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CMA Student E - Bulletin

FINAL

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Behind every successful business decision, there is always a CMA

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

Azadi Ka Amrit Mahotsav

CONTENTS

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

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.

Azadi Ka Amrit Mahotsav

GROUP: iii, PAPER: 13

CORPORATE LAWS & COMPLIANCE (CLC)

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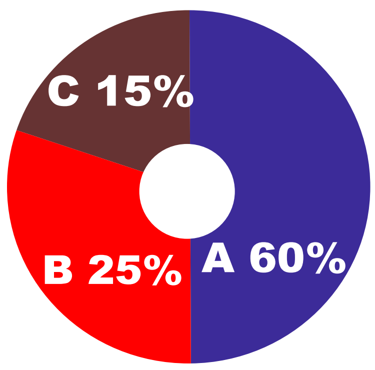
Your Preparation Quick Takes



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

COMPOSITION OF BOARD OF DIRECTORS UNDER THE COMPANIES ACT, 2013

Board of directors is individual, and is defined as a person occupying the position of directory, by whatever name called. Director collective are called as board of director. Any persons who control the management of the company will be deemed as director, through his designation can be different.

Maximum no. of Directors – in case of public limited company is 15. However any company may increase number of directors, with the permission of central court. There is no maximum specified for private company.

Minimum no. of Directors – 2 (in the case of private company)
- 3 (in the case of public company)

No. of directors above 15 requires approval by special resolution of shareholders.
One director to be resident individual.

At least one women director in case of listed company.

(Directors appointed by BIFR and Central Govt. shall not be counted for total number of directors.)

ROTATIONAL AND NON-ROTATIONAL DIRECTORS

At least 2/3rd shall be eligible to retire by rotation in every AGM.

Out of 2/3^{rd,} 1/3rd must retire in every AGM.

(Directors appointed by CG, BIFR, FI/Banks shall not be taken in to account for calculating the number of rotational directors)
Listed companies shall have 50% of the Board's strength as independent director if the chairman is executive and 1/3rd if chairman is non-executive.

Tenure of non-rotational director or full time director shall not be for more than 5 yrs.

KMP- Key managerial personnel in relation to a company means-

(i) the Chief executive officer or the managing director or manager.
(ii) the company secretary
(iii) the whole-time director
(iv) the Chief financial officer
(v) such other officer as may be prescribed

NATURE OF COMPANY MANAGEMENT

Shareholders are the owners of the company. They can anytime decide to run themselves or may like persons to act on their behalf for management of the company and highest level of such inclusion of outside person is director, who will be member of the board of director.

Management powers to be exercised by:	Type of Powers	Reference
Shareholders	Powers not given/delegated to the Board of Directors.	Section 180 of the Companies Act, 2013 and Articles of Association of the company.

Board of Directors	All powers of decision making about the company unless reserved for the shareholders.	Section 179 of the Companies Act, 2013.
Chairman	Executive/ Non- Executive functions of the company. Chairing the Company meetings.	Section 104 of the Companies Act, 2013.
C.M.D	Exercises both Chairman and Managing Director's Power.	
Managing Director -Should be of 21-70 years -is an undischarged insolvent -has not suspended payment to its creditors -has not been convicted of any offence for a period of more than 6 months.	Has substantial powers of the management of the company. Works under the supervision and control of the Board of Directors.	Section 196 of the Companies Act, 2013.
Whole Time Director/Functional Director	Full time employee of the company. Looks after specified functions of the company.	

Type of Directors	Appointing Authority	Situation of appointment	Tenure of Office
First Directors	Articles of Association	At the time of registration	Upto first AGM
Normal Directors	Shareholders in Annual General Meeting.	Normal	To retire on the basis of seniority
Additional Directors	Board of Directors	In between two AGMs	Till the next AGM or the last date in which the AGM should have been held whichever is earlier.
Alternate Directors	Board Of Directors	When the original Director is out of India for more than 3 months	Till the return of the original Director.
Directors appointed by Central Government	Central Government	Inspection and Investigation Oppression and Mismanagement	As per order
Director appointed by B.I.F.R	B.I.F.R (Board of Industrial and Financial Reconstitution)		As per BIFR order.
Director appointed / nominated by Financial Institute/Government	Nominated by Financial Institute (Appointed by shareholders at AGM)	Company taken loan from the institution, equity investment in the company.	As per FI/ Bank
Independent directors (Section 149)	For all listed companies at AGM.	Paid up capital 10cr/turnover 100cr/outstanding loan 50cr.	5 consecutive terms but can be re-appointed by passing a special resolution.
Directors appointed by small shareholders.	Small shareholder who holds shares of nominal value of not more than twenty thousand rupees.	In AGM. Any listed company may or shall in case of notice by 1000 small shareholders(or 1/1oth of such category of shareholders having holding of face value of rs. 20000)	Up to 3 years. Shall be rotational. Considered to be independent.
Shadow Directors	Legally not a director.	Persons who control the affairs or control the majority of directors.	

Appointing Retiring Director

The nomination for appointment of a Director who retires in an AGM and is eligible for reappointment automatically comes up in the said meeting unless a resolution to the effect that he will not be appointed or someone else will be appointed in his place is moved.

Appointment Of a person as a director for the first time.

Apart from the above provision Under Section 160 of the Companies Act, 2013 a person who is not a retiring director can also be eligible for appointment as a director of a company provided he deposits his candidature in writing, himself or through some other member of the company at least 14 days before the meeting along with a fee or ` 1 lakh which shall be refunded if the candidate gets minimum 25% of the votes casted.

Vacation of office of directors: (Section 167)

The office of a director shall become vacant if he is disqualified by an order of the court or Tribunal or by personal capacity.

Azadi Ka Amrit Mahotsav

GROUP: iii, PAPER: 14

STRATEGIC FINANCIAL MANAGEMENT (SFM)

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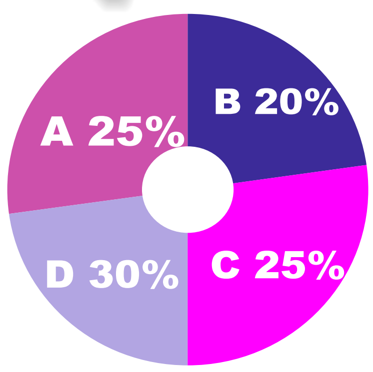
Your Preparation Quick Takes



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

- **A Comprehensive Illustration on Fundamental Analysis**

The following information is available from Startech Solutions Ltd., a consultant.

(Rs. in lakhs)

Particulars	2017	2018	2019	2020	2021
• Net sales	3060	3270	3630	4050	4560
• Cost of goods sold	2202	2421	2649	2877	3285
• Gross profit	858	849	981	1173	1275
• Operating expenses	216	222	255	315	360
• Operating profit	642	627	726	858	915
• Non-operating surplus/deficit	33	42	58	-36	-15
• PBIT	675	669	780	822	900
• Interest	120	135	180	198	165
• Profit before tax	555	534	600	624	735
• Tax	105	114	120	156	150
• Profit after tax	450	420	480	468	585
• Dividends	180	180	195	195	210
• Retained earnings	270	240	285	273	375
• Equity share capital (Rs 10 par)	600	600	600	750*	750
• Reserves and surplus	1200	1440	1725	1848	2223
• Shareholders' funds	1800	2040	2325	2598	2973
• Loan funds	1200	1350	1650	1800	1845
• Capital employed	3000	3390	3975	4398	4818
• Net fixed assets	1800	1950	2130	2550	2700
• Investments	150	165	180	210	240
• Net current assets	1050	1275	1665	1638	1878
• Total assets	3000	3390	3975	4398	4818
• Market price per share (End of year)	60	55	65	57	75

Required

(a) Calculate the following for the last five years: Return on equity; Book value per share; EPS; Bonus adjustment factor; Adjusted EPS; PE ratio (prospective); PB ratio (retrospective); Retention ratio.

(b) Calculate the CAGR of sales, CAGR of EPS, and volatility of ROE

(c) Calculate the sustainable growth rate based on the average retention ratio and average return on equity for the past 3 years.

(d) Decompose the ROE for the last two years in terms of five factors.

(e) Estimate the EPS for the next year (2022) using the following assumptions: (i) Net sales will increase by 12%. (ii) Cost of goods sold will increase by 11% (iii) Operating expenses will increase by 10%. (iv) There will be nil non-operating surplus or deficit. (v) Interest will decrease by 2%. (vi) Effective tax rate will increase by 2%.

(f) Derive the PE ratio using the constant growth dividend model. For this purpose use the following assumptions: (i) The dividend payout ratio for 22022 is set equal to the aver- age dividend payout ratio for the period 2019-2021. (ii) The required rate of return is estimated with the help of the capital asset pricing model (Risk-free return = 9%, Beta of GSM's stock = 0.9, Market risk premium = 8%). (iii) The expected growth rate in dividends is set equal to the product of the average retention ratio and the average return on equity for the previous three years.

(g) Establish a value anchor.

Solution

Return on equity = Profit after tax / Shareholders' funds
Book value per share = Shareholders' funds / Number of shares
EPS = Profit after tax / Number of shares
Bonus adjustment factor = Capital after bonus issue ÷ Capital before bonus issue
PE ratio (prospective) = Price per share at the beginning of the year ÷ Earnings per share for the year
CAGR in sales = $(\text{Sales for 2021/Sales for 2017})^{1/4} - 1$
CAGR in EPS = $(\text{EPS for 2021/EPS for 2017})^{1/4} - 1$
Sustainable growth rate = Retention ratio X ROE

Particulars	2017	2018	2019	2020	2021
Return on equity	450/ 1800	420/ 2040	480/ 2325	468/ 2598	585/ 2973
	= 25%	= 20.6%	= 20.6%	= 18.0%	= 19.7%
Book value	1800/ 60	2040/ 60	2325/ 60	2598/ 75	2973/ 75
per share	= Rs 30	= Rs 34	= Rs 38.8	= Rs 34.6	= Rs 39.6
EPS	450/ 60	420/ 60	480/ 60	468/ 75	585/ 75
	Rs 7.50	= Rs 7.00	= Rs 8.00	= Rs 6.24	= Rs 7.80
Bonus adjustment factor	1	1	1	1.25	1.25
Adjusted EPS	Rs 7.50	Rs 7.00	Rs 8.00	Rs 7.80	Rs 9.75
PE ratio	60/ 7.00	55/ 8.00	65/ 6.24	57/ 7.80	
(prospective)	= 8.6	= 6.9	= 10.4	= 7.3	
PB ratio (retrospective)	60/ 30	55/ 34	65/ 38.8	57/ 34.6	75/ 39.6
	= 2.0	= 1.6	= 1.7	= 1.6	= 1.9
Retention ratio			285/ 480	273/ 468	375/ 585
			= 0.59	= 0.58	= 0.64

(b) CAGR of sales = $(4560/3060)^{1/4} - 1 = 10.5\%$
CAGR of EPS = $(9.75/7.50)^{1/4} - 1 = 6.8\%$
Volatility of ROE = (25 – 19.7)/20.8 = 0.25
(c) Sustainable growth rate = {(0.59+0.58+0.64)/3} x {(20.6+18.0+19.7)/3} = 11.72%
(d) ROE = (PBIT/Sales) x (Sales/Assets) x (PBT/PBIT) x (PAT/PBIT) x (Assets/Equity)
Year 2020: ROE = 0.203 x 0.921 x 0.759 x 0.750 x 1.693
Year 2021: ROE = 0.197 x 0.946 x 0.817 x 0.796 x 1.621
(e) Estimated EPS for 2022

	2021	2022	Remarks
Net sales	4560	5107.2	Increase by 12%
Cost of goods sold	3285	3646.5	Increase by 11%
Operating expenses	360	396	Increase by 10%
Non-operating surplus/deficit	-15	0	Nil
PBIT	900	1064.7	
Interest	165	161.7	Decrease by 2%
Profit before tax	735	903	
Tax	150	202.2	Increase of tax rate 2%
Profit after tax	585	700.8	
EPS		Rs 9.34	

(f) Average retention ratio for the period 2019-2021 was 0.603. So, the average pay-out ratio was = 1 – 0.603 = 0.397.
Required rate of return = 9% + 0.9 x 8% = 16.2%
Expected growth rate in dividends
= Average retention ratio in the past 3 years x Average return on equity in the past 3 years
= 0.603 x (20.6+18.0+19.7)/3 = 0.603 x 19.43 = 11.72%
The PE ratio as per the constant growth model is:
= 0.397/ (0.1620 – 0.1172) = 8.86
(g) The value anchor is:
Expected EPS x PE ratio = Rs.9.34 x 8.86 = Rs.82.8

Azadi Ka Amrit Mahotsav

GROUP: iii, PAPER: 15

STRATEGIC COST MANAGEMENT-DECISION MAKING (SCMD)

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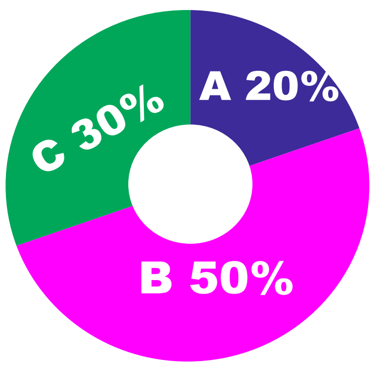
Your Preparation Quick Takes



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 modelling capability?

Cost Cutting Practices

01.00 Warmup

One of the time tested techniques to improve the profits is 'Cutting Costs'. Furnished hereunder are four of the financial news reports that highlight the latest corporate initiatives towards cost cutting.

Flipkart brings new policies for sellers, claims 25 per cent cut in operation cost for vendors

Ford cutting 3,000 white-collar jobs in bid to lower costs

Indian IT firms cut staff bonuses as US, European clients tighten budgets

Rising Cost of household energy bills in U.K.

02.01 Flipkart brings new policies for sellers, claims 25 per cent cut in operation cost for vendors (Resource: The Economic Times, E Edition, 12.07.2022)

E-commerce company Flipkart on Tuesday announced new policies for sellers to facilitate ease of doing business on its platform and claimed that the measures will help vendors reduce 25 per cent operational cost. The company has introduced a flat return cost for products to ensure better experience for customers and provide affordable packing options to the sellers, it said.

"We have introduced the second phase of the Flipkart EDGE initiative to ensure sustained growth and ease of doing business online. The future of business is digital, and the initiatives and innovations we have introduced will help our MSME and seller partners take important steps towards making their business more resilient, profitable, and future-ready," Flipkart Senior Director and Head - Marketplace Jagjeet Harode said in a statement.

He said that the measures will lead to 25 per cent reduction in operational cost for sellers and up to 15 per cent reduction in return cost. Also, the catalog creation through artificial intelligence-led image edition solution will result in reduction of 80 per cent cost incurred on photo shoots. The company claims to have come up with a simplified rate card that will enable sellers to understand their profit margin, commissions, fixed fees, and shipping fees.

Sellers on the platform will not face the complication due to various criteria for pricing on the basis of location, shipping fee and payment mode, the statement said.

"Sellers will get one assured settlement value irrespective of service profile, zone or payment mode. This will bring a high degree of predictability for the sellers, thus making it easier for them to operate online," the statement said.

02.02 Ford cutting 3,000 white-collar jobs in bid to lower costs (Resource: The Economic Times, E Edition, 22.08.2022)

Ford Motor Co. is cutting about 3,000 white-collar jobs as it attempts to lower costs and make the transition from internal combustion to electric vehicles. Leaders of the Dearborn, Michigan, automaker made the announcement Monday in a company-wide email, saying that 2,000 full-time salaried workers would be let go along with another 1,000 contract workers. The cuts represent about 6% of the 31,000 full-time salaried work force in the U.S. and Canada. Ford's 56,000 union factory workers are not affected. Some workers also will lose jobs in India.

Executive Chairman Bill Ford and CEO Jim Farley said in the email that Ford will provide benefits and significant help for the workers to find new jobs. They wrote that Ford has a chance to lead in the new era of connected and electric vehicles. "Building on this future requires changing and reshaping virtually all aspects of the way we have operated for more than a century," the email said.

"It means redeploying resources and addressing our cost structure, which is uncompetitive versus traditional and new companies." Farley and Ford wrote that they examined each team's shifting work to decide where cuts would be made. The company determined that its cost structure wasn't competitive with General Motors, Stellantis and Tesla. "We are eliminating work, as well as reorganizing and simplifying functions throughout the business," they wrote in the email.

Farley has said repeatedly that the company has too many people and needs to trim costs so it can move faster as it transitions to electric vehicles. The company already has restructured in Europe, Asia and India.

02.03 Indian IT firms cut staff bonuses as US, European clients tighten budgets (Resource: The Economic Times, E Edition, 25.08.2022)

India's top IT services firms are freezing or cutting staff bonuses, worried that tightening budgets at US and European clients who are bracing for a recession will sharply hit their own profits after a pandemic-led boom. Infosys Ltd, India's second-biggest IT company, and smaller rival Wipro recently told their employees they had reduced the variable pay portion of employee compensations, according to respective internal emails sent by management to staff at the two companies and seen by Reuters. Some Indian companies include variable pay as a part of employees' overall salary package and link it to the performance of the employee as well as the company.

"There's growing conviction in businesses that we need to prepare for a (global) recession," said Peter Bendor-Samuel, chief executive of US-based consultancy Everest Group, which provides research on IT companies globally. "The first thing they do is try to eliminate discretionary spending. It is early, but starting to happen."

Indian IT companies have also cut back on hiring new graduates as they see less need to make up for people leaving, analysts said, further saving operating costs. "The bottom line ... would be that they are doing this (cutting variable pay) to protect or ease pressure on margins but that also simultaneously conveys that the growth outlook is softening," said Ruchi Mukhija, Vice President, Technology and Internet, Elara Capital.

02.04 Rising Cost of household energy bills in U.K. (Resource: The Economic Times, E Edition, 26.08.2022)

A cost-of-living crisis in Britain is about to get worse, with millions of people paying about 80% more a year on their household energy bills starting in October. The U.K. energy regulator on Friday announced the latest price cap, which is the maximum amount that gas suppliers can charge customers per unit of energy. It means people will pay 3,549 pounds ($4,188) a year for heating and electricity. Scores are already struggling to make ends meet as inflation soared to 10.1% last month - the highest in 40 years - and the rapidly spiralling costs of energy and food are certain to hit the poorest the hardest.

Global oil and gas prices have been rising sharply since last year as economies worldwide recovered from the coronavirus pandemic and demand for energy surged. Russia's war in Ukraine created a full-on energy crisis as Moscow reduced or cut off natural gas flows to European countries that rely on the fuel to power industry, generate electricity and heat and cool homes.

Shrinking supplies, higher demand and fears of a complete Russian cut-off have driven natural gas prices to record highs, further fuelling inflation that has squeezed people's ability to spend and raised the risk of a recession in Europe and the U.K. Although Britain only imports a small percentage of its gas from Russia, the U.K. relies more on gas than its European neighbours because it has less nuclear and renewable energy. It also does not have as much capacity to store gas, forcing it to buy on the short-term spot market that sees greater volatility in prices.

03.00 Cause and Effect Reasoning

The above mentioned news reports are self-explanatory as also quite revealing as to the cost cutting ingenuities being embraced during the post COVID era. The cause and effect reasoning for these reports may be outlined as follows:

(Iflipkart: Flipkart is an Indian e-commerce company, headquartered in Bangalore, and incorporated in Singapore as a private limited company. The company initially focused on online book sales before expanding into other product categories such as consumer electronics, fashion, home essentials, groceries, and lifestyle products. Reportedly, vendors on Flipkart have faced several challenges such as lack of a competent logistics service, and customer returns that are a result of consumer frauds. Obviously, the new policies announced by Flipkart in July 2022 are meant to address these challenges as also reduce the vending costs.

(ii) Ford Motors: Established in 1903, Ford Motor Company is a global company based in Dearborn, Michigan. Ford develops and delivers innovative, must-have Ford trucks, sport utility vehicles commercial vans and cars and Lincoln luxury vehicles, as well as connected services. Additionally, Ford is establishing leadership positions in mobility solutions, including self-driving technology, and provides financial services through Ford Motor Credit Company. Ford employs about 1,82,000 people worldwide. The reported news of pruning about 3,000 white-collar jobs across the globe is a measure intended to lower costs and make the transition from the conventional internal combustion to the state-of-the-art electric vehicles.

(iii) IT Firms: Being human resource based, employee cost is the biggest element in the cost structure of an IT firm. In order to contain the costs, Indian IT firms are known to have been increasingly investing in human resources-related technologies. Reportedly, nearly 70% of the firms in the country have automated half of their human resource functions, including day-to-day operations such as recruitment, performance management, communications, and collaboration. The latest initiative in this direction is to find a means of reduction in variable pay and, thus, condense the employee costs.

(iv)Household Energy Bills: Energy is a basic need; its supply is volatile; but most of the times the producers are able to shift the escalation impact onto the consumers which in turn increases the cost of living. The implicit principle observed in this context is "if you can't contain the costs, pass on the burden to the needy consumer'.

04.00 Quick Take

Cost is a Fact; and Cost Cutting is a Perpetual Venture!

GROUP: iii, PAPER: 16

DIRECT TAX

LAWS AND INTERNATIONAL TAXATION (DTI)

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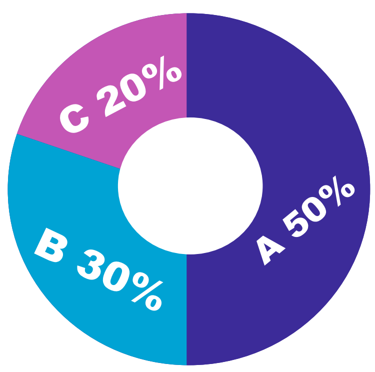
Your Preparation Quick Takes



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.

REVISION

Revision of order prejudicial to the revenue [Sec. 263]

Orders which may be revised	Any order passed by the Assessing Officer, which is - **a)** Erroneous; **b)** Prejudicial to the interests of the revenue; and **c)** Passed by an authority subordinate to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner. **Notes** a) Orders passed by the Assessing Officer includes - i. An order of assessment made by the Assistant Commissioner on the basis of the directions issued by the Joint Commissioner u/s 144A; ii. An order made by the Joint Commissioner as an Assessing Officer. b) Even an intimation u/s 143(1) can be revised *Taxpoint* - Order made by the Assessing Officer after making proper enquiries and considering relevant details and decisions of Supreme Court cannot be said to be erroneous and prejudicial to the interest of the revenue, hence such order cannot be revised.
	- An order passed by the Assessing Officer shall be deemed to be erroneous in so far as it is prejudicial to the interests of the revenue, if, in the opinion of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner: **a)** the order is passed without making inquiries or verification which should have been made; **b)** the order is passed allowing any relief without inquiring into the claim; **c)** the order has not been made in accordance with any order, direction or instruction issued by the Board under section 119; or the order has not been passed in accordance with any decision which is prejudicial to the assessee, rendered by the jurisdictional High Court or Supreme Court in the case of the assessee or any other person
Treatment of an order, which is subject matter of the appeal	Revision u/s 263 of an order, which is subject matter of appeal, cannot be made. **Notes** • The Principal Commissioner or Commissioner can revise such order (which has been a subject matter of appeal) which had not been considered and decided in such appeal. E.g., From the perusal of the order u/s 143(3) passed by the Assessing Officer following was observed: — Point A: Against the assessee — Point B: In favour of the assessee The assessee being aggrieved with point A in the order passed by the Assessing Officer, preferred an appeal to the Commissioner (Appeals). However, the Commissioner wants to revise the order u/s 263 for point B (subject to other conditions being fulfilled). It is possible as doctrine of partial merger of the order is applicable in case of sec. 263. However, the Commissioner cannot revise the order for point A (as the same is subject matter of an appeal) • An order cannot be said to have been made subject of an appeal if the appeal has been disposed of by the appellate authority without passing an order
Procedure to be followed	1. **Examination of Records:** The Principal Commissioner or Commissioner may call for and examine the records of any proceeding under the Act. If he considers that any order passed by the Assessing Officer is prejudicial to the interest of the revenue, he can revise and rectify the assessment. *Record* shall include all records relating to any proceeding under this Act available at the time of examination by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner. This means that any material, which was not available at the time of assessment but available at the time of examination by the Principal Commissioner or Commissioner, shall also be considered for order u/s 263.

	2. **Inquiry:** He must make or cause to be made such inquiry as he deems necessary. 3. **Opportunity of being Heard:** No revision order shall be passed u/s 263 without giving the assessee an opportunity of being heard. 4. **Order:** Finally, he may pass such revision order as the circumstances of the case justify including an order enhancing, modifying or cancelling the assessment and directing a fresh assessment.
Time limit for passing revision order	2 years from the end of the financial year in which the order sought to be revised was passed. In computing the above period of limitation following period shall be excluded - • Time taken in giving an opportunity to the assessee of being re-heard u/s 129; & • Any period during which any proceeding under this section is stayed by an order or injunction of any court. **Exception:** There is no time limit for passing a revision order to give effect to, or in consequence of, an order of the ITAT, the High Court or the Supreme Court.
Appeal against order u/s 263	A revisional order passed by the Principal Commissioner or Commissioner u/s 263 can be appealed to the Tribunal.
Sec.263 vs. sec.154: Principal Commissioner or Commissioner can exercise the power even in a case where the issue is debatable. Revisional power u/s 263 is not comparable with the power of rectification of mistake u/s 154	

Revision of Order not Prejudicial to Revenue [Sec. 264]

Orders which may be revised	Any order which is - • erroneous; • not covered u/s 263 (i.e. not prejudicial to the interest of the revenue); • passed by an authority subordinate to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner. **Taxpoint:** No order under this section can be passed which is prejudicial to the assessee. **Notes:** a) Order which is not appealable before the Commissioner (Appeal) can also be referred to the aforesaid authorities for revision. b) For the purposes of this section, the Deputy Commissioner (Appeals) shall be deemed to be an authority subordinate to the Commissioner.
On whose motion is revision possible	Either on own motion of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner or on an application by the assessee for revision.
Procedure to be followed	1. **Examination of Records:** Once revision proceedings have been initiated, the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner may call for and examine the record of any proceeding. 2. **Inquiry:** He must also make or cause to be made such inquiry as he deems necessary 3. **Order:** He may pass such revision order as the circumstances of the case justify. However, the order passed should not be prejudicial to the assessee.
Time limit for filing an application	Where revision has been initiated by the assessee, the application must be made within **1 year** from the date on which the order in question was communicated to the assessee or the date on which he otherwise came to know of it, whichever is earlier. However, the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner can admit a belated application if the assessee was prevented by sufficient cause from making the application within time. In computing the above period of limitation following time shall be excluded: • The day on which the order complained of was served; and • If the assessee had not received the copy of the order, the time required to obtain copy of such order.
Time limit for passing a revisional order	Where the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner acts on his own motion – Within 1 year from the date of original order Where the application is made by the assessee – Within 1 Year from the end of the financial year in which such application is made. In computing the above period of limitation following period shall be excluded.

	• Time taken in giving an opportunity to the assessee of being re-heard u/s 129; & • Any period during which any proceeding under this section is stayed by an order or injunction of any court. [Sec. 264(6)] • However, there is no time limit for passing a revision order for giving effect to, or in consequence of, an order of the ITAT, the High Court or the Supreme Court.
Orders which cannot be revised	a) Where an order is appealable but no appeal has been made to CIT (Appeals) or to the Tribunal and time within which such appeal can be made, has not expired. **Note:** Where an appeal lies to the Commissioner (Appeals) or to the Appellate Tribunal and the right of appeal is waived by the assessee, the Principal Commissioner Chief Commissioner or Chief Commissioner or Principal or Commissioner may revise the order even before the expiry of time limit of appeal. b) Where the order has been made the subject of an appeal to the Commissioner (Appeals) or to the Appellate Tribunal. E.g., the assessee has been aggrieved with point A and point B in the order passed by the Assessing Officer. He preferred an appeal to the Commissioner (Appeals) in respect of point A and seeks to file revision petition u/s 264 in respect of point B. It is not possible, he cannot file revision petition u/s 264 due to doctrine of total (or complete) merger of the order. He has to choose either way of the course. It is to be noted that for the purpose of sec. 264, doctrine of total merger is applicable, on the other hand, for the purpose of sec. 147, 154 and 263, doctrine of partial merger is applicable. **Note** The assessment order could not be said to have been made subject matter of appeal, where an appeal was dismissed - a) on the ground that the same was incompetent; or b) as barred by limitation; or
Fee	₹ 500 where the application for revision is made by the assessee.
Appeal against order u/s 264	A revisional order passed by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner u/s 264 cannot be appealed to the Tribunal or the High Court. However, a petition for a writ of certiorari under Article 226 is maintainable
Other points	• The assessee cannot claim the right of revision in respect of an earlier year on the basis of finding of the Tribunal for a subsequent year. • An order by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner declining to interfere shall not be deemed to be an order prejudicial to the assessee.

A comparative study of revision u/s 263 & revision u/s 264

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

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

GROUP: iv, PAPER: 17

CORPORATE FINANCIAL REPORTING (CFR)

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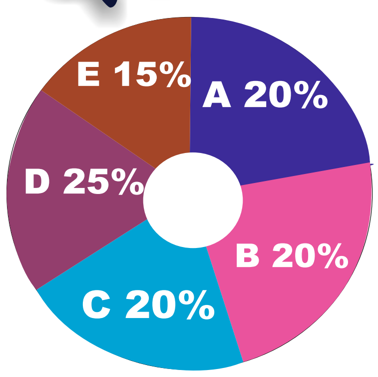
Your Preparation Quick Takes



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

Business Responsibility and Sustainability Report (BRSR)

In this issue we shall discuss about Business Responsibility Report and Business Responsibility and Sustainability Report.

Introduction

In 2012, the Securities Exchange Board of India (SEBI) passed a circular amongst the top 100 companiesbased on market capitalisation, making it mandatory for firms to report their environmental, social and governance initiatives. This report, Business Responsibility Report (BRR), has to be filed as part of their annual reports based on nine principles of National Voluntary Guidelines (NVG). At the time of introduction, only the top-100 BSE-listed firms were required to present BRRs as part of annual reports. In 2016, after signing a memorandum of understanding (MoU) with Global Reporting Initiative, the mandate was extended to top-500 BSE listed companies. Against this backdrop, SEBI vide its gazette notification1 dated 26.12.2019 issued Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2019 extending the applicability of BRR to top 1000 listed entities based on market capitalization from the present requirement of top 500 listed entities. The proposal was approved by SEBI in its meeting2 held on November 20, 2019.

Currently, top 1,000 listed companies in India are required to furnish a Business Responsibility Report (BRR) to the stock exchanges as a part of their annual reports. The BRR should describe the initiatives taken by the listed companies from an Environmental, Social and Governance (ESG) perspective, in the format as specified by the Securities and Exchange Board of India (SEBI). Other listed companies may submit the BRR voluntarily.

New development

SEBI through a notification dated 5 May 2021 has made amendments to certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR).

Among various amendments, one relates to discontinuance of the requirement of submitting BRR by listed companies after FY2021-22. As per the notification, companies would be required to submit a new report on ESG parameters, namely Business Responsibility and Sustainability Report (BRSR) in the following manner

- **Mandatory from FY2022-23: For top 1,000 listed companies by market capitalisation**
- **Voluntary for FY2021-22: For top 1,000 listed companies by market capitalisation**
- **Voluntary for other companies: Listed companies (other than top 1,000) and companies which have listed their specified securities on the Small and Medium Enterprises (SME) exchange may voluntarily submit BRSR in place of BRR effective FY2021-22 onwards.**

Additionally, SEBI through a notification dated 10 May 2021 has prescribed the format of new report, BRSR along with the guidance note to enable companies to interpret the scope of disclosures required to be made in the report.

Those listed entities which prepare and disclose sustainability reports (as part of annual report) based on internationally accepted reporting frameworks such as GRI, SASB, TCFD, Integrated Reporting, can cross-reference the disclosures made under such framework to the disclosures sought under the BRSR. Further, in case the data sought in the reporting format is already disclosed in the annual report, the listed entity can provide a cross-reference to the same.

Thus, an entity need not disclose the same information twice in the annual report. However, the entity should specifically mention the page number of the annual report or sustainability report where the information sought under the BRSR format is disclosed as part of the report prepared based on internationally accepted reporting framework.

Business Responsibility and Sustainability Report (BRSR)

There are three sections (A, B and C) in the suggested format and guidance note. [ANNEXURE I and II to SEBI Circular]

SECTION A: General Disclosures

I. Details of the listed entity
II. Products/services
III. Operations

IV. Employees
V. Holding, Subsidiary and Associate Companies (including joint ventures)
VI. CSR Details
VII. Transparency and Disclosures Compliances

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

This section is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC (The National Guidelines on Responsible Business. Conduct, 2018) Principles and Core Elements.

SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

This section is aimed at helping entities demonstrate their performance in integrating the Principles and Core Elements with key processes and decisions. The information sought is categorized as "Essential" and "Leadership". While the essential indicators are expected to be disclosed by every entity that is mandated to file this report, the leadership indicators may be voluntarily disclosed by entities which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible.

PRINCIPLE 1 Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.

PRINCIPLE 2 Businesses should provide goods and services in a manner that is sustainable and safe

PRINCIPLE 3 Businesses should respect and promote the well-being of all employees, including those in their value chains

PRINCIPLE 4: Businesses should respect the interests of and be responsive to all its stakeholders

PRINCIPLE 5 Businesses should respect and promote human rights

PRINCIPLE 6: Businesses should respect and make efforts to protect and restore the environment

PRINCIPLE 7 Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

PRINCIPLE 8 Businesses should promote inclusive growth and equitable development

. PRINCIPLE 9 Businesses should engage with and provide value to their consumers in a responsible manner.

GROUP: iv, PAPER: 18

INDIRECT TAX

LAWS & PRACTICE (ITP)

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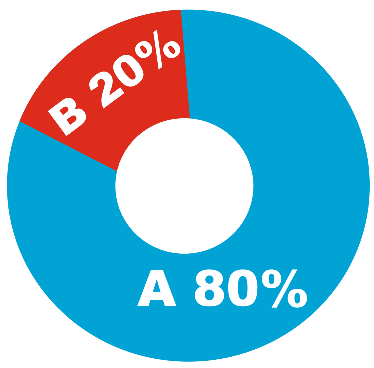
Your Preparation Quick Takes



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
- Impact on introduction of GST
- Indian Exclusive Economic zone
- Claiming of pilferage
- Adjudicating Authority
- Coastal goods
- Domestic Tariff Area
- Taxable event
- Developing country
- Levy of Custom Duty

INDIRECT TAX

Choose the correct option from the followings –

1. Which of he following is not correct in relation to Impact of introduction of GST on Customs –
(a) Import of Services
(b) Import as Intra State Supply
(c) Export of Services
(d) Export of Goods / Services

2. Indian Exclusive Economic Zone is
(a) Up to 12 Nautical Miles
(b) Up to 50 Nautical Miles
(c) Up to 100 Nautical Miles
(d) Up to 200 Nautical Miles

3. Which of the following is not significance of Indian Customs Water –
(a) If a person has committed any offence punishable under customs law within Indian customs waters, is subject to fine and penalty.
(b) The good may be confiscated
(c) The vessel is stopped in the Indian customs water if the same is found to be used in the smuggling
(d) The prohibited goods can also be confiscated if brought within customs waters.

4. Which of the following circumstances should not exist in order to claim pilferage as per Customs Act –
(a) There should be evidence of tampering with the packages
(b) There should be blank space for the missing articles in the packages
(c) The missing articles should be part articles
(d) The missing articles should be unit articles

5 As per the Custom Act,1962, the Central Board of Excise and Customs, now renamed to
(a) Central Board of Indirect tax
(b) Board of Indirect tax and Customs
(c) Central Board of Indirect tax and Customs
(d) Central Board of GST and Customs

6. As per the section 2(1) of the Custom Act,1962,adjudicating authority means
(a) Any authority competent to pass any order or decision as per this Act
(b) The Central Board of Excise and Customs (CBE&C)
(c) Commissioner of Customs (Appeals) or
(d) Customs, Excise and Service Tax Appellate Tribunal (CESTA)

7. What is the meaning of coastal goods as per Section 2(7) of the Customs Act -
(a) Imported goods, transported in a vessel from one port of foreign country to India
(b) Exported goods, transported in a vessel from one port of India to foreign country
(c) Imported goods, transported in a vessel from one port of India to another
(d) Other than imported goods, transported in a vessel from one port of India to another

8. Stores supplied to the vessel will be treated as export as per section 89 of Customs Act
(a) Will be exempt from customs duty
(b) Will not be exempt from customs duty
(c) Will not be eligible for duty drawback
(d) Will be eligible for duty draw back

9. Domestic Tariff Area means whole of India which
(a) Does not include the territorial waters and continental shelf
(b) Does not include the areas of the Special Economic Zones and 100% Export Oriented Units
(c) Include only the areas of Special Economic Zone
(d) Include only the area of 100% Special Economic Zone

10. For the purpose of benefit of the exemption notification smuggled goods
(a)Could be considered as imported goods after confiscation
(b)Could be considered as imported goods after cleared for home consumption
(c)Could not be considered as imported goods
(d)Could be considered as imported goods if Commissioner of Customs pass any order after appeal.

11. Which of the following will be considered as taxable event for imported goods
(a) Date on which the goods cross the customs barrier
(b) Unloading of imported goods at the customs port
(c) Date of entry into Indian territorial waters
(d) Date of presentation of bill of entry

12. The word Jetsam means
(a) Vessel or cargo which is abandoned in sea without any hope of recovering it
(b) Where goods are cast into sea to reduce weight of ship to prevent it from sinking and the thrown goods sink
(c) When 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. In which of the following case Importer may not relinquish his title to the goods
(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 take delivery of the goods
(c) There might have been breach of contract and therefore the importer may be unwilling to take delivery of the goods
(d) Order passed for permitting the deposit of imported goods in a warehouse

14. As per the Customs Act which one is not the condition for avail the benefit of preferential rate of duty on imported goods
(a) Specific claim for preferential rate must be made by the importer
(b) Customs authority may allow preferential rate on some specific notified items
(c) Import must be from preferential area as notified by the Central Government
(d) The goods should be produced / manufactured in such preferential area

15. Developing country means a country
(a) Notified by the Central Government in the Official Gazette for the purpose of making various policy.
(b) Notified by the Central Government in the Official Gazette for the purpose of Section 8B of the Customs Tariff Act,1975.
(c) As decided by the Ministry of Finance looking into the import and export scenario of the country.
(d) As decided by the UNO time to time in their Official Gazette.

16. No Customs duty shall be collected if the amount of duty leviable is equal to, or less than
(a) Rs 50/-
(b) Rs 100/-
(c) Rs 150/-
(d) Rs 200/-

17. The valuation of imported and exported Crude Soyabean Oil under Section 14 of the Customs Tariff Act will be as per
(a) Customs value
(b) Transaction value
(c) Tariff value
(d) Deductive value

18. As per Rule 3 of Customs Valuation (Determination of Value of Imported Goods) Rules,2007, which one will not be considered for Transaction Value of import goods
(a) Seller should not have any control on the imported goods

(b) The sale price must not be sole consideration
(c) Sale proceeds should not be shared with exporter by the importer after sale
(d) The buyer and seller should not be related

19. For the levy of customs duty revenue contended that demurrage charges paid by the assesse are
(a) not includible in the assessable value
(b) includible in the assessable value
(c) not includible in the FOB value
(d) includible in the FOB value

20. If the cost of Insurance charges not given or unascertainable then it should be taken
(a) @ 1.125% on FOB
(b) @ 0.125% on FOB
(c) @ 1.20% on FOB
(d) @ 0.20% on FOB

ANSWERS

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

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

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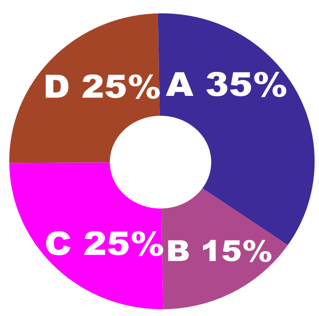
GROUP: iv, PAPER: 19

COST & MANAGEMENT AUDIT (CMAD)

Your Preparation Quick Takes



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

Reconciliation of Profit as per Finance and Cost Accounts

Question

The Cost Accountants of XYZ Steels Ltd. has arrived at a Profit of Rs. 41,38,990 based on Cost Accounting Records for the year ended March 31, 2022. Profit as per Financial Accounts (F/A) is Rs. 44,16,100. On review of financial accounts, the following entries have been observed.

Sl. No.	Particulars	Amount in Rs.
1.	**Cost of materials consumed includes:-**	
I	Demurrage charge on Raw materials	2,25,000
ii.	Payment relates to a purchase of an item of raw material received and consumed in last year but provision could not be made erroneously.	2,76,000
iii.	Raw Material brought from USA valued in F/A as on date of payment. Values as on the date of payment- Values as on the date of transaction- Values as on the date of receipt of material-	 2,15,000 2,40,000 2,50,500
2.	**Other income in F/A includes:-**	
I	Profit on Sale of Fixed Assets	3,05,000
ii.	Bad debts recovered	45,850
3.	Loss on Sale of Investments	33,600
4.	**Salary & Wages in F/A includes :-**	
I	Overtime premium	4,25,000
ii.	Arrear salary relating to 2016-17	85,560
iii.	Salary paid to contractual employee	78,900
5.	Rebate allowed to customers	1,78,550
6.	Donation Paid	75,000
7.	Insurance Claim received for natural disaster	1,09,000
8.	Profit from Retail trading activity	80,200
9.	**Employee Cost in F/A includes :-**	
I	Free housing and free conveyance	1,45,650
ii.	Recruitment cost & training cost	80,500
iii.	Penalty due to noncompliance to Labour Laws	65,800
7.	Administration cost includes CSR Expenses	3,00,000
8.	Interest Income from Inter-Corporate Deposits	1,61,500
9	Decrease in value of Closing WIP and Finished goods inventory:-	
	as per Financial Accounts	82,12,430
	as per Cost Accounts	90,02,500

You are required to prepare a Reconciliation Statement between the two Accounts for the year ended March 31, 2022.

Answer:

Reconciliation of Profit between Cost and Financial Accounts for the year ended March 31, 2022

Particulars	Amount (Rs.)	
Profit as per Financial Accounts		**44,16,100**
Add: Non Cost Expenses		
Demurrage charge on Raw material	2,25,000	
Cost of Material includes prior period adjustment	2,76,000	
Loss on Sale of Investments	33,600	
Arrear salary relating to 2019-20	85,560	
Penalty due to noncompliance to Labour Laws	65,800	
Rebate allowed to customers	1,78,550	
Donation Paid	75,000	
CSR Expenses	3,00,000	
		12,39,510
Less: Non Cost Income		
Profit on Sale of Fixed Assets	3,05,000	
Bad debts recovered	45,850	
Interest Income from Inter-Corporate Deposits	1,61,500	
Insurance Claim received for natural disaster	1,09,000	
Profit from Retail trading activity	80,200	
Exchange Gain [Difference in valuation of imported raw material (2,40,000-2,15,000)]	25,000	
		7,26,550
Less - Decrease / difference in value of Closing WIP and Finished goods inventory :- (90,02,500 - 82,12,430)		7,90,070
Profit as per Cost Accounts		**41,38,990**

Note:

1. As per CAS-6, The forex component of imported material cost shall be converted at the rate on the date of the transaction. Any subsequent change in the exchange rate till payment or otherwise shall not form part of the material cost.

2. As per CAS-7:
i. Employee cost includes benefits paid to temporary, part time & contract employees.

ii. Employee cost includes benefit paid to employee such as free housing, free conveyance etc.

iii. Overtime premium, recruitment cost & training cost are part of employee cost.

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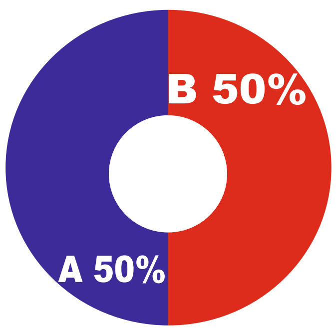
GROUP: iv, PAPER: 20

STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION (SPBV)

Your Preparation Quick Takes



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)

Valuation Models for Business Mergers and Acquisitions

The most common valuation models for business mergers and acquisitions:

1. **Comparative Ratios**

The following are two examples of the many comparative metrics on which acquiring companies may base their offers:

(a) **Price-Earnings Ratio (P/E Ratio):** With the use of this ratio, an acquiring company makes an offer that is a multiple of the earnings of the target company. Looking at the P/E for all the stocks within the same industry group will give the acquiring company good guidance for what the target's P/E multiple should be.

(b) **Enterprise-Value-to-Sales Ratio (EV/Sales)**: With this ratio, the acquiring company makes an offer as a multiple of the revenues, again, while being aware of the price-to-sales ratio of other companies in the industry.

2. **Replacement Cost**

In a few cases, acquisitions are based on the cost of replacing the target company. For simplicity's sake, suppose the value of a company is simply the sum of all its equipment and staffing costs. The acquiring company can literally order the target to sell at that price, or it will create a competitor for the same cost. Naturally, it takes a long time to assemble good management, acquire property and get the right equipment. This method of establishing a price certainly wouldn't make much sense in a service industry where the key assets - people and ideas - are hard to value and develop.

3. **Discounted Cash Flow (DCF)**

A key valuation tool in M&A, discounted cash flow analysis determines a company>s current value according to its estimated future cash flows. Forecasted free cash flows (net income + depreciation/amortization - capital expenditures - change in working capital) are discounted to a present value using the company's weighted average costs of capital (WACC). Admittedly, DCF is tricky to get right, but few tools can rival this valuation method.

How to calculate Minimum Synergy?

$$\frac{\text{Pre - Merger Value of Firms + Synergy}}{\text{Post - Merger Number of Shares}} = \text{Pre-Merger Stock Price}$$

Short-type Questions (True/False)

Write True or False:

1. The Z-Score model is a quantitative model developed by Edward Altman to predict bankruptcy or financial distress of a business.
2. Zero coupon bonds have no coupon rate, hence no yield.
3. For trading investments, the valuation is at market value.
4. EVA is inversely related to shareholders' value.
5. Economic Value Added is a measure of value of which tells whether a company is able to generate returns that exceed the costs of capital employed.

Answer Hints:

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

Multiple Choice Questions (MCQ)

1. **Identify which of the following is not a financial liability.**
(a) X Ltd. has 1 lakh ₹10 ordinary shares issued.
(b) X Ltd. has 1 lakh 8% ₹10 redeemable preference shares issued.

(c) X Ltd. has ₹2,00,000 of 6% bonds issued.
(d) Both (A) and (B)

2. **An investment is risk free when actual returns are always--------------the expected returns.**
(a) equal to
(b) less than
(c) more than
(d) depends upon circumstances

3. **A firm's marginal revenue is defined as:**
(a) The ratio of total revenue to total quantity produced.
(b) The additional output produced by lowering price.
(c) The additional revenue received when selling one more unit of output.
(d) The additional revenue received due to technical innovation.

4. **The concept of is the process of identification of separate risks and put them all together in a single basket, so that the monitoring, combining, integrating or diversifying risk can be implemented:**
(a) Physical risk
(b) Pooling risk
(c) Financial risk
(d) Business risk

5. **The NCAER Study on Corporate Distress Prediction prescribed which of the following parameter(s) for predicting the stages of corporate sickness?**
(a) Cash profit position (a profitability measure).
(b) Net working capital position (a liquidity measure).
(c) Net worth position (a solvency measure).
(d) All the above

Answer Hints:

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

PRACTICAL Advice

ABOUT YOUR STUDIES - FINAL COURSE

Practical support, information and advice to help you get the most out of your studies.

START

01 Read Study Notes, MTPs,E-Bulletin, Work Books, Attend Webinar sessions

02 Solve Excercises given in Study Note

03 Assess Yourself

04 Appear For Examination

FINISHED

SUBMISSIONS

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 from

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

(A Premier Government of India
Navratna Public Sector Enterprise
Under the aegis of Ministry of Housing and Urban Affairs)

The Institute of
Cost Accountants of India
(Statutory body under an Act of Parliament)

Members in Industry and Placement Committee

Congratulations!!!

CTC ₹ 11.62 Lac p.a.

Selected **CMAs** (December 2021 Term) who appeared in
Campus Recruitment Drive of **NBCC (India) Limited**
held on 17 - 18 August, 2022

CMA Divyansh Khemani
23 Years, Delhi

CMA Priya Kumari Shaw
25 Years, Purulia, West Bengal

CMA Mohit Singla
25 Years, Patiala, Punjab

CMA Manish Gupta
27 Years, Alwar, Rajasthan

CMA Deepak Agarwal
27 Years, Jaipur, Rajasthan

CMA Sudip Bal
31 Years, Kolkata

CMA Dhrubajyoti Saikia
26 Years, Dibrugarh, Assam

CMA Nitish Kumar
29 Years, Bihta, Bihar

CMA Reshma Nelson
25 Years, Kochi, Kerala

With Best Wishes...

CMA P Raju Iyer
President

CMA Vijender Sharma
Vice President

CMA Debasish Mitra
Chairman - Members in Industry and Placement Committee

The Institute of Cost Accountants of India

Behind Every Successful Business Decision, there is always a CMA

Few Snapshots

Glimpses of the CMA-FPO Symposium organised by the Institute's Task Force on Agri Cost Management on the theme "Cost Optimisation and Returns Maximisation throughout the Agricultural Value Chains" on 14th August 2022 at Nagpur.

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SAFA Foundation Day Conference on 22 August 2022

Seminar on 'Renewable Energy - The Next Big Revolution!' organized by Members in Industry & Placement Committee on 10th September 2022 at J.N. Bose Auditorium, Kolkata HQ

CMA P. Vasudevan,CGM RBI (2nd from left) along with CMA Chittaranjan Chattopadhyay, Chairman,BFSIB (extreme right), CMA Vijender Sharma, Vice President ,ICAI (2nd from right) along with CMA Debashis Mitra,Chairman, Advanced Studies and Placement had a meeting at RBI HQ on 23rd August, 2022

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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