal	Cost of appeal shall be borne by the person as decided by the Tribunal.
Procedure	☸ The powers and functions of the Appellate Tribunal may be exercised and discharged by Benches constituted by the President of the Appellate Tribunal from among the members thereof. ☸ A Bench shall consist of one judicial member and one accountant member. However, in some case, single member bench may be constituted. ☸ The President or any other member of the Appellate Tribunal authorised in this behalf by the Central Government may, sitting **singly**, dispose of any case which has been allotted to the Bench of which he is a member and which pertains to an assessee whose total income as computed by the Assessing Officer in the case does not exceed ₹ 50 lakh. ☸ The President may, for the disposal of any particular case, constitute a Special Bench consisting of 3 or more members, one of whom shall necessarily be a judicial member and one an accountant member. ☸ If the members of a Bench differ in opinion on any point, the point shall be decided according to the opinion of the majority. But if the members are equally divided, then the case shall be referred by the President of the Appellate Tribunal for hearing on such point by one or more of the other members of the Appellate Tribunal, and such point shall be decided according to the opinion of the majority of the members of the Appellate Tribunal who have heard the case, including those who first heard it.
Faceless	The Central Government may make a scheme, for the purposes of appeal to the Appellate Tribunal, so as to impart greater efficiency, transparency and accountability by: a. optimising utilisation of the resources through economies of scale and functional specialisation; b. introducing a team-based mechanism for appeal to the Appellate Tribunal, with dynamic jurisdiction. The Central Government may, for the purpose of giving effect to the scheme, direct (within 31-03-2022) that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified

GROUP: 4, PART: 17

CORPORATE
FINANCIAL REPORTING - (CFR)

Dr. Ananda Mohan Pal
Professor,
Department of Business Management,
The University of Calcutta
He can be reached at:
apal59@gmail.com

Your Preparation Quick

Syllabus Structure
A GAAP and Accounting Standards **20%**
B Accounting if Business Comminations & Restructuring **20%**
C Consolidated Financial Statements **20%**
D Developments in Financial Reporting **25%**
E Government Accounting in India **15%**

Learning Objectives:

After studying the present section of Corporate Financial Reporting you will be able to:

- Learn how to highlight the achievements of a company to its investors, creditors, bankers, public, employees, regulatory bodies and Government on a periodic basis
- To convey future based strategic roadmap for the company.

Corporate Financial Reporting

In this issue I shall recapitulate and update the note on CSR.

What is CSR?

World Business Council for Sustainable Development (WBCSD) defines Corporate Social Responsibility (CSR) as "the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large."

As mentioned by United Nations Industrial Development Organization (UNIDO), "Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.

CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders."

CSR in India

In India, the Companies Act, 2013 has introduced the idea of CSR to the forefront. The Ministry of Corporate Affairs, Government of India notified the Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 "hereinafter CSR Rules" and other notifications related thereto which makes it mandatory (with effect from 1st April, 2014) for certain companies who fulfill the criteria as mentioned under Sub Section 1 of Section 135 to comply with the provisions relevant to Corporate Social Responsibility.

As per the said section, the companies having Net worth of INR 500 crore or more; or Turnover of INR 1000 crore or more; or Net Profit of INR 5 crore or more during any financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board "hereinafter CSR Committee" with effect from 1st

April, 2014. The section has used the word "companies" which connotes a wider meaning and shall include the foreign companies having branch or project offices in India.

What a company covered under CSR needs to do?

The MCA vide its notification dated 11th February, 2022 has notified Companies (Accounts) Amendment Rules, 2022 Companies (Accounts) Amendment Rules, 2022.

From 1 April 2021, Entities carrying out CSR activities are required to file with the Central government, an e-form namely CSR -1 to generate Unique registration number.

The newly introduced form CSR-2 (report on Corporate Social Responsibility) is required to be filed by those entities which are required to comply with the provisions of Corporate Social Responsibility (CSR).

To ensure transparency, The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website for public access

Every company having average CSR obligation of Rs.10 Crore or more in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees

The board shall ensure that the administrative overheads shall not exceed 5% of total CSR expenditure of the company for the financial year

The CSR amount may be spent by a company for creation or acquisition of a capital asset, which can be held by specified entities only.

Mandatory transfer of unspent CSR amount to any fund included in schedule VII of the Companies Act is required.

All such companies shall spend, in every financial year, **at least two per cent of the average net profits** of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. It has been clarified that the average net profits shall be calculated in accordance with the provisions of Section 198 of the Companies Act, 2013. Also, proviso to the Rule provide 3(1) of the CSR Rules that the net worth, turnover or net profit of a foreign company of the Act shall be computed in accordance with balance sheet and profit and loss account of such company prepared in accordance with the provisions of clause (a) of sub-section (1) of section 381 and section 198 of the Companies Act, 2013.

Rule 7: CSR Expenditure

According to the Companies (CSR Policy) Amendment Rules, 2021, the administrative overheads should not exceed five per cent of the total CSR expenditure of the company for the financial year

The CSR amount may be spent by a company for the creation or acquisition of a capital asset, which shall be held by the following firms:

- A company established under section 8 of the Act
- Registered Public Trust or Registered Society, having charitable objects and CSR Registration Number
- Beneficiaries of the said CSR project, in the form of self-help groups, collectives, entities
- A public authority

CSR Activities:

(i) Activities may be included by the company in their CSR Policy as per Schedule VII of the Companies Act, 2013 (According to the Companies (CSR Policy) Amendment Rules, 2021):

(ii) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.

(iii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

(iv) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.

(v) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.

(vi) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts;

(vii) Measures for the benefit of armed forces veterans, war widows and their dependents;

(viii) Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports

(ix) Contribution to the prime minister's national relief fund or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;

(x) Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Biotechnology (DBT), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs);

(xi) Rural development projects

(xii) Slum area development.

(xiii) Disaster management, including relief, rehabilitation and reconstruction activities.

CSR Reporting

Rule 8 of the CSR Rules provides that the companies, upon which the CSR Rules are applicable shall be required to incorporate in its Board's report an annual report on CSR containing the following particulars:

- A brief outline of the company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs;
- The composition of the CSR Committee;
- Average net profit of the company for last three financial years;
- Prescribed CSR Expenditure (2% of the amount of the net profit for the last 3 financial years);
- Details of CSR Spent during the financial year;
- In case the company has failed to spend the 2% of the average net profit of the last three financial year, reasons thereof
- A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.
- In case of a foreign company, the balance sheet shall contain an annual report on CSR
- Every company having average CSR obligation of Rs. 10 Crore or more in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of Rs.1 Crore or more, and which have been completed not less than one year before undertaking the impact study.
- The impact assessment reports need to be placed before the Board and shall be annexed to the annual report on CSR.

GROUP: 4, PART: 18

INDIRECT TAX
LAWS & PRACTICE - (ITP)

CMA Rana Ghosh
Chief Executive Officer,
Institution of Estate Managers & Appraisers
He can be reached at:
ranaham@rediffmail.com

Your Preparation Quick

Syllabus Structure
A Advanced Indirect Tax and Practice **80%**
B Tax Practice and Procedures **20%**

Learning Objectives:

Through the following MCQ, students can refresh themselves about

- Regulation under Customs Law
- Assessment process
- Export goods
- High seas
- Taxable event
- Transshipment of goods
- Relinquishment of titles
- Preferential rate and area
- Serious Injury & Transaction value

Indirect Tax

Choose the correct option from the followings –

1.Which of the following will not be considered as regulation under Customs Law

(a) Issued by the Government of India

(b) Issued by the CBIC

(c) Regulations have to be consistent with Act & Rules

(d) Has statutory force

2. "As per section 2(2) of the Customs Act, assessment means process of determining the tax liability in accordance with the provisions of the Act", in these which of the following statement is not correct

(a) includes provisional assessment.

(b) includes self assessment.

(c) includes re-assessment

(d) includes any assessment in which duty will not be Nil

3. As per section 2(19) of the Customs Act, the term Exported Goods means

(a) taking out of India to a place outside India

(b) any goods, which are to be taken out of India to a place outside India

(c) Order received for supply of goods to outside India

(d) Customs clearance received for supply of goods to outside India

4. As per section 2(22) of the Customs Act, the term goods includes

(a) Stores

(b) Baggage

(c) currency and negotiable instruments

(d) any other kind of movable & imovable property

5. As per section 2(31) in which of the following case Master will be considered as Person-in-Charge

(a) Train

(b) Vehicle

(c) Vessel

(d) Other conveyance

6. High Seas an area from the base line beyond –

(a) 100 nautical miles

(b) 150 nautical miles

(c) 200 nautical miles

(d) 250 nautical miles

7. Under the Customs Act which of the following is a taxable event –

(a) Unloading of imported goods at the customs port

(b) Date on which the goods cross the customs barrier

(c) Date of entry into Indian territorial waters

(d) Date of presentation of bill of entry

8. As per amended provision of the Customs Act the relevant date for determination of rate of duty and tariff valuation of imported Goods cleared from a warehouse under section 68

(a) Date of presentation of bill of entry

(b) Date of entry inwards of the vessel/arrival of the aircraft or vehicle whichever is later

(c) Date of presentation of bill of entry for home consumption

(d) Date of payment of duty

9. Which of the following condition is not relevant in relation to Transhipment of goods without payment of import duty is permissible –

(a) Transhipment of goods with foreign destination

(b) The goods find place as Transhipment Goods in the Import of General Manifest (IGM) or Import Report in case of goods imported in a vehicle

(c) Bill of Transhipment or Declaration of Transhipment filed.

(d) Goods must be transhipped to another vessel to place inside India

10. In which of the following case under Customs Act,1962 duty will be leviable -

(a) Goods pilfered after the unloading thereof and before the proper officer has made an order for clearance for home consumption or deposit in a warehouse.

(b) goods are found to be pilfered during examination but before order for clearance is made.

(c) If goods are pilfered after the order of clearance is made but before the goods are actually cleared.

(d) on a sample of goods consumed/destroyed during the course of testing/examination.

11. In which of the following case an Importer may not relinquish his title to the gods under Section 23(2) of the Customs Act –

(a) The goods may not be according to the specifications

(b) The goods may have been damaged or deteriorated during voyage and as such may not be useful to the importer

(c) There might have been breach of contract and, therefore, the importer may be unwilling to take delivery of the goods

(d) Goods regarding which an offence appears to have been committed under this Act or any other law for the time being in force

12. As per the Customs Act Derelict means –

(a) Vessel or cargo which is abandoned in sea without any hope of recovering it

(b) Goods are cast into sea to reduce weight of ship to prevent it from sinking and the thrown goods sink

(c) Goods continue to float after thrown in sea

(d) Cargo or vessel or any property which are cast ashore by tides after ship-wreck

13. Which of the following statement is not correct in regard to Tax Planning

(a) Tax planning primarily aims at adopting an arrangement so as to bring lesser incidence of tax.

(b) Tax planning may not be essential for every assessee.

(c) Tax planning essentially looks at present benefits arising out of past actions.

(d) Tax planning is focusing on saving taxes by choosing best among the alternatives.

14. Which of the following statement is not relevant in connection with an importer making claim for preferential rate of duty, in terms of any trade agreement

(a) make a statement, containing list of total goods require preferential rate of duty

(b) possess sufficient information as regards the manner in which country of origin criteria, including the regional value content and product specific criteria, specified in the rules of origin in the trade agreement, are satisfied

(c) furnish such information in such manner as may be provided by rules

(d) exercise reasonable care as to the accuracy and truthfulness of the information furnished

15. As per the Customs Act Preferential area means –

(a) Special Economic Zone

(b) Where Agriculture Infrastructure and Development Cess (AIDC) is allowed by Central Government

(c) any country or territory which the Central Government may, by notification in the Official Gazette, declare to be such area

(d) Where the Central Government may, by notification in the Official Gazette, declare that IGST will not be applicable

16. In which of the following item GST rate is 5%

(a) Coal

(b) Pan Masala

(c) Motor Vehicle

(d) Aerated Drinks

17. As per the Customs Act "Serious Injury" means

(a) a clear and imminent danger of serious injury

(b) an injury causing significant overall impairment in the position of a domestic industry

(c) a significant decline in collection of Customs Duties

(d) an injury causing significant effect on the property under Customs Jurisdiction

18. As per the Section 9A of the Customs Tariff Act, 1975, which of the following is not true in case of Anti Dumping Duty

(a) This duty is country specific. It is imposed on imports of a particular country.

(b) Dumping exists when a product is exported from one country to another country at an export price which is less than its normal value prevailing in the exporting country.

(c) The difference between the normal value and the export price is the dumping margin based on which the Anti Dumping Duty is imposed.

(d) While calculating Anti-dumping duty we should calculate the education cess and secondary and higher education cess.

19. In case of Project Import and Eligible Project which of the following statement is correct –

(a) Basic Customs Duty @10% applicable in all cases

(b) IGST is not payable as it is not applicable

(c) BCD is 5% for mega power projects, nuclear power projects and water supply projects for agricultural and industrial use

(d) There is no minimum investment requirement for project Imports with effect from 2.01.2007

20. Which of the following statement is not applicable for the valuation based on transaction value as per Customs Act, 1962

(a) Price at which such or like goods are ordinarily sold or offered for sale

(b) When Seller and buyer have some interest in the business of each other

(c) Price is the sole consideration for sale

(d) in the course of international Trade

ANSWERS

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

GROUP: 4, PART: 19,

COST & MANAGEMENT AUDIT – (CMAD)

CMA S S Sonthalia
Practicing Cost Accountant
He can be reached at:
sonthalia_ss@yahoo.co.in

Your Preparation Quick

Syllabus Structure

A Cost Audit 35%
B Management Audit 15%
C Internal Audit, Operational Audit and other related issues 25%
D Case Study on Performance Analysis 25%

Learning Objectives:

- To verify the correctness of the cost accounting records.
- To find out whether the principles of cost accountancy have been fully and correctly applied in maintaining cost records.
- To search for the deficiencies in the cost record system of the company.
- To attain efficiency in cost accounting systems and procedures.

Understanding - CAS – 24 - Treatment of Revenue in Cost Statements

Introduction

The cost sheet is the assembly of each major elements of cost to derive at the Cost of Production / Service, Cost of Sales and Margin of the product / service. This requirement is mandated to the Companies, under the Rule 5(2) of Companies (Cost Records and Audit) Rules 2014. The Cost Auditor has to follow the CAS 24, in compliance to the Cost Auditing Standard 103 to ascertain and assure true and fair view of cost of production/service and margin. The margin as reflects in cost is represents the effective margin for the year/period based on efficiency of operation, as it does not take into account non cost expenses and income. Therefor understanding about treatment of revenue very imperative for arriving at proper margin

The term Revenue, as per CAS-24 is having the same meaning as assigned in the Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules 2006 or in the Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules 2015, as applicable. The terms Revenue and Sales Realisation denote the same meaning and are used interchangeably.

Recognition and Treatment of Incomes / Revenues

'Revenue from operations' is generally recognised at the net value excluding indirect taxes and trade discount. Sometime, revenue is presented at the gross value including excise duty and the excise duty is presented as deduction from such gross value of the revenue. However, for the purpose the Abridged Cost Statement of Part – B 2 / C 2 of Annexure to the Cost Audit Report, only the Net Sales Realisation of the particular product under audit (for which the cost sheet is drawn) excluding discounts and taxes are to be taken for the calculation of Margin.

Furthermore, the 'Revenue from operations' also includes 'Other Operating Revenue'. Other Operating Revenue is the incidental income arising in the course of ordinary activities of an entity but not arising from the sale of main goods or services. These incomes are to be analysed for their appropriate treatment. The examples of such incomes are

a) Sale of scrap
b) Government subsidies or incentives received
c) Sale of by products
d) Revenue from sale of inputs, utilities, intermediate products, and shared or support services
e) Revenue generated from utilization of assets created under the CSR program
f) Sale of defectives, second-grade products, rejects, spoilage, and waste products.
g) Interest on deposits and Divided Income
h) Insurance claim received

The treatment of above mentioned items are discussed in details as follows:

a) <u>Sale of Scrap</u>

The scrap sold can be broadly categorized in 2 categories i.e. Operational scrap and Other scrap. The operational scrap arises during the normal production process and they can't be avoided. The inputs of such scrap is the same as the inputs required in the production of product or rendering of service. If those scrap are sold then such amount received is to be set off in the cost incurred under the head of 'Other Overheads' of the Abridged Cost Statement. Furthermore, the periodicity of the occurrence of scrap is to be taken in account. Only the scrap of current period is to be set off against cost and the scrap belonging to prior period should be considered as Non-Cost Income.

The Other scrap for example: sale of scrap machinery, construction scrap etc. are to be considered as Non-Cost Income and are to be excluded from Cost Sheet.

b) <u>Government subsidies or incentives received :</u>

The subsidies / incentives including export incentives received for the sale of product or rendering service is to be identified and allocated to the particular product / service and is to be included in the Net sales realisation. The subsidies / incentives received for an expenditure incurred is to be identified and is to be set off against the particular expenditure and the net amount is to be taken up in Cost Sheet.

c) <u>Sale of joint products and by-products</u>

By-product are the products with relatively low value produced incidentally in the manufacturing of the product or service. Revenue from sale of goods or services shall be measured separately for sale of each type of by-products. If a by-product is further processed before sale, sales realisation of such by-product shall be net of further processing cost. Alternatively, the proceeds from the by-product can be adjusted against the cost incurred as recovery under the head of 'Other Overheads'.

d) <u>Revenue from sale of inputs, utilities, intermediate products, and shared or support services</u>

Revenue from sale of inputs, utilities, intermediate products, and shared or support services shall be adjusted against the cost of purchase or cost of production of the related input or services. It is necessary to understand the accounting process that the organisation has followed to record such transactions. Ultimately it is to be established that the Purchases of inputs /utilities / intermediate products as the case may be, has already given the impact before calculation of consumption of inputs for the period.

e) <u>Revenue generated from utilization of assets created under the CSR programme</u>

The revenue generated shall not be considered in determining the profit or loss in Cost Accounts. The revenue generated as well as the costs incurred in CSR are to be taken as Non-Cost items and excluded from the Cost Sheet.

f) <u>Net Sales realization of defectives, second-grade products, rejects, spoilage, and waste products</u>

The items considered here are only those items that has the following characteristics:

- They have no or insignificant value
- They are disposed of without further treatment
- They are incidental to production process

Revenue from such above-mentioned items shall be adjusted against the cost of production of related goods sold under the head of 'Other Overheads' of the Cost Sheet.
In case the occurrence of such items is not incidental to production process then such sales should be considered as Non-Cost item.

g) <u>Interest on deposits and divided received</u>

Often the organisation receives interest on deposits. The necessity of the deposits made are to be evaluated. There can be broadly 2 circumstances.

- Deposits required to be made to enable to carry production / provision of service. Eg. Security deposit for electricity connection.
- Deposits made in nature of investment or due to excess cash not required for production. Eg. Fixed deposits made in bank due excess cash balance

The interest received in case of security deposit as mentioned above is to be setoff /netted with interest cost. In case the deposit is in nature of investment or due to excess cash balance, the interest received thereon is to be treated as a Non-Cost item as it has nothing to do with the production process.

h) Insurance claim received

The insurance claim received during the year needs examination with regard to the claims related to earlier year or current year.

The claims received related to earlier year to be treated as non cost income, whereas claims received related to current year to be netted of with the expenses incurred on repairs.

In view of the all above during the course of audit, the Cost Auditor should use his / her considered review of occurrence of costs / incomes to arrive at the proper treatment of each item. The importance lies in the nature of the transaction and costs and not in the name of the costs. While the other incomes result in increase in profit / deduction of loss in Financial Statements, such other incomes that have no connection with normal production process are to be excluded from the Cost Sheet and are to be shown in the Reconciliation Statement. Furthermore, the periodicity of the items involved is to be given attention to. Any prior period items are to be considered as Non-Cost and taken to Reconciliation Statement but only after considering the normal business process of the concerned organisation.

GROUP: 4, PART: 20,

STRATEGIC
PERFORMANCE MANAGEMENT AND BUSINESS VALUATION – (SPBV)

Dr. Ashish Kumar Sana
Professor,
Dept. of Commerce,
He can be reached at:
cu.ashis@gmail.com

Your Preparation Quick

Syllabus Structure
A Strategic Performance Management **50%**
B Business Valuation **50%**

Learning Objectives:

After studying this section on Strategic Performance Management and Business Valuation, you will be able to:

- understand H Model and Three Stage Growth Model of equity share
- solve the problems on H Model and Three Stage Growth Model of equity share

Strategic Performance Management and Business Valuation

(Based on Available Literatures, Study Material, MTP, RTP and Previous End-Terms Questions)

Risk Analysis - Risk Mapping and Key Risk Indicator

Risks are unanticipated events that may affect the organization's ability to meet its key objectives. These could consist of unfavorable situations or missed opportunities. Risk analysis is a procedure to identify threats & vulnerabilities, analyze them to ascertain the exposures, and highlight how the impact can be eliminated or reduced. Risk analysts often work in tandem with forecasting professionals to minimize future negative unforeseen effects. As such, a clear and effective understanding of the major risks is a key driver for organizational success.

Risk Mapping

Risk mapping is the process of identifying, quantifying and prioritizing the risks that may interfere with the achievement of your organizational objectives. Its objective is to arrive at a clear set of action plans that improve risk management controls, in areas where these are necessary and help the management of the organization's direct resources.

Risk mapping is the first step in operational risk measurement since it requires identifying all potential risks to which the bank is exposed and then pointing out those on which attention and monitoring should be focused given their current or potential future relevance for the bank. While the risk mapping process is sometimes identified with the usual classification of operational risks in a simple frequency/ severity matrix, what is really needed to map banks' internal processes in order to understand what could go wrong, where, and why, to set the basis for assessing potential frequency and the severity of potential operational events, and to define a set of indicators that can anticipate problems based on the evolution of the external and internal environments. Careful risk mapping is an important as a first step for operational risk measurement as it is for the audit process, when potential pitfalls have to be identified in advance and properly eliminated or at least monitored.

Risk mapping should start from process mapping and from identifying critical risks in each process phase, linked either to key people, to systems, to inter-dependencies with external players, or to any other resource involved in the process. Subsequently, potential effects of errors, failures or improper behavior should be analyzed. This may also lead to identifying priorities in terms of control actions. Of course, special care should be given to high-severity risks, even if they appear unlikely to occur.

Benefits of Risk Mapping

(a) Promotes awareness of significant risks through priority ranking, facilitating the efficient planning of resources.

(b) Enables the delivery of solutions and services across the entire risk management value chain.

(c) Serves as a powerful aid to strategic business planning.

(d) Aids the development of an action plan for the effective management of significant risks.

(e) Assigns clear responsibilities to individuals for the management of particular risk areas.

(f) Provides an opportunity to leverage risk management as a competitive advantage.

(g) Facilitates the development of a strategic approach to insurance programme design.

(h) Supports the design of the client's risk financing and insurance programmes, through the development of effective/optimal retention levels and scope of coverage etc.

Key Risk Indicator

Key risk indicators come out as the result of the mapping process and should be used to provide anticipatory signals that can be useful for both operational risk prevention and measurement. They should provide early warning signals to anticipate the most critical operational events, and they may also be partly derived from the experience of audit departments defining potential risk scores for different business units as a tool for defining priorities in their audit action plan.

Source: https://oriontraining.eu/product/introduction-to-financial-risk-management/

Short-type Questions (True/False)

Write True or False:

1. Risk mapping is the process of identifying, quantifying and prioritizing the risks that may interfere with the achievement of your organizational objectives.
2. Enterprise Risk Management is not a comprehensive and integrated approach to addressing corporate risk.
3. A monopolist can sell more of his output only at a lower price and can reduce the sale at a high price.
4. Whenever the yield on a bond is more than coupon rate, the bond will be trading at a discount.
5. Super profit is the excess of future maintainable profits over normally expected profits.

Answer Hints:

Question	1	2	3	4	5
Answer	True	False	False	True	True

Multiple Choice Questions (MCQ)

1. Risk Management Strategies are

(a) Avoid Risk, Reduce Risk, Retain Risk, Combine Risk

(b) Transfer Risk, Share Risk and Hedge Risk

(c) Both (A) and (B)

(d) None of the above

2. Which of the following is NOT a financial objective of pricing?

(a) Corporate growth

(b) Profit maximization

(c) Return on investment

(d) None of these

3. Which of the following is not a human –capital related intangible asset?

(a) Trained workforce

(b) Employment agreements

(c) Union contracts

(d) Design patent

4. **A type of merger ...., takes place when two companies in unrelated lines of business with nothing in common join hands.**
   (a) Vertical Integration
   (b) Horizontal Integration
   (c) Conglomerate
   (d) None of the above

5. **In defending against a hostile takeover, the strategy that involves the target firm creating securities that give their holders certain right that become effective when a takeover is attempted is called ____________ strategy.**
   (a) Poison pill
   (b) Shark repellent
   (c) Green mail
   (d) Golden parachute

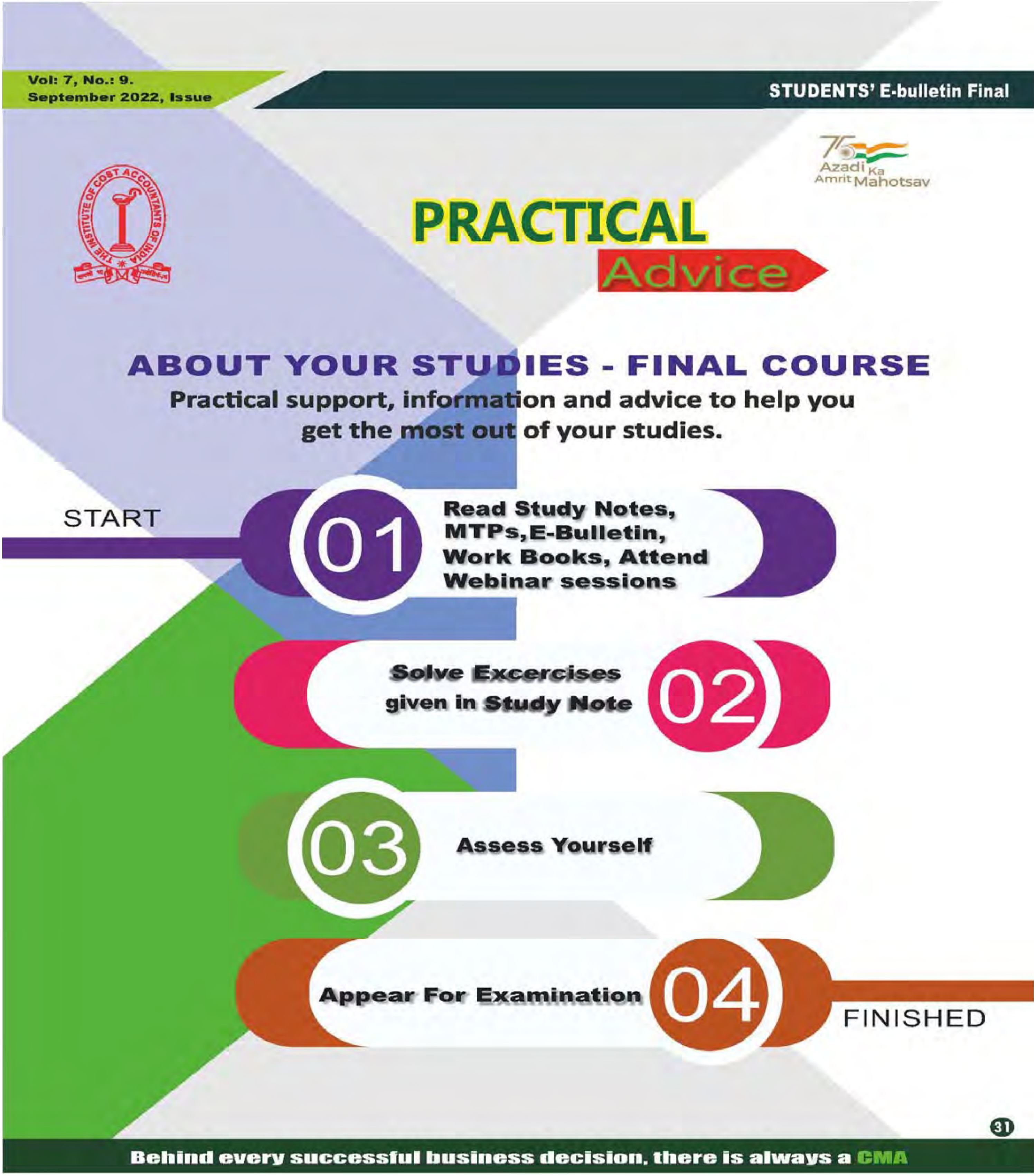
Answer Hints:

Question	1	2	3	4	5
Answer	c	b	d	c	a

Examination Time Table

Day & Date	Final Examination Syllabus-2016 (Time: 02:00 P.M. to 05:00 P.M)	
	(Group – I)	(Group – II)
Thursday, 5th January, 2023	Corporate Laws & Compliance (P-13)	…………………………………………
Friday, 6th January, 2023	…………………………………………	Corporate Financial Reporting (P-17)
Saturday, 7th January, 2023	Strategic Financial Management (P-14)	…………………………………………
Sunday, 8th January, 2023	…………………………………………	Indirect Tax Laws & Practice (P-18)
Monday, 9th January, 2023	Strategic Cost Management – Decision Making (P-15)	…………………………………………
Tuesday, 10th January, 2023	…………………………………………	Cost & Management Audit (P-19)
Wednesday, 11th January, 2023	Direct Tax Laws and International Taxation (P-16)	…………………………………………
Thursday, 12th January, 2023	…………………………………………	Strategic Performance Management and Business Valuation (P-20)

Practical Advice



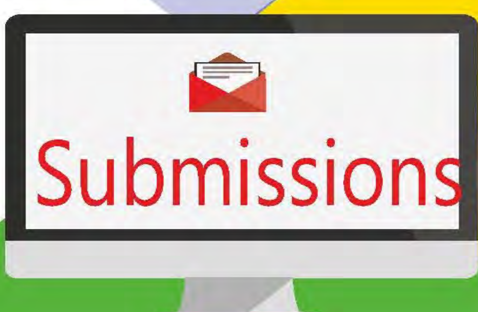
Submissions

Vol: 7, No.: 9.
September 2022, Issue

SUBMISSIONS

Azadi Ka Amrit Mahotsav

150 YEARS OF CELEBRATING THE MAHATMA



Dear Students,

We are very much delighted to receive responses from all of you; for whom our effort is!

We have noted your queries and your requests will definitely be carried out. Further, requesting you to go through the current edition of the bulletin. All the areas will be covered gradually. Expecting your responses further to serve you better as we believe that there is no end of excellence! One of the mails received is acknowledged below.

Please put your opinions so that we can make your e-bulletin everything that you want it to be.

Send your Feedback to:
e-mail: studies.ebulletin@icmai.in
website: http://www.icmai.in

Updation of E-Mail Address/Mobile:

Students are advised to update their E-Mail id and Mobile Numbers timely so that important communications are not missed as the same are sent through bulk mail/SMS nowadays. Student may update their E-Mail id/ Mobile Number instantly after logging into their account at www.icmai.in at request option.

Message form Directorate of Studies

Dear Students,

We from the Directorate of Studies understand your expectations from us and accordingly we are trying to deliver some meaningful tips through various publications in soft versions like-E-bulletins, Mock Test Papers (MTPs), and we also have conducted Webinar Sessions for the benefit of the students. Supplementary and Amendments are also uploaded from time to time to keep the students updated about the recent changes made in the papers; wherever applicable.

You must be aware that India is celebrating Azadi Ka Amrit Mahotsav, which is an initiative of the Government of India to celebrate and commemorate 75 years of independence and the glorious history of its people, culture and achievements. Along with pan India, your Institute has also observed and took part in various meaningful activities throughout the year. We also expect that our students should also take part in the development of the nation and make the country proud.

"Freedom has only one motto, may our country be happy and prosperous" ....

let you all observe the message cited above.

- Certain general guidelines are listed below and which will help you in preparing for the examinations:
- Conceptual understanding and overall understanding of the subjects should be clear,
- Students are advised to go through the study material provided by the Institute meticulously,
- Students should know and learn the basic understandings of the subjects with focus on core concepts,
- Students are expected to give to the point answer which is a pre-requisite for any professional examination,
- To strengthen the answers, students are advised to answer precisely and in the structured manner,
- Proper time management is also important while answering.

Please refer the link mentioned below:
https://icmai.in/studentswebsite/index.php

GOOD LUCK
Be prepared and be successful

Disclaimer:
Although due care and diligence have been taken in preparation and uploading this E-Bulletin, the Institute shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents of this E-Bulletin.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Statutory Body under an Act of Parliament
www.icmai.in
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CMA Bhawan, 12 Sudder Street, Kolkata - 700016
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Few Snapshots

London Global Convention 2022 on the theme 'Building an Effective Board that Works & Top Global Trends' during 09 - 12 November, 2022 in London (UK)

Glimpses of the MOU signing ceremony between the Institute and Kalinga Institute of Social Sciences (Deemed to be University) held on 17.09.2022 at Bhubaneswar, Odisha.

Glimpses of the MOU signing ceremony between the Institute and Kalinga Institute of Social Sciences (Deemed to be University) held on 17.09.2022 at Bhubaneswar, Odisha.

Glimpses of the MOU signing ceremony between the Institute and Jio Platforms Limited held on 29.09.2022 at CMA Bhawan, New Delhi.

Glimpses of the All Odisha CMA Practitioners Meet organised by the Bhubaneswar Chapter of the Institute on the theme 'From Better to the Best - Journey of Practicing CMAs' on 18.09.2022 at Bhubaneswar, Odisha.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
Headquarters: CMA Bhawan, 12, Sudder Street, Kolkata - 700 016
Phone: +91-33-2252-1031/34/35/1602/1492/1619/7373/7143
Delhi office: CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi - 110 003
Phone: +91-11-2462-2156/2157/2158