

# 2022

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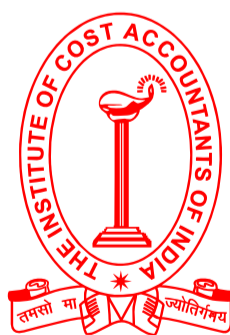
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# CMA Student E - Bulletin

# INTERMEDIATE

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Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700016

Ph: 091-33-2252 1031/34/35/1602/1492

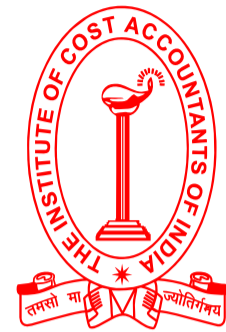
Delhi Office: CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

Ph: 091-11-24666100

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# KNOWLEDGE Update



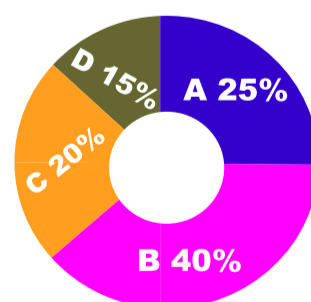
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.



**GROUP: I, PAPER: 5**  
**FINANCIAL**  
**ACCOUNTING (FAC)**

**CMA (Dr.) Nibir Goswami**  
Associate Professor in Commerce  
Vidyasagar Mahavidyalaya, W.B.  
He can be reached at:  
[drnibirgoswami@gmail.com](mailto:drnibirgoswami@gmail.com)

# Your Preparation Quick Takes



### Syllabus Structure

- A Accounting Basics 25%
- B Preparation of Financial Statements 40%
- C Self Balancing Ledger, Royalties, Hire Purchase & Installment System, Branch & Departmental Accounts 20%
- D Accounting in Computerised Environment and Accounting Standards 15%

**Learning Objective:**

- Students will demonstrate their knowledge of the fundamental and technical concepts of accounting.
- Students will reveal critical-thinking and problem-solving skills.
- Students will exhibit the ability to recognize when change is appropriate, to adapt to change as it occurs, and to take the lead in creating change.
- Students will display a sense of responsibility and a capacity for the subject after learning.

**FINANCIAL ACCOUNTING**

In 1985 Michael Porter introduced a concept of value chain analysis to gain sustainable competitive advantage. According to him to add value is a continuous process. To fight against the competitors, you have to introduce a new feature in your product so that your competitor faces a new challenge. The theory developed by Porter is confined to product only. However, I request you to apply the theory in your own life. Make it a continuous process to add something new to your knowledge so that you can get a competitive advantage over others in the world of competition among the professionals. Every day ask yourself whether you have added something new to you from yesterday. If the answer is yes, you are alive and prosperous.

Students who are studying in under graduate courses its high time to start preparing for this course which will give you a value addition and a prolonged competitive advantage. (The syllabus is comparable and almost similar to any under graduate courses for commerce students) After graduation to start a new course is simply an unprofessional attitude of wasting time and delaying. A simple graduate or graduate with an additional professional degree? choice is yours. Time will not wait, because TIME means - Today Is Most Essential. So, no delaying, Go for it today. Like earlier issues here is also some simple exercise to practice. Wish you all a grand success in life.

1. A sale of goods to X for cash should be debited to  
(A) X A/C  
**(B) Cash A/C**  
(C) Sales A/c  
(D) Capital A/C
2. The debts written off earlier as bad, subsequently recovered are  
(A) Debited to profit and loss A/C  
**(B) Credited to bad debt recovery A/C**  
(C) Credited to trade receivable A/c  
(D) Credited to debtors A/c
3. Which one of the following is an external cause for depreciation?  
(A) Over use  
(B) Abnormal occurrence  
(C) Time element  
**(D) Obsolescence**
4. Original cost of a machine is Rs. 300000, residual value Rs. 30000 after 9 years, if depreciation is charged under SLM method the depreciation for 3rd year will be  
(A) Rs. 2700  
(B) Rs. 9000  
(C) Rs. 27000  
**(D) Rs. 30000**
5. On which of the following asset, depreciation is not charged  
(A) Furniture  
(B) Plant and Machinery  
**(C) Land**  
(D) Wasting asset like mine and quarries
6. If a sum of Rs. 21,500 received from X (debtor) has not been recorded in the books, the  
(A) Profit would show an increase of Rs 1,500  
(B) Profit would show a decrease of Rs 1,500  
(C) Assets would show a decrease of Rs. 1,500  
**(D) None of the above**
7. If goods worth Rs. 1750 returned to supplier is wrongly entered in sales returned book as Rs. 1,570 then  
**(A) Gross profit will decrease by Rs. 3,320**  
(B) Gross profit will decrease by Rs. 3,500  
(C) Gross profit will increase by Rs. 3,320  
(D) Net profit will decrease by Rs. 3140
8. Bad debts are allocated between departments in the ratio of  
**(A) Net sales of each department**

- (B) Number of units sold
- (C) Cost of sales
- (D) None

9. AS 7 relates to

- (A) **Construction Contract**
- (B) Cash flow statement
- (C) Valuation of stock
- (D) None of these

10. AS -9 relates to

- (A) Valuation of intangible assets
- (B) Recognition of revenue
- (C) Impairment of assets
- (D) **None of these**

True or False:

- 11. Fixed cost per unit remains fixed but variable cost per unit vary with variation in output **(False)**
- 12. Cost accounting is an instrument of management control **(True)**
- 13. In construction industry, contract costing is used **(True)**
- 14. Depreciation is an out-of-pocket cost **(false)**
- 15. Variable cost per unit varies with increase or decrease in volume of output **(false)**
- 16. Discount to customer comes under "distribution cost" **(false)**
- 17. Abnormal cost is controllable **(True)**
- 18. In sole trading business income tax is treated as drawings from business **(True)**
- 19. Sacrificing ratio is required while admission of new partner **(True)**
- 20. In the absence of deed the interest on drawings to be taken @6% p.a **(True)**
- 21. Statement of Affairs has no connection with position statement **(False)**
- 22. Average clause is applicable when the policy value is less than the value of stock **(True)**
- 23. Del credere commission is paid for carrying extra risk of credit sale and collection from debtors **(true)**
- 24. Bad Debt and del credere commission always appear at the same time in the debit of consignment account **(False )**
- 25. Normal Loss is accounted for in consignment both in quantity and value **(False )**
- 26. Discounting of bill is a source of income to a bank **(True)**
- 27. sales return book cast short will be corrected by passing an entry : Returns Inward a/c ... Dr  
To Suspense a/c. **(True)**
- 28. closing entry for closing stock will be :  
Closing stock a/c.. Dr  
To Trading / Purchase a/c **(True)**

29. Match the following:

	Column A		Column B
1	Minimum rent	a	Cash book
2	Journalised ledger	b	Hire Purchase
3	Indemnity period	c	Royalty
4	Automatic balance sheet	d	Secret reserve
5	Partial repossession	e	Computerised accounting system
6	Undervaluation of asset	f	Insurance claim loss of profit

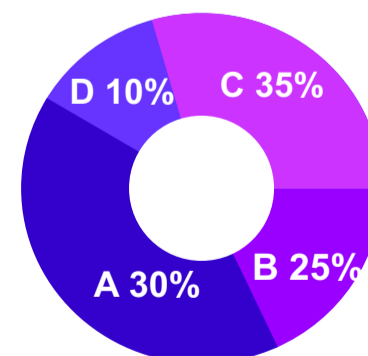
Ans : 1-c, 2-a, 3-f, 4-e, 5-b, 6-d



**GROUP: I, PAPER: 6**  
**LAWS & ETHICS**  
**(LNE)**

CA Partha Ray  
He can be reached at:  
[prapray@rediffmail.com](mailto:prapray@rediffmail.com)

# Your Preparation Quick Takes



**Syllabus Structure**  
A Commercial Laws 30%  
B Industrial Laws 25%  
C Corporate Laws 35%  
D Ethics 10%

**Learning Objectives:**

Prior to start discussing on the Paper, we need to understand few basic points about the paper. Unlike other papers, this particular may turn to be very interesting and scoring as well, provided you pay attention to the points discussed below:

- Read the Act carefully and try to know the meaning of the contents in it,
  - All the Acts are having practical implications in the real life world and it will help you to solve the problems in your real life situations once you join in the industry and / or practicing field,
  - Answers should be specific and to the point,
  - Please don't try to elaborate your answers adding irrelevant terms and items ; it may penalise you
- With the Tips given here, please follow the Suggested Answers and Mock Test Papers of the Institute to have a fair idea about writing the paper in the examination.

**LAWS & ETHICS**

It is hoped that you - the students prepare a time-table with time allotted for each subject and read, write, revise and recapitulate all that you keep on reading. **The first TIP is that you must read the Bear Act and the Sections and start asking questions to yourself and find your own answers.**

In this issue we shall deal with Corporate Laws - Companies Act, 2013 - **Acceptance of Deposits by Companies**.

**Acceptance of deposits from public by certain companies**  
**Sec. 76 Notified Date of Section is 1st April, 2014**

76. (1) Notwithstanding anything contained in Section 73, a public company, having such net worth or turnover as may be prescribed, may accept deposits from persons other than its members subject to compliance with the requirements provided in Section 73(2) and subject to such rules as the Central Government may, in consultation with the Reserve Bank of India, prescribe:

**Provided** that such a company shall be required to obtain the rating (*including its networth, liquidity and ability to pay its deposits on due date*) from a recognized credit rating agency for informing the public the rating given to the company at the time of invitation of deposits from the public which ensures adequate safety and **the rating shall be obtained for every year during the tenure of deposits:**

**Provided further** that every company accepting secured deposits from the public **shall within thirty days of such acceptance, create a charge on its assets** of an amount not less than the amount of deposits accepted in favour of the deposit holders in accordance with such rules as may be prescribed.

(2) The provisions of this Chapter shall, **mutatis mutandis-meaning making alterations without affecting the main point under reference**, apply to the acceptance of deposits from public under this section.

**Repayment of deposits**

**Sec. 73(3)** provides that every deposit accepted by a company under Section 73(2) **shall be repaid with interest** in accordance with the terms and conditions of the agreement.

**Punishment**

**Sec. 74(3)** provides that if a company fails to repay the deposit or part thereof or any interest thereon within the time specified in Section 74(1) or such further time as may be allowed by the Tribunal under Section 74(2), the company shall, in addition to the payment of the amount of deposit or part thereof and the interest due, be punishable with fine which shall not be less than one crore rupees but which may extend to ten crore rupees and every

officer of the company who is in default shall be punishable with imprisonment which may extend to seven years or with fine which shall not be less than twenty-five lakh rupees but which may extend to two crore rupees, or with both.

**Damages for fraud Sec. 75**

(1) Where a company fails to repay the deposit or part thereof or any interest thereon referred to in section 74(1) within the time specified or such further time as may be allowed by the Tribunal under Section 74(2), and it is proved that the deposits had been accepted with intent to:

- Defraud the depositors or
- for any fraudulent purpose,

every officer of the company who was responsible for the acceptance of such deposit shall, without prejudice to the provisions contained in Sec 74(3) and liability under section 447, be personally responsible, without any limitation of liability, for all or any of the losses or damages that may have been incurred by the depositors.

(2) Any suit, proceedings or other action may be taken by any person, group of persons or any association of persons who had incurred any loss as a result of the failure of the company to repay the deposits or part thereof or any interest thereon.

**Punishment for contravention of Section 73 or Section 76**

Sec. 76A of the Companies Act, 2013 provides for punishment for contravention of Sec. 73 or Sec. 76, read with the Companies (Acceptance of Deposit) Rules, 2014.

The company shall, in addition to the payment of the amount of deposit or part thereof and the interest due, be punishable with fine which shall not be less than one crore rupees but which may extend to ten crore rupees and every officer of the company who is in default shall be punishable with imprisonment which may extend to seven years or with fine which shall not be less than twenty-five lakh rupees but which may extend to two crore rupees, or with both.

**Global Depository Receipt**

Let us understand what is a **Depository Receipt (DR)** first. A DR is a negotiable certificate issued by a bank representing shares in a foreign company traded on a local stock exchange. The **depository receipt** gives investors the opportunity to hold shares in the equity of foreign countries and gives them an alternative to trading on an international market.

**Section 41** A company may, after passing a special resolution in its general meeting, issue depository receipts in any foreign country in such manner, and subject to such conditions, as may be prescribed.



**Scheme - Rule 2(c) Companies (Issue of Global Depository Receipts) Rules, 2014**

"Scheme" means the Depository Receipts Scheme, 2014 or any modification or re-enactment thereof;

**Eligibility to issue depository receipts. -**

**Rule 3 Companies (Issue of Global Depository Receipts) Rules, 2014** provides that a company may issue depository receipts provided it is eligible to do so in terms of the Scheme and relevant provisions of the Foreign Exchange Management Rules and Regulations.

**Rule 4 Companies (Issue of Global Depository Receipts) Rules, 2014** provides the following Conditions for issue of depository receipts. -

- (1) The Board of Directors of the company intending to issue depository receipts shall pass a resolution authorising the company to do so.
- (2) The company shall take prior approval of its shareholders by a special resolution to be passed at a general meeting:

**Provided that** a special resolution passed under section 62 for issue of shares underlying the depository receipts, shall be deemed to be a special resolution for the purpose of section 41 as well.

- (3) The depository receipts shall be issued by an overseas depository bank appointed by the company and the underlying shares shall be kept in the custody of a domestic custodian bank.
- (4) The company shall ensure that all the applicable provisions of the Scheme and the rules or regulations or guidelines issued by the Reserve Bank of India are complied with before and after the issue of depository receipts.
- (5) The company shall appoint :
  - ❖ a merchant banker or
  - ❖ a practising chartered accountant or
  - ❖ a practising cost accountant or
  - ❖ a practising company secretary

**to oversee all the compliances relating to issue of depository receipts and the compliance report taken from such professionals** (viz. merchant banker or practising chartered accountant or practising cost accountant or practising company secretary, as the case may be,) shall be placed at the meeting of the Board of Directors of the company or of the committee of the Board of directors authorised by the Board in this regard to be held immediately after closure of all formalities of the issue of depository receipts:

**Provided that** the committee of the Board of directors referred to above shall have at least one independent director in case the company is required to have independent directors.

**Issue of depository - Rule 5 Manner and form of depository receipts. -**

- (1) The depository receipts can be issued by way of public offering or private placement or in any other manner prevalent in the concerned jurisdiction and may be listed or traded on the listing or trading platform in the concerned

jurisdiction. (Please refer Amendment Rules, 2020 dated 13/02/2020)

- (2) The depository receipts may be issued against issue of new shares or may be sponsored against shares held by shareholders of the company in accordance with such conditions as the Central Government or Reserve Bank of India may prescribe or specify from time to time.

- (3) The underlying shares shall be allotted in the name of the overseas depository bank and against such shares, the depository receipts shall be issued by the overseas depository bank. (Please refer Amendment Rules 2020 dated 13/02/2020)

**Voting Right** means the right of a member of a Company to vote in any meeting of the company or by means of Postal Ballot. - **Rule 6** provides that :

- (1) A holder of depository receipts may become a member of the company and shall be entitled to vote as such only on conversion of the depository receipts into underlying shares after following the procedure provided in the Scheme and the provisions of this Act.

- (2) Until the conversion of depository receipts, the overseas depository shall be entitled to vote on behalf of the holders of depository receipts in accordance with the provisions of the agreement entered into between the depository, holders of depository receipts and the company in this regard.

**Proceeds of the Issue - Rule 7 -**

The proceeds of issues of depository receipts shall either be remitted to a bank account in India or deposited in an Indian bank operating abroad or any foreign bank (which is a Scheduled Bank under the Reserve Bank of India Act, 1934) having operations in India with an agreement that the foreign bank having operations in India shall take responsibility for furnishing all the information which may be required and in the event of a sponsored issue of Depository Receipts, the proceeds of the sale shall be credited to the respective bank account of the shareholders.

**Provided that** proceeds of issue of depository receipts may be remitted in an International Financial Services Centre Banking Unit (IBU) and utilised in accordance with the instructions issued by the Reserve Bank of India from time to time. [inserted vide Companies (Issue of Global Depository Receipts) Amendment Rules, 2020 dated 13/02/2020).

**Depository receipts prior to commencement of this Act. - Rule 8** provides :

- (1) A company which has issued depository receipts prior to commencement of these rules shall comply with the requirements under these rules within six months of such commencement.
- (2) Any issue of depository receipts after six months of commencement of these rules shall be in accordance with the requirements of these rules.

**Non applicability of certain provisions - Rule 9**

- (1) The provisions of the Act and any rules issued thereunder insofar as they relate to public issue of shares or debentures shall not apply to issue of depository receipts [vide Companies (Issue of Global Depository Receipts) Amendment Rules, 2020 dated 13/02/2020).

- (2) The offer document, by whatever name called and if prepared for the issue of depository receipts, shall not be treated as a prospectus or an offer document within the meaning of this Act and all the provisions as applicable to a prospectus or an offer document shall not apply to a depository receipts offer document.

- (3) Notwithstanding anything contained under section 88 of the Act, until the redemption of depository receipts, the name of the

overseas depository bank shall be entered in the Register of Members of the company.  
**Charges - Under Sec.2(16) of the Companies Act, 2013**

"Charge" means an interest or lien created on the **Property or Assets of a company** or any of its undertakings or both as security and includes a mortgage;

Let us be clear about the **TYPES OF CHARGES** which are of two types :

**1. Fixed Charge:**

Is a charge which is clearly a **Specific and clear Asset - Property** held at the time of creation of charge. The company cannot transfer such charge, **unless the charge holder (creditor) is paid off his dues.**

**2. Floating Charge:**

- a. It covers the **Assets & Properties** of a company like sundry debtors, stock in trade etc. which are floating and circulating in nature ,
- b. The nature of these property charged may change from time to time.
- c. The floating charge crystallizes into fixed charge if the Company crystallizes or the undertaking ceases to be a going concern.



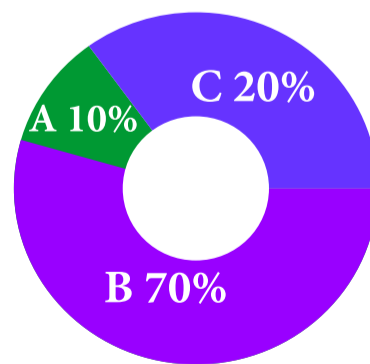


GROUP: I, PAPER: 7

# DIRECT TAXATION (DTX)

CA Vikash Mundhra  
He can be reached at:  
[vikash@taxpointindia.com](mailto:vikash@taxpointindia.com)

## Your Preparation Quick Takes



### Syllabus Structure

- A** Income Tax Act Basics **10%**
- B** Heads of Income and Computation of Total Income and Tax Liability **70%**
- C** Tax Management, Administrative Procedures and ICDS **20%**

**Learning Objectives:**

- Identify the key concepts and functions of direct tax.
- Know how to calculate income tax provision's.
- Describe how uncertain tax positions are accounted for under the rules.
- Gradually you will come to know how to prepare and file tax returns.

**Income from House Property**

1. Annual value of a property shall be taxable under the head "Income from house property" subject to fulfillment of the following conditions:

- There must be a property consisting of any building or land appurtenant thereto.
- Assessee is the owner (including deemed owner).
- Such property is not used in any assessable business or profession carried on by the assessee.

2. Annual value of a property is assessed to tax only in the hands of the owner. Income from sub-letting is taxable as business income or as income from other sources. Owner includes legal owner, beneficial owner and deemed owner.

**Deemed Owner [Sec. 27]**

- Transfer of property to spouse or minor child (not being a married daughter) without adequate consideration;
- The holder of an impartible estate;
- Property held by a member of a housing co-operative society, company, etc.;
- A person who acquired a property u/s 53A of the Transfer of Property Act against part performance of contract;
- Lessee of a building for more than 12 years u/s 269UA(f).

3. Co-owners are not taxable as an AOP provided their respective share is definite and ascertainable. Share of each co-owner shall be taxable in his hands.

4. **Exempted Properties:** Any one palace or part thereof of an ex-ruler (provided the same is not let out) a farm house; house property of a local authority, of an approved scientific research association, of an educational institution, of a hospital, of a person being resident of Ladakh, of a political party, of a trade union; house property held for charitable purpose.

5. **Composite Rent:** Composite Rent = Rent for building + Rent for assets / Charges for various services

Composite Rent				
Case	When rent is separable		When rent is not separable	
	Property is acceptable by tenant without amenities	Property is not acceptable by tenant without amenities	Property is acceptable by tenant without amenities	Property is not acceptable by tenant without amenities
Income shall be taxable under the head	<b>Rent for Property:</b> 'Income from house property' <b>Rent for Amenities:</b> 'Profits & gains of business or profession' or 'Income from other sources'.	'Profits & gains of business or profession' or 'Income from other sources'.	'Profits & gains of business or profession' or 'Income from other sources'.	

**6. Property held as stock-in-trade**

Where house property is held as stock-in-trade & not let out during any part of the previous year, then annual value of such property shall be computed as under:

Period	Annual Value
Up to 2 year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority	Annual value of such property shall be taken to be <i>nil</i> .
After the completion of aforesaid period	Annual value of such property shall be computed as per other provisions.

**7. Let-Out House Property**

**Gross Annual Value (GAV)**

**Step 1:** Calculate reasonable expected rent (RER) of the property, being higher of a) GMV or b) Fair rent.

**Note:** RER cannot exceed Standard Rent.

**Step 2:** Calculate Actual Rent Receivable (ARR) for the year less current year unrealised rent (UR).

**Step 3:** Compare the values calculated in step 1 and step 2 and take the higher one.

**Step 4:** Where there is vacancy and owing to such vacancy the 'ARR - UR' is less than the RER, then 'ARR - UR' computed in step 2 will be treated as GAV.

**Municipal Tax** including service taxes, water taxes and other taxes levied by local authority: Such taxes shall be computed as a % of Net Municipal Value and allowed as deduction if such taxes are actually paid during the previous year by the assessee.

**Standard deduction:** 30% of net annual value is allowed irrespective of the actual expenditure incurred.

**Interest on borrowed capital:** Interest payable on amount borrowed for the purpose of purchase, construction, renovation, repairing, extension, renewal or reconstruction of house property can be claimed as deduction on accrual basis. For this purpose, interest on loan is divided into 2 parts:

Interest for pre-construction period	Interest for post-construction period
The period starts from the day of commencement of construction or the day of borrowing whichever is later and ending on March 31 immediately prior to the year of completion of construction. Interest for pre-construction period will be accumulated and claimed as deduction over a period of 5 equal installments commencing from the year of completion of construction.	The period starts from the beginning of the year in which construction is completed and continues until the loan is repaid. Interest for such period is allowed in the respective year(s).

**Note:** Any interest chargeable under this Act which is payable outside India, is not allowed as deduction if on such interest, tax has not been deducted at source.

**Illustration**

Mr. B took loan of ₹ 7,00,000 on 1.4.2018 from HDFC for construction of a house on a piece of land he owns in Kolkata. The loan carries interest @ 12% p.a. The construction is completed on 1.7.2020. The entire loan is outstanding. Compute the interest allowable as deduction for the A.Y. 2022-23?

**Solution****Calculation of Interest to be deducted in A.Y. 2022-23**

Previous Year	Month	Interest
<u>Pre-construction Interest</u>		
2018-19	12	84,000
2019-20	12	84,000
Total		1,68,000
1/5 <sup>th</sup> of pre construction (A)		33,600
Post-construction interest (B)	12	84,000
Total interest eligible for deduction u/s 24(b) [(A) + (B)]		1,17,600

**8. Self-occupied Property:** The annual value of 2 self occupied properties or part thereof shall be nil. If an assessee occupies more than 2 house properties as self-occupied, he is allowed to treat only 2 houses as self-occupied at his option. The remaining self-occupied properties shall be treated as 'Deemed to be let out'. Interest on loan u/s 24(b) shall be allowed as under:

Conditions	Maximum Interest Allowed
Where loan is taken on or after 1/4/1999 for construction or acquisition provided construction or acquisition is completed within 5 years from the end of the financial year in which the capital was borrowed & certificate received from lender.	₹ 2,00,000
In any other case	₹ 30,000

**9. Property not Occupied by the Owner / Unoccupied Property:** Where an assessee has a residential house (kept for self-occupation) and it cannot actually be occupied by him owing to his employment, business or profession and he has to reside at a place not belonging to him, then such house shall be termed as unoccupied property. It shall be treated at par with self-occupied property.

**10. Deemed to be let-out House Property:** Where the assessee occupies more than two house property as self-occupied or has more than two unoccupied property, then for any two of them, benefit u/s 23(2) can be claimed (at the choice of the assessee) and remaining property or properties shall be treated as 'deemed to be let out' and shall be treated same as let out house property.

**11. Partly Self-occupied and Partly Let-out**

**Case 1) Area wise Division:** In this case, a house property consists of two or more independent units and one or more of which are self-occupied and remaining units are let out.

**Treatment:** Self-occupied portion & let out portion shall be treated as two separate house (i.e., Unit A & Unit B); Income of both units shall be computed accordingly.

**Case 2) Time wise Division:** In such case, the house property is self occupied by the assessee for a part of the year and let out for remaining part of the year.

**Treatment:** In such case assessee will not get deduction for the self-occupied period and income will be computed as if the property is let out throughout the year. Reasonable expected rent (RER) shall be taken for the full year but the actual rent receivable (ARR) shall be taken only for the let-out period.

**Case 3) Area as well as Time wise Division:** Merger of Case 1 and Case 2

**12. Taxation of arrears of rent or recovery of unrealized rent in the year of receipt [Sec. 25A]**

Taxable Amount = 70% \* [Recovery of Arrear Rent + Recovery of Unrealized Rent]

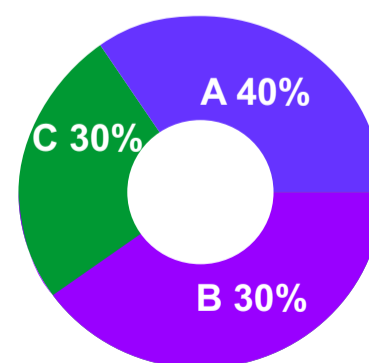




**GROUP: I, PAPER: 8**  
**COST ACCOUNTING**  
**(CAC)**

CMA (Dr.) Subir Kr. Datta  
Principal,  
Kshudiram Bose Central College,  
He can be reached at:  
[duttasubirkumar1958@gmail.com](mailto:duttasubirkumar1958@gmail.com)

# Your Preparation Quick Takes



**Syllabus Structure**

- A Introduction To Cost Accounting 40%**
- B Methods of Costing 30%**
- C Cost Accounting Techniques 30%**

**Learning Objectives:**

- Before taking the examination, it is necessary to read thoroughly the study material first.
- After that select the suitable text book or reference books available in the market for your further study and follow them.
- Next, follow the question papers of previous years and you will be able to get a general idea about the trend or pattern of questions generally set for this type of examination.
- So, if you want to score high marks then along with practical problems you have to answer properly the theoretical part.
- Due to lack of theoretical concepts they cannot score good marks not only in the theoretical part but also in tricky problems.
- Prepare notes on the theoretical part to improve your performance in the examination.

**COST ACCOUNTING**

An effective cost accounting system is an integral part of the management for efficient running of the business. In the present era the value and importance of cost accounting need hardly be overemphasized. Cost accounting, by exercising control over the entire business operations, enables management to eliminate wastages, leakages, increase efficiency and productivity, achieve economies and helps decision making by suitably fixing prices in case of competition, trade depression, and idle capacity with a view to maximizing the gains or minimizing the losses. This paper is a scoring paper out of the eight papers in the intermediate course of the Institute of Cost Accountants of India. It is observed from the past experience that 65% to 75% of the total questions are set from practical problems and the balance is theoretical part. Although only 25% questions are set from theoretical part, but a great emphasis should be given on theoretical part as most of the students are very much weak in theory. Hence, go through the theory very carefully for easy understanding the topic and then try to solve the exercise problems. Start from Chapter one and try to understand the other chapters serially as this will enable you to understand the succeeding chapters in a better way.

Please try to remember this is a professional examination. So, emphasis should be given mainly on testing comprehension, self expression and managerial ability to apply knowledge in divergent situation. Chances of repetition of questions are normally avoided. The true success of this examination mainly depends on style of preparation which should have, perseverance, regularity of efforts, through practice, vision and objectivity.

Here I have suggested some tips based on my personal experiences :-

1. A well defined plan for completing the whole syllabus as well as revision.
2. Go through your Study Note and know the complete syllabus. Remember all chapters are interlinked.
3. Analyze the trends of setting questions by taking at least ten terms.
4. Time schedule with specified activities is very much essential for time-management.
5. Clarity or concepts is different from cramming which exerts avoidable strain on the students.
6. Write down all the important terms in your own words and read them regularly.
7. Improve your speed by regular practice and revision.
8. Finally, try to develop a habit of reading the questions well, underlining and understanding the specific requirements.
9. Always try to answer all objective type questions as practice, which carries 100% marks.
10. Try to develop a habit of reading the questions well, underlining and understanding the specific demands.

The purpose of our study Paper - 8 are :

- a) Understanding the concept of Cost
- b) Determining the Cost of product or service
- c) Understanding Standard Cost
- d) Applying the concept of Marginal Costing
- e) Formulating of business strategy and operational planning.

As per your study material, your entire syllabus is divided into six main chapters. In first chapter the basic concept of cost accounting are discussed, besides its other two branches viz, Financial accounting and Management accounting. Reader should clear about the distinction between - material control and inventory control; normal loss and abnormal loss. The second chapter described the Elements of cost thoroughly. The three major elements of costs are - material, labour and Overheads. In this chapter cost concepts are discussed and analyzed element-wise. Material consists of the major part of total cost of a product, hence it is necessary to control this cost. You must read the scope and objectives of different Cost Accounting Standards. It will help to grasp the concept of cost accounting easily. Try to solve the problems on earnings of workers under different schemes. The meaning of Cost allocation, Cost apportionment and cost absorption should be very clear.

The next chapter, Cost Book-Keeping, including integrated accounting system is not at all difficult. Students need to have a clear conception about the integrated and non-integrated system of Accounts. Questions are sometimes set to journalize the transactions. In this system, different accounts are to be opened, but it is not necessary to give much effort to complete its solution. It's a lengthy



process. Here, separate ledgers are maintained by the cost sections.

This chapter relates to Contract Costing. Only Job/Batch/Contract Costing is very important for the Intermediate Examinations. Students often face difficulty in recommending the amount of profit to be taken into account for incomplete contract. You should make sure that you are familiar with various methods/formulae for different stages of completion and share of profit. Students are also advised to go through the topic "Profit on incomplete contracts based on SSAP - 9". They should remember that for Escalation Clause both changed quantity and price is to be considered.

This chapter deals with Operating Costing. We have to find out operating cost per unit of output through this chapter. In operating / Service Costing calculation of composite unit is very much important for solving the problem. This chapter also includes 'Transport Costing', 'Hospital Costing', 'Power House Costing', 'Hotel/ Hostel Costing' etc. Here suitable cost unit to be used for cost ascertainment purpose.

The next chapter 'Marginal Costing' aims to find out cost-volume-profit relationships of a product. This is an important chapter from the students' perspective. Students should understand the concepts, Uses, needs and importance of 'Marginal Costing' carefully. In this type Costing the students should note that the BEP-Analysis is the most important area of study considering the effect on P/V Ratio is an important part of this chapter. For a product of different sales-mix, contribution per unit of key-factor should be found out and then different options should be marked on the same basis, i.e. contribution per unit of key factor. From this study we can easily understand the effect on profits due to various changes, in Fixed Cost/ Variable Cost/ selling price/ sales-mix and again the effect of the above on BEP, Margin-of-safety.

The chapter 'Variance Analysis' deals with creating responsibilities and identifying the activities or areas of exceptions. Any problem on standard cost for working out different variances can be worked out by using a standard format applicable to all variance analysis. The students are afraid of this important chapter only because of different formulae for different analysis. Only a serious study and realization of the requirement in the problem can eliminate such difficulties. The main objective of this analysis is to improve the operation by effective utilization of resources for reducing its product cost. Calculation of Mix-variances is essential only when there are more than one type of components.

The next chapter is 'Budget and budgetary control'. Budget is financial statements of income and expenditure of a certain period. You should first learn how to prepare functional budget then Master Budget, Flexible budget etc. Budgetary control requires preparation of 'Flexible Budget', 'Functional Budgets' and 'Cash Budget' for taking necessary actions. The students can easily understand the problems, if theory remains clear. They are suggested to go through the theoretical parts-like, concept of Zero based Budgeting, behavior and classification of Budgets etc.

Now we are dealing with some short questions related to Contract Costing.

1. State which of the following statements are correct or incorrect:

- (i) In contract costing credit is taken only for a part of the profit on incomplete contracts.
- (ii) Escalation clause in a contract provides that the contract price is fixed.
- (iii) Final contract price is to be paid is certain in cost plus contract.
- (iv) In contract plus costing, the contract runs a risk of incurring loss.
- (v) Most of the items of cost are direct in contract costing than in job costing.
- (vi) Contract costing is a basic method of specific order costing.

**Ans. Correct :** (i), (v), (vi)

**Incorrect :** (ii), (iii), (iv).

2. Which of the following is correct ?

A. An essential of long-term costing is that :

- (i) It has a duration in excess of twelve calendar months.
- (ii) It is a progress at a financial year-end and has a significant effect on the activity of the Contractor for the period under review.
- (iii) Its completion will require a number of stages, each of which must be certified and valued for Profit calculation purpose.
- (iv) It has a duration in excess of six calendar months.

B. A debit balance on the contractee account should be incorporated in the balance sheet as :

- (i) A current liability as 'contract balance outstanding'.
- (ii) Set- off against contract stock valuation.
- (iii) Excess payments on account not set off against contract stock value.
- (iv) In debtors as 'amount recoverable on contract'.

C. Retention monies are best defined as :

- (i) Cash withheld by the contractee in order to improve the cash flow of the contractor.
- (ii) Payment to the contractor. Where it is desired to secure his services for a future contract.
- (iii) Cash return to the contractee if actual profits on a contract are 10% higher than agreed figure.
- (iv) Cash withheld by the contractee under the terms of the contract when payment of the value Certified are being made.

D. A zero value of attributable profit should be assumed where :

- (I) Any foreseeable loss is estimated for a later stage in the contract.
- (II) The interim estimated profit is less than 10% of value certified.
- (III) The profit outcome of the contract cannot be estimated with reasonable certainty
- (IV) The contract is less than 60% completed.

- E. Which of the following is the most appropriate definition of turnover at intermediate stage in a contract?
- (I) The value of work done which leaves the agreed attributable profit when the cost of work certified is subtracted from it.
  - (ii) Cost of work certified to date plus estimated profit to the end of the contract.
  - (iii) The value of work certified less any foreseeable losses.
  - (iv) Cost of work to date minus the cost of work not certified plus estimated profit to date.
- F. Foreseeable losses estimated for a contract should be treated in which of the following ways?
- (I) Ignore until they are known to be accurate with reasonable certainty .
  - (ii) Write off immediately that they are estimated.
  - (iii) Write off in the same proportion as any estimated profits are recognized.
  - (iv) Write up only if the work to which they relate is 50% completed.

Ans. A. (I), B. (iv), C. (iv), D.(iii), E. (I), F(ii).

Labour cost represents the cost of converting raw materials into finished products. It's important part of the total cost. Selection of the method of remuneration to the workers is the most complex problem now a days from the view point of both the workers as well as employers. There are various methods of remuneration and their incentives, for which payment may differ due to variation of labour efficiency. Now we can solve a problem relating to remuneration of labour.

### Problem.

A worker whose day-work wages is Rs. 2.50 per hour, received production bonus under the Rowan Plan He carried out the following work in a 48 hour week :

Job. 1. 1,500 items at 4 hours per 1,000.

Job. 2. 1,800 items at 3 hours per 1,000.

Job. 3. 9000 items at 6 hours per 1,000.

Job. 4. 1,500 items for which no standard time was fixed and it was arranged that the worker would be paid a bonus of 25% . Actual time on the job was 4 hours.

Job 5, 2000 items at 8 hours each item was estimated to be half finished.

Job 2 was carried out on a machine running at 90% efficiency and an extra allowance of  $1/9^{\text{th}}$  of actual time was given to compensate the worker.

4 hours were lost due to power cut.

Calculate the earnings of the worker, clearly stating your assumptions for the treatment given by you for the hours lost due to power cut.

### Solution

#### Calculation of Standard Time

	Hours
Job 1 1500 items at 4 hours per 1000	6.00
Job 2 1800 items at 3 hours per 1000	5.40
And extra time $1/9^{\text{th}}$	0.60
Job 3 9000 items at 6 hours per 1000	54.00
Job 4 1500 items actual time 4 hours plus bonus 25% of actual	5.00
Job 5 1000 items ( 50% of 2000) at 8 hours per 1000	8.00
	79.00

∴ Standard Time = 79 hours

### Time taken :

Total time	48 hours
Less : Time lost due to power cut	<u>4 hours</u>
	<u>44 hours</u>

∴ Time Saved = Standard time - Time taken  
= 79 hours - 44 hours  
= 35 hours

Total earning of worker = Total time × Rate per hour +  $\frac{\text{Standard time} - \text{Time taken}}{\text{Standard time}} \times \text{Time taken} \times \text{Rate per hour}$

$$= 48 \text{ hrs} \times \text{Rs. } 2.50 + \frac{79 \text{ hrs} - 44 \text{ hrs}}{79 \text{ hrs}} \times 44 \text{ hrs} \times \text{Rs. } 2.50$$

$$= \text{Rs. } 120 + 35 \text{ hrs} / 79 \text{ hrs} \times 44 \text{ hrs} \times \text{Rs. } 2.50$$

$$= \text{Rs. } 120 + \text{Rs. } 48.73 = \text{Rs. } 168.73$$

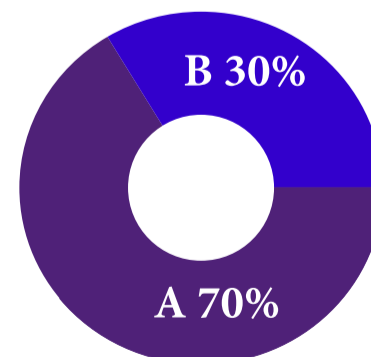
The worker is entitled to bonus for the time lost due to power cut.



GROUP: II, PAPER: 9, Part- i  
**OPERATIONS**  
MANAGEMENT & STRATEGIC  
MANAGEMENT (OMSM)  
Operations Management

CMA Ankan K Bandyopadhyaya  
He can be reached at:  
abanerjee8533@gmail.com

# Your Preparation Quick Takes



### Syllabus Structure

A Operations Management 70%  
B Strategic Management 30%

**Learning Objectives:**

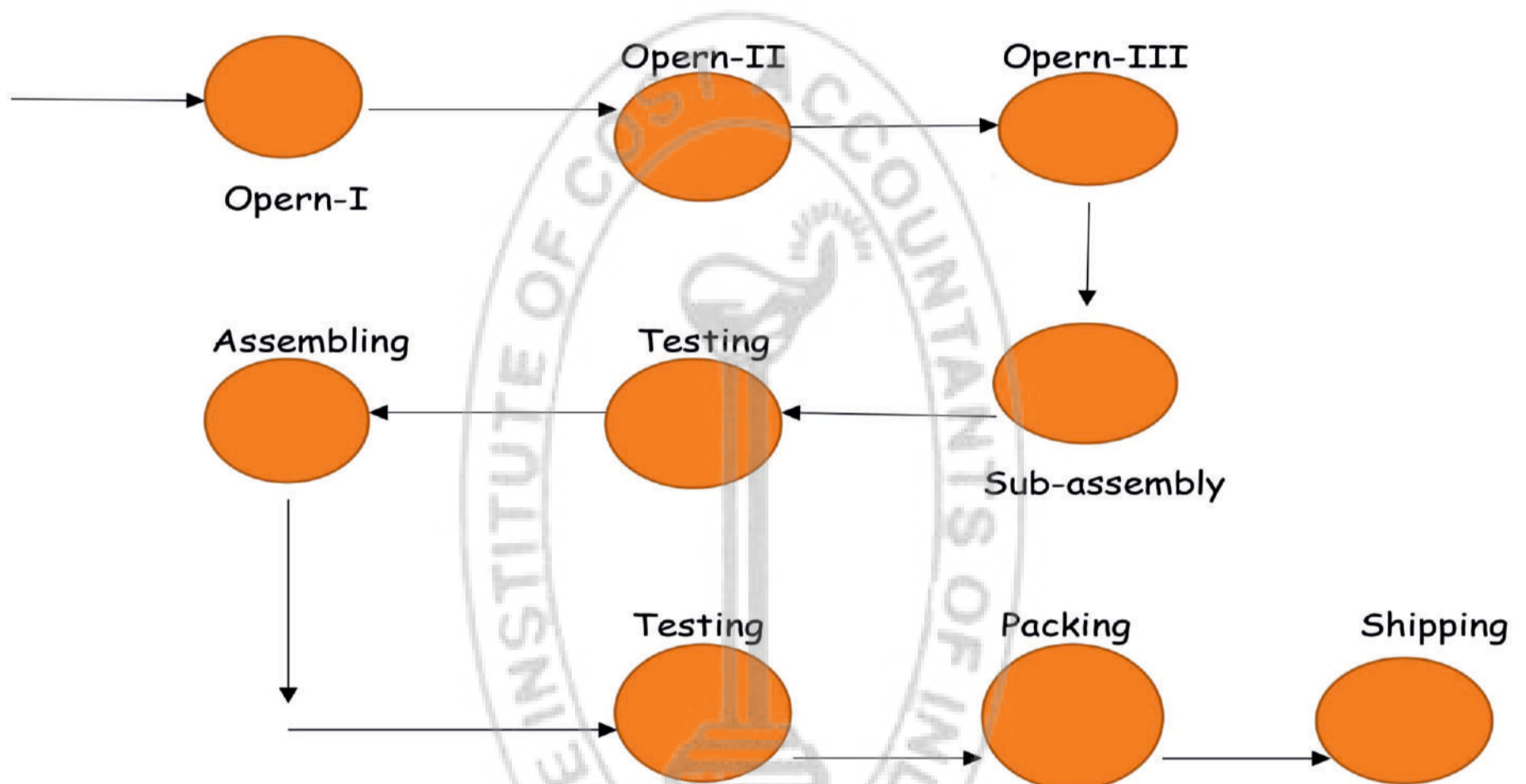
- Operations Management develops skills in problem solving, project management, communication, and managing effectively in team-based work environments.
- Eventually, student's ability for leadership positions in the production and service industries gets increased.
- To solve business processes, it helps to apply knowledge of fundamental concepts of operations management and helps to apply knowledge of approaches to operational performance improvement.

**Operations Management**

In this issue let us discuss Product Layout-Line Balancing with numerical illustration.

**Product Layout:**

Also called the straight-line layout or layout for serialised manufacture.



Best Example: Buffet system in a marriage ceremony

Line balancing is the assignment of work to work centers in a line process so as to attain the desired output rate with the smallest number of work stations.

Thus the line that produces at the desired pace with the fewest workers is the most efficient one.

Line balancing creates workstations with workloads as evenly balanced as possible. It aims to create workstations so that the capacity utilization for the bottleneck is not much higher than for the other workstations in the line.

Line balancing must be performed when a line is set up initially, when a line is rebalanced to change its hourly output rate or when a product or process changes.

Steps in line balancing:

- Separating the work into Work Elements;

- Obtain the time standards for each element;
- Identify the work element called immediate predecessors which must be done before the next element can begin;
- Construct the Precedence Diagram;

### Line Balancing in detail:

In manufacturing engineering, a **Product layout** refers to a production system where the work stations and equipment are located along the line of production.

The product layout is opposite of the process layout. Rather than have a specific section for each group of tools and supplies, the product layout is an assembly line. The required tools and supplies are located at each section of the assembly line, based on where the product is in production. This is common in auto manufacturing where the car being made is moved down the line and stops at stations where different things are assembled. One section might be where doors are attached, whereas another section inserts the engine.



Usually, work stations are moved along a line (not necessarily a geometric line, but a set of interconnected work stations).

This is an efficient system when the same product is being made without variation. Workers don't need to search or collect tools or supplies to perform their job. Giving workers one job to perform repeatedly reduces potential mistakes in the product assembly.

The process of deciding how to assign tasks to work stations is referred to as **Line Balancing**. This is a process of assigning tasks to workstations in such a way that the workstations have approximately equal time requirements.

Say a manufacturing unit starts work every day at 0800 AM. Suppose the work station 1 requires to complete a task for in 30 minutes whereas the following work station 2 completes the work in 20 minutes. So if all the work station start work at 08.00 AM in a day, work station 2 has to wait from 0820 AM to 0830AM for receiving the next job. This creates idle time.

If task times are not equal among workstations ---some workstations are capable of finishing job at higher rates than others and these fast stations will be forced to wait for the output from preceding slower stations or to enjoy idleness in order to avoid buildup of work between stations. These sort of situation create **unbalanced work lines** --- i) a source of inefficient utilisation of labour and equipment; ii) a source of moral problems at the slower stations because there workers have to work continuously to remove idle time in the line.

Therefore the goal of line balancing is to obtain task groupings that represent approximately equal time requirements. This minimises the idle time along the line and results in a high utilisation of labor and equipment.

In a perfectly balanced line flow of work activities along the line are synchronized to achieve maximum utilisation of labour and equipment.

But major problem in making a perfectly balanced line is the difficulty of forming task bundles that have the same duration. In the above depicted line of a car manufacturing unit time required for door fitting, engine mounting, painting and/or inspection all are very different and therefore it would be a difficult proposition to make out a perfectly balanced line by making perfect bundles of task of same duration.

Reasons behind difficulties in making perfectly balance lines are:

- Differences in Equipment requirements by different activities;
- Activities are not compatible;
- Grouping tasks cannot always overcome differences among elemental task length;
- \*Required Technological sequence may prohibit otherwise desirable task combination;

\* Say before rolling steel, quenching in oil is required. Now Quenching activity is being done in work station 5 whereas rolling is done in work stations 6, 7. To get a perfectly balanced line by bundling tasks suppose we require to bundle activities of quenching and activities of rolling of work station 7. But technological sequence i.e. rolling following quenching is prohibiting to form a perfectly balanced line.

Line Balancing involves assigning tasks to workstations.

All tasks can be done in one workstation or in multiple workstation. Suppose there are 6 tasks. If there is one workstation all tasks are to be done in that workstation. If 6 workstations are formed then each workstation will get the responsibility of carrying out one task. In between 1 to 6 workstation, say with 2 workstations, some of the workstations are to carry more than one task.

In the above case how does a manager decide the no of work station/s to perform all the six tasks? Line balancing strategy answers this question.

Primary determinant to this question is:

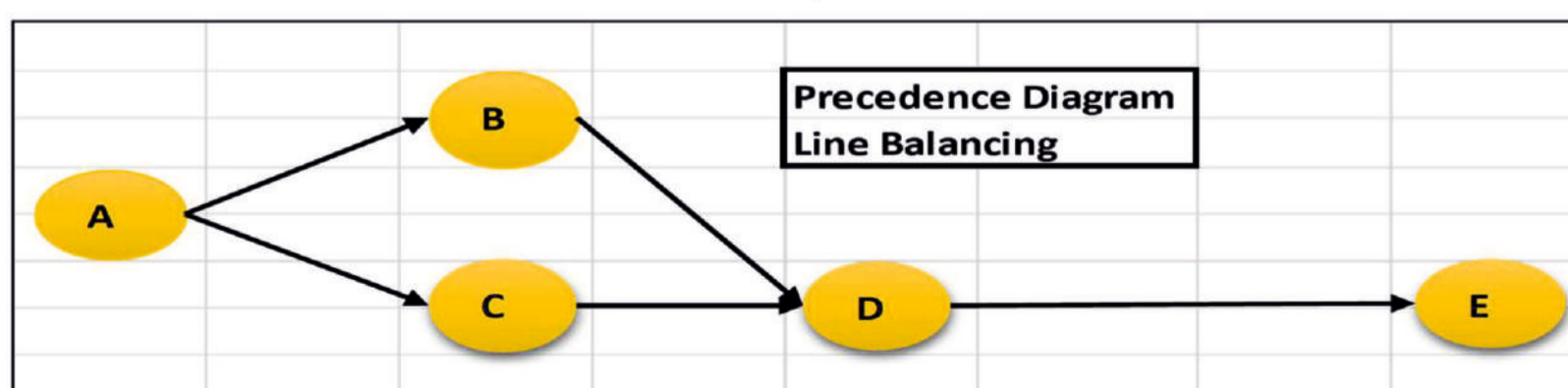
**What will be the line's Cycle time?**

The cycle time is the maximum time allowed to each workstation to perform assigned tasks before the work moves on to succeeding workstation.

The cycle time establishes the output rate of a line. If cycle time is 5 minutes, then after every 5 minutes one product will come out of the line. Hence we could write:

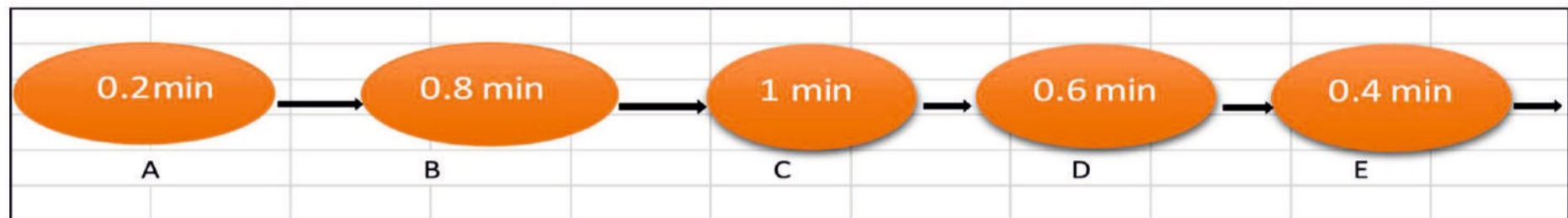
*Capacity of a line is a function of cycle time*

The line balancing is done with the help of a Precedence diagram. It visually portrays the tasks that are to be performed along with the sequential requirements i.e. Order in which tasks are to be performed.



To complete a product we have to complete tasks A, B, C, D and E and we have to complete each task following the arrow from left to right. Task D we have to start on completion of task A, B and C. A, B, C, D, E may be an individual task or may be an individual work stations each comprising bundle of tasks.

Let in a manufacturing unit a product needs to be completed through 5 workstations. The precedence diagram and respective cycle time of each work station are given below:



Note: A, B, C, D, E are workstations comprising either individual task A, B, C, D, E or Bundle of tasks A, B, C, D, E

The task times govern the range of possible cycle times.

$$\text{The minimum cycle time} = \text{Longest task time} \dots \dots \dots (1)$$

$$\text{The maximum cycle time} = \text{Sum of respective task time} \dots \dots \dots (2)$$

In the above illustration

The minimum cycle time = Longest task time = Task time of C = 1min

The maximum cycle time = Sum of respective task time =  $0.2 + 0.8 + 1 + 0.6 + 0.4 = 3\text{min}$

The minimum and maximum cycle times establish the potential range of output for the line which can be found out by the following formula:

$$\text{Output rate} = \frac{\text{Operating time per day}}{\text{Cycle time}} \dots \dots \dots (3)$$

If the manufacturing unit operates 8 hours i.e. 480 minutes per day

$$\text{Maximum output rate} = \frac{\text{Operating time per day}}{\text{Minimum Cycle time}} = \frac{480}{1} = 480 \text{ units per day}$$

$$\text{Minimum output rate} = \frac{\text{Operating time per day}}{\text{Maximum Cycle time}} = \frac{480}{3} = 160 \text{ units per day}$$

Assuming that no parallel line are to be employed the output selected for the line must fall in the range of 160 units per day to 480 units per day.

As a general rule the cycle time is determined by the desired output rate with the help of the following formula:

$$\text{Cycle time} = \frac{\text{Operating time per day}}{\text{Desired output rate}} \dots \dots \dots (4)$$

& desired output rate is first selected and with the help of the above formula (4) cycle time is determined. If the cycle time does not fall between the maximum and minimum bounds, desired output rate needs to be revised.

The number of workstations that will be needed is a function of both the desired output rate and managers' ability to combine elemental tasks into workstations.

$$\text{Theoretical minimum number of stations} = N_{\min} = \frac{\Sigma t}{\text{Cycle time}} \dots \dots \dots (5)$$

Where,  $N_{min}$  = Theoretical Minimum number of stations  
&  $\Sigma t$  = Sum of task times

If cycle time as determined by formula (4) is 1minute then for our example the minimum number of stations as per formula (5) will be  $= \frac{3}{1} = 3$  stations. The actual number of stations used will equal or exceed depending on how successfully the tasks can be grouped into workstations.

Now how a line is balanced. This involves assigning tasks to workstations. Generally no techniques are available which can result in a full proof optimal set of assignments. Instead managers employ intuitive rules. In reality a number of line balancing heuristics are in use. Two most popular line balancing technique are:

- Assign tasks in order to most following tasks.....(a)
- Assign tasks in order of greatest positional weight\*.....(b)

\* Positional Weight = Time of a task + Time of all following task

In line balancing problem our main objective will be to find out the effectiveness of the line. The following two formulas are used for the purpose:

$$\text{Percentage of idle time} = \frac{\text{Idle time per cycle}}{N_{actual} * \text{Cycle time}} * 100 \dots \dots \dots (6)$$

Where  $N_{actual}$  = Actual number of stations. Percentage of idle time of line is also called **Balance delay**.

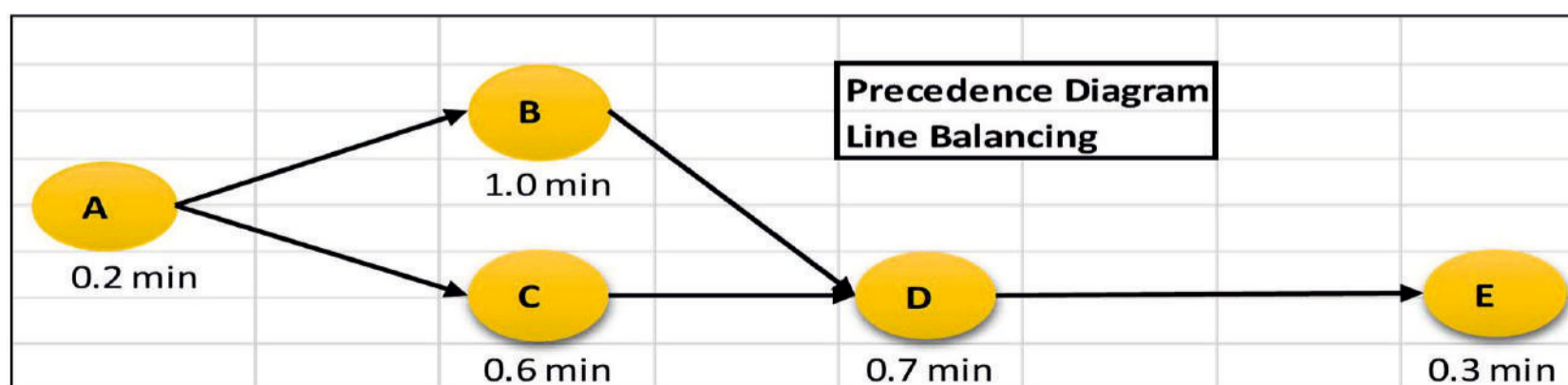
$$\text{Efficiency of the line} = \frac{N_{Actual} * \text{Cycle time} - \text{Idle time}}{N_{Actual} * \text{Cycle time}} * 100 \dots \dots \dots (7)$$

Guidelines for Line Balancing:

- Tasks are to be assigned one at a time to the line, starting at the first station;
- At each step unassigned tasks are checked to determine which are eligible for assignment;
- Eligible tasks are checked to select tasks which fit in the workstation being loaded;
- This process is repeated until there are no eligible tasks that will fit;
- Then the next work station can be loaded;
- This process will continue until all tasks are assigned;

Illustration:

Arrange the tasks shown in the following figure into three workstations. Use a cycle time of 1.0 minute. Assign tasks following above guidelines and line balancing technique (a) mentioned earlier.



Ans:



Workstation	Time Remaining	Eligible	Assign Task	Revised Time Remaining	Station Idle Time
1	1	A	A	0.8	0.2
	0.8	C	C	0.2	
	0.2				
2	1	B	B	0	0
3	1	D	D	0.3	0
	0.3	E	E	0	
					0.2

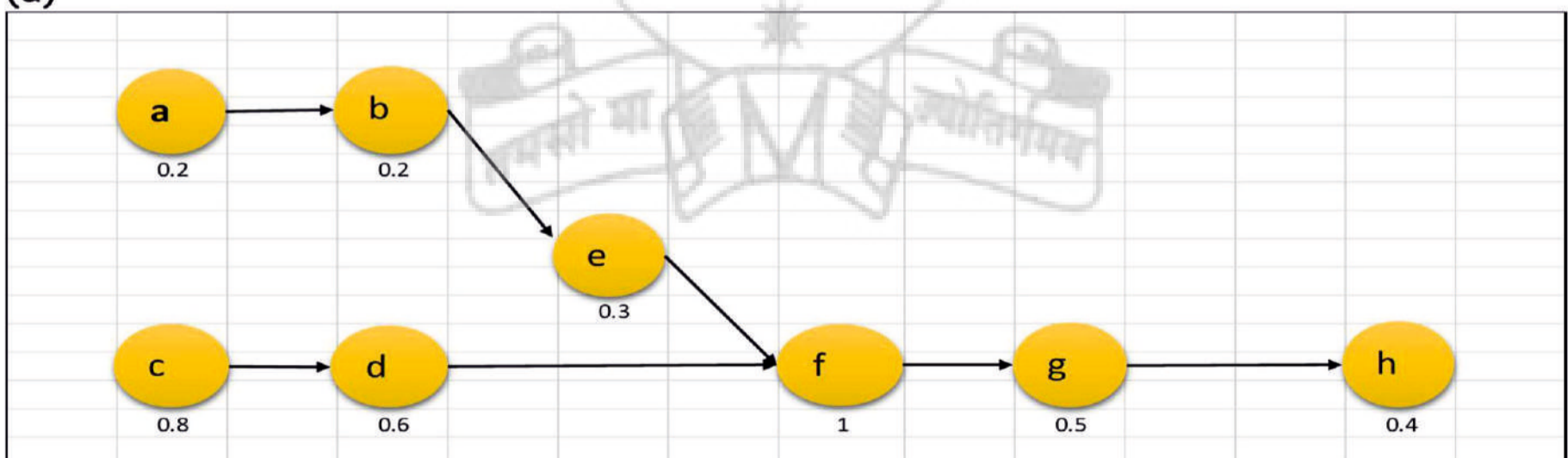
Illustration: Consider the information given in the following table.

Task	Immediate Predecessor	Task Time (in minutes)
a	-	0.2
b	a	0.2
c	-	0.8
d	c	0.6
e	b	0.3
f	d, e	1
g	f	0.5
h	g	0.4
		$\Sigma t = 4$

- (a) Draw a precedence diagram;
- (b) Assuming a ten hour workday, compute the cycle time needed to obtain an output of 500 units per day;
- (c) Determine the minimum number of workstations required;
- (d) Assign tasks to workstations using the rule: Assign tasks according to greatest number of following tasks. In case of a tie, use the tiebreak of assigning the task with the longest processing time first.
- (e) Compute the resulting percent idle time and efficiency of the system.

Ans:

(a)



(b)

$$\text{Cycle time} = \frac{\text{Operating time per day}}{\text{Desired output rate}}$$

$$= \frac{60 * 10}{500} = 1.2 \text{ minutes per cycle} = 1.2 \text{ minutes per unit}$$

(c)

$$\begin{aligned} \text{Theoretical minimum number of stations} &= N_{min} = \frac{\Sigma t}{\text{Cycle time}} \\ &= \frac{4}{1.2} = 3.33 = \text{rounded to 4 station} \end{aligned}$$

(d)

Station	Time Remaining	Eligible	Will fit	Assign (Task Time)	Revised time Remaining	Idle
1	1.2	a,c	a*	a(0.2)	1	
	1	c, b	c**	c(0.8)	0.2	
	0.2	b		b(0.2)	0	0
2	1.2	e,d	d***	d(0.6)	0.6	
	0.6	e		e(0.3)	0.3	
	0.3	Nil		Nil		0.3
3	1.2	f		f(1)	0.2	
	0.2	Nil		Nil		0.2
4	1.2	g		g(0.5)	0.7	
	0.7	h		h(0.4)	0.3	
	0.3					0.3
						0.8

(e)

$$\begin{aligned} \text{Percentage of idle time} &= \frac{\text{Idle time per cycle}}{N_{actual} * \text{Cycle time}} * 100 \\ &= \frac{0.8}{4 * 1.2} * 100 = 16.67\% \end{aligned}$$

$$\text{Efficiency} = 100\% - \text{Percentage of idle time} = 100\% - 16.67\% = 83.33\% \text{ or}$$

$$\begin{aligned} \text{Efficiency of the line} &= \frac{N_{Actual} * \text{Cycle time} - \text{Idle time}}{N_{Actual} * \text{Cycle time}} * 100 \\ &= \frac{4 * 1.2 - 0.8}{4 * 1.2} * 100 = 83.33\% \end{aligned}$$

**Suggestions:**

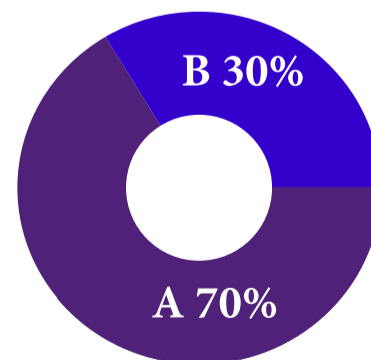
This lesson could be used as an aid to teaching on line balancing in study notes. Concept of line balancing is vital for analysis of product layout. These discussions are in addition to knowledge imparted by study guide. For Proper understanding read supplementary readings by referring Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson, Productions and Operations management by R.B. Khanna & Quantitative Techniques in Management by N. D. Vora  
Best Wishes



GROUP: II, PAPER: 9, Part- ii  
**OPERATIONS**  
MANAGEMENT & STRATEGIC  
MANAGEMENT (OMSM)  
Strategic Management

CMA (Dr.) Sumita Chakraborty  
Additional Director,  
Studies & RC & CC Committee  
She can be reached at:  
[studies.addldir1@icmai.in](mailto:studies.addldir1@icmai.in)

# Your Preparation Quick Takes



### Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

**Learning Objectives:**

- The course will follow in general terms the strategy development process from audit to formulation of strategic plans, their implementation and evaluation.
- Students will be introduced to strategic management in a way so that their understanding can be better.
- The ultimate aim of the course is to develop students as future managers who will add value by 'strategically managing' the organisation's resources and capabilities.

**STRATEGIC MANAGEMENT**

1. What is the starting point of Strategic Intent?

- A. Goal
- B. Objective
- C. Vision
- D. Mission

**Answer C**

2. Competitive advantage can be best described as

- A. Increased efficiency
- B. What sets an organization apart
- C. A strength and the organizations
- D. Intangible resources

**Answer A**

3. The corporate level is where top management directs:

- A. All employees for orientation
- B. Its efforts to stabilize recruitment needs
- C. Overall strategy for the entire organization
- D. Overall sales projections

**Answer C**

4. Low cost, Differentiation and Focus are examples of:

- A. Corporate strategies
- B. Operational strategies
- C. Business strategies
- D. Functional strategies

**Answer C**

5. Strategic business units:

- A. Are found in one-business organizations
- B. Carry out strategies assigned by the CEO
- C. Implement the marketing function's strategic planning and management decisions
- D. Develop their own unique way of competing

**Answer C**

6. Sustained survival implies:

- A. That a turnaround is achieved, but there is little further growth
- B. That a turnaround is achieved, and there is potential for further growth
- C. That a turnaround is achieved, and there is a clear opportunity to employ a new growth strategy
- D. That a turnaround is achieved, and it is appropriate to diversify soon

**Answer A**

7. What are the means by which long term objectives of the organizations are achieved?

- A. Strategies
- B. Policies
- C. Strength
- D. Opportunities

**Answer: A**

8. When an industry relies heavily on Government contracts, which forecasts can be most important part of an external audit?

- A. Economic

- B. Competitive
- C. Political
- D. Multinational

**Answer: C**

9. When actual performance results are better than what the plan called for, managers should:

- A. Ignore it
- B. Sell more products
- C. Issue more stock options to employees
- D. Increase prices

**Answer: D**

10. The basic activities of strategic management include:

- A. Offence, defense and control
- B. Situation analysis, strategy formulation, implementation and evaluation
- C. Development, control and management
- D. Ethics, management and practice

**Answer: B**

11. Situation analysis involve the process of:

- A. Designing and choosing appropriate organizational strategies
- B. Analyzing the current environment of the organization
- C. Analyzing the external environment only
- D. Evaluating the internal aspects of the organization

**Answer: B**

12. The business unit strategy has three major components:

- A. Mission, business and SBU goals
- B. Marketing, advertising and pricing objectives,
- C. Mission, business unit goals and competencies
- D. Business mission, department missions and daily plans

**Answer: C**

13. A useful framework used to assess a company's investments / divisions is called:

- A. Unit production analysis
- B. Corporate insight analysis
- C. Company productivity analysis
- D. Business portfolio analysis

**Answer: D**

14. Cash cows are SBUs that typically generate:

- A. Problems for product managers
- B. Paper losses in the long run
- C. Large awareness levels but few sales
- D. A lot of competition

**Answer: D**

15. Strategic stretch involves:

- A. The fit between the organization and its environment
- B. Creating new opportunities by stretching and exploiting capabilities in new ways
- C. The skills of the senior management
- D. Utilizing all the resources of an organization to their full capacity

**Answer: B**



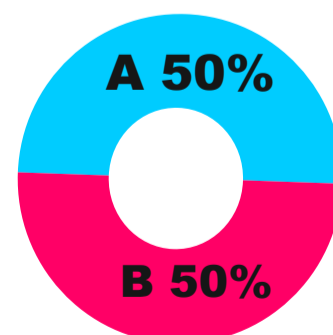
GROUP: II, PAPER:10

# COST & MANAGEMENT

ACCOUNTING AND FINANCIAL  
MANAGEMENT(CMFM)

CMA Bimalendu Banerjee  
He can be reached at:  
[bbanerjee2050@gmail.com](mailto:bbanerjee2050@gmail.com)

## Your Preparation Quick Takes



### Syllabus Structure

A Cost & Management Accounting 50%

B Financial Management 50%

**Learning Objectives:**

The paper Cost & Management Accounting and Financial Management (Group II; Paper 10) is a unique blend of theoretical elaborations and practical illustrations. The aim of this paper is to equip the students with a working level knowledge regarding the two disciplines and prepare a ground for a few advanced level papers like Strategic Financial Management (Final Group 3: Paper 14), Strategic Cost Management decision Making (Final Group 3: Paper 15) and Strategic Performance Management and Business Valuation (Final Group 4: Paper 20) in the CMA Final Course. The entire syllabus of the paper is segregated into two segments namely Cost & Management Accounting (Section A: Full Marks 50) and Financial Management (Section B: Full Marks 50). Each of the individual sections has further been divided into five chapters each highlighting a specific aspect of the subject concerned. 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.

**GR - II CMA & FM****Question No. - 1 (All Costs)**

Gama Ltd. has furnished the following standard cost data per unit of production.

- Material 10 kg @ Rs.10 per kg.
- Labour 6 hours @ Rs.5.50 per hour
- Variable overheads 6 hours @ Rs.10 per hour
- Fixed overheads Rs.4,50,000 per month (Based on a normal volume of 30000 labour hours).

The actual cost data for the month of August 2011 are as follows.

- Material used 50000 kg at a cost of Rs.5,25,000.
- Labour paid Rs.1,55,000 for 31000 hours, Idle time was 500 Hours.
- Variable overheads Rs.2,93,000.
- Fixed overheads Rs.4,70,000.
- Actual production 4800 units.

What shall be the :-

**[ REG. MATERIAL ]**

- 1) Standard Cost per unit of Actual Production : (a) Rs.10 (b) Rs.20 (c) Rs.30 (d) Rs.40
- 2) Standard Quantity for Actual Production : (a) 45000 kg (b) 46000 kg (c) 47000 kg (d) 48000 kg.
- 3) Std Cost of Actual Production (SCAP) : (a) Rs.4,70,000 (b) Rs.4,80,000 (c) Rs.4,90,000 (d) Rs.5,00,000
- 4) Price Variance : (a) Rs.25000 A (b) Rs.25000 F (c) Rs.26000 F (d) Rs.26000 A
- 5) Usage Variance : (a) Rs.19000 F (b) Rs.19000 A (c) Rs.20000 A (d) Rs.20000 F
- 6) Cost Variance : (a) Rs.45000 F (b) Rs.45000 A (c) Rs.46000 A (d) Rs.46000 F

**[ REG. LABOUR ]**

- 7) Standard Cost per unit of production : (a) Rs.30 (b) Rs.31 (c) Rs.32 (d) Rs.33
- 8) Std Hour for Actual Production : (a) 28700 Hr (b) 28800 Hr (c) 28900 Hr (d) 29000 Hr
- 9) Standard Cost of Actual Production (SCAP) : (a) Rs.1,58,400 (b) Rs.1,58,500 (c) Rs.1,58,600 (d) Rs.1,58,700
- 10) Productive Hours : (a) 30400 Hrs. (b) 30500 Hrs. (c) 30600 Hrs. (d) 30700 Hrs.
- 11) Std Cost of Productive Hours : (a) Rs.1,67,350 (b) Rs.1,67,550 (c) Rs.1,67,750 (d) Rs.1,67,950
- 12) Std. Cost of Actual Hour : (a) Rs.1,70,500 (b) Rs.1,70,600 (c) Rs.1,70,700 (d) Rs.1,70,800
- 13) Efficiency Variance : (a) Rs.9330 F (b) Rs.9330 A (c) Rs.9350 F (d)

- Rs.9350 A
- 14) Idle time Variance : (a) Rs.2740 A (b) Rs.2750 A (c) Rs.2760 A (d) Rs.2770 A
- 15) Wage Rate Variance : (a) Rs.15500 A (b) Rs.15500 F (c) Rs.15600 A (d) Rs.15600 F
- 16) Labour Cost Variance : (a) Rs.3300 A (b) Rs.3300 F (c) Rs.3400 A (d) Rs.3400 F
- [REG. FIXED OVERHEADS]**
- 17) Std. Rate per Hour : (a) Rs.13 (b) Rs.14 (c) Rs.15 (d) Rs.16
- 18) Std. Hour for Actual Production : (a) 28800 Hr. (b) 28900 Hr (c) 29000 Hr (d) 29100 Hr.
- 19) Volume Variance : (a) Rs.17000 A (b) Rs.17000 F (c) Rs.18000 A (d) Rs.18000 F
- 20) Expenditure Variance : (a) Rs.20000 F (b) Rs.20000 A (c) Rs.21000 F (d) Rs.21000 A
- 21) Cost Variance : (a) Rs.37000 F (b) Rs.37000 A (c) Rs.38000 F (d) Rs.38000 A
- [REG. VARIABLE OVERHEADS]**
- 22) Std. Hour for Actual Production : (a) 28700 Hr (b) 28800 Hr. (c) 28900 Hr. (d) 29000 Hr.
- 23) Std. Cost for Actual Production : (a) Rs.286000 (b) Rs.287000 (c) Rs.288000 (d) Rs.289000
- 24) Std. Cost of Productive Hours : (a) Rs.305000 (b) Rs.306000 (c) Rs.307000 (d) Rs.308000
- 25) Efficiency Variance : (a) Rs.16000 A (b) Rs.16000 F (c) Rs.17000 F (d) Rs.17000 A
- 26) Expenditure Variance : (a) Rs.12000 A (b) Rs.12000 F (c) Rs.13000 A (d) Rs.13000 F
- 27) Cost Variance : (a) Rs.4000 F (b) Rs.4000 A (c) Rs.5000 F (d) Rs.5000 A

**Answer :**

- |                     |                     |                     |
|---------------------|---------------------|---------------------|
| 1) (b) Rs.20        | 2) (d) 48000 kg     | 3) (b) Rs.4,80,000  |
| 4) (a) Rs.25000 A   | 5) (c) Rs.20,000 A  | 6) (b) Rs.45,000 A  |
| 7) (d) Rs.33        | 8) (b) 28,800 Hrs.  | 9) (a) Rs.1,58,400  |
| 10) (b) 30,500 Hr.  | 11) (c) Rs.1,67,750 | 12) (a) Rs.1,70,500 |
| 13) (d) Rs.9350 A   | 14) (b) Rs.2750 A   | 15) (b) Rs.15500    |
| 16) (d) Rs.3,400 F  | 17) (c) Rs.15       | 18) (a) 28,800 Hr.  |
| 19) (c) Rs.18,000 A | 20) (b) Rs.20,000 A | 21) (d) Rs.38000 A  |
| 22) (b) 28800 Hr    | 23) (c) Rs.2,88,000 | 24) (a) Rs.3,05,000 |
| 25) (d) Rs.17000 A  | 26) (b) Rs.12,000 F | 27) (d) Rs.5,000 A  |

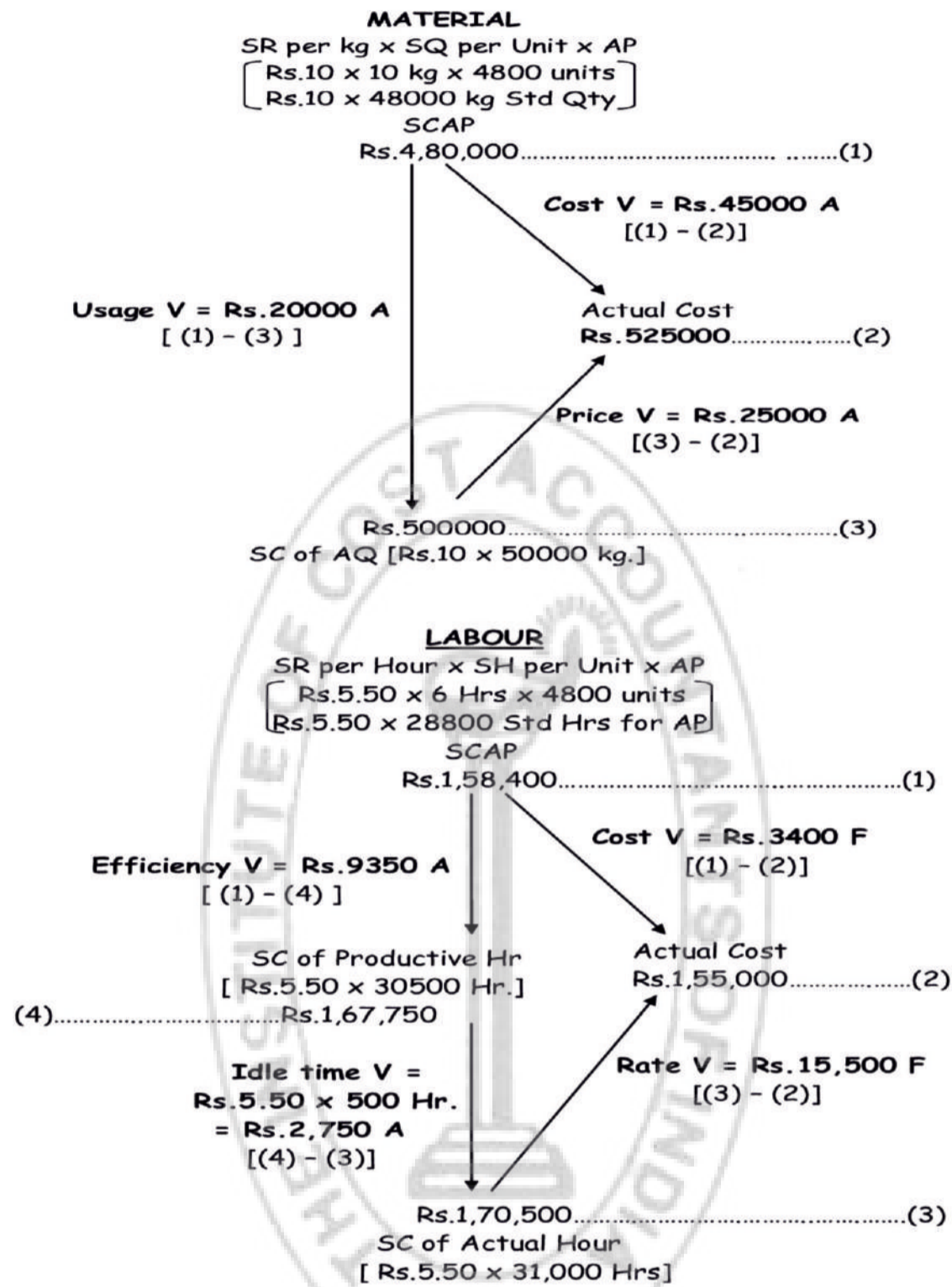
**Steps for Solution for both Question 1 and 2 :**

- 1) Draw diagrams as shown in respect of each Question.
- 2) Put the given data as well as data derived from the Working Notes in the appropriate places of the diagrams as specified.
- 3) Start connecting the same by the arrows having spearheads in the way embodied therein.
- 4) The requisite Variances / data will emerge automatically.
- 5) In case of any difficulty, please have a look to the **Solutions through diagrams** at the end of this e-bulletin.

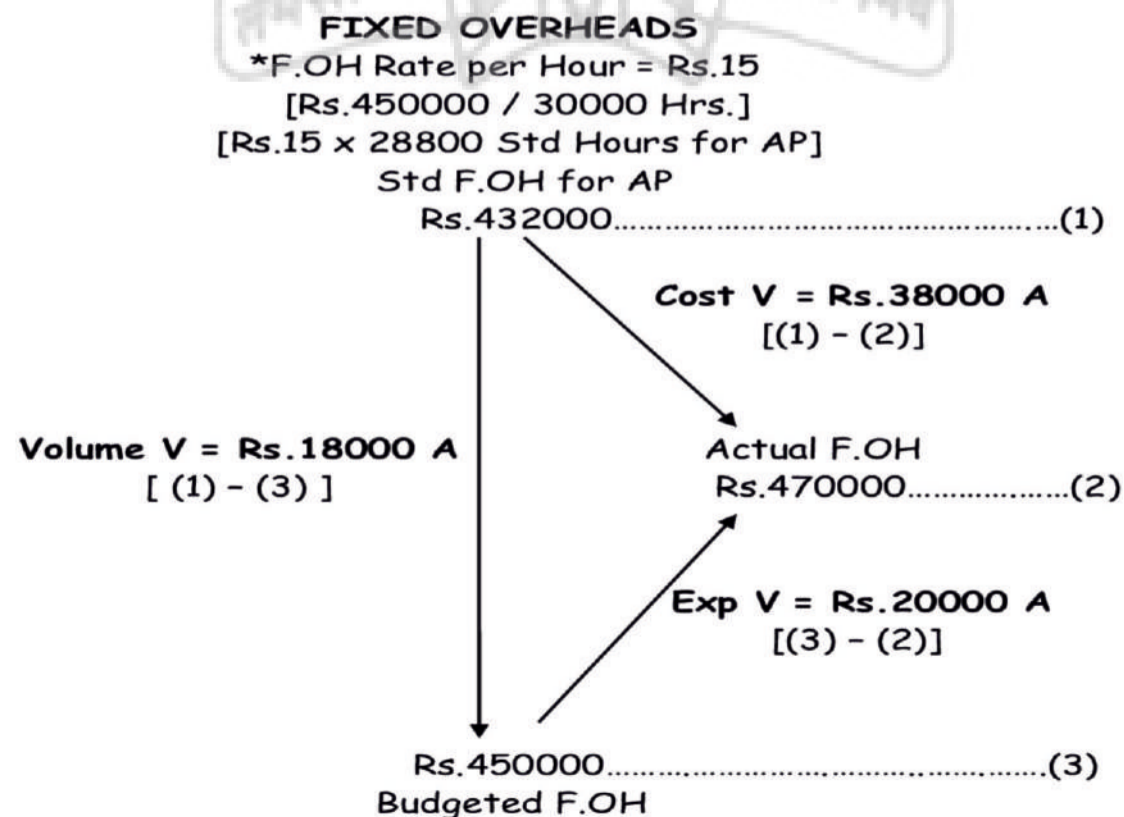


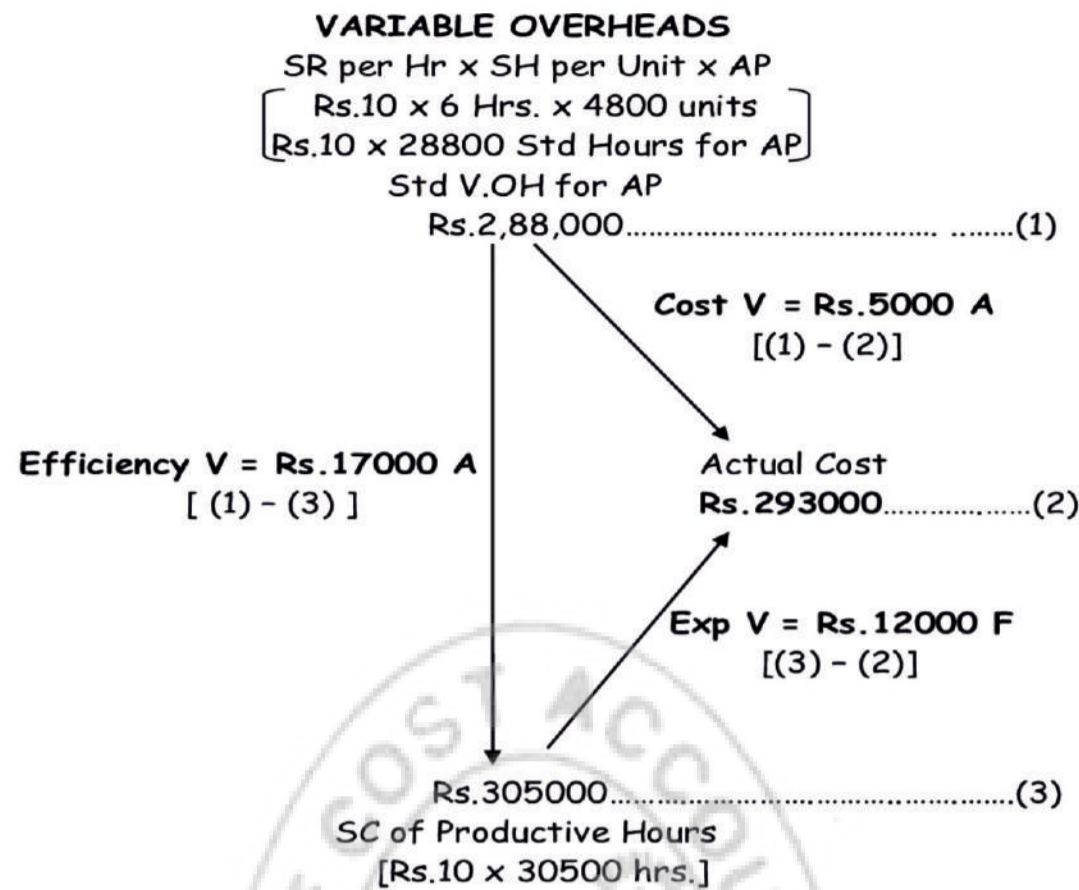
**Solution with Working Notes :**

**Solution :** Basic data : Actual Production (AP) = 4800 Units.



\* PRODUCTIVE HOURS : 31000 - 500 = 30,500 HRS.  
 NOTE : Cost V = Efficiency V + Idle time V + Rate V



**Question No. - 2 (Working back)**

In a certain period, results were as follows :

Output	6,500 units
Wages Paid	Rs.48,750 for 16,250 hours
Material	Rs.34000 for 4,000 kgs.
Variances :	
Labour Rate	R.1,875 (adverse)
Labour efficiency	Rs.1,275 (favourable)
Labour idle time	Rs.700 (Adverse)
Material Price	Rs.1,850 (favourable)
Material Usage	Rs.1,200 (favourable)

What shall be the :-

**[ REG. MATERIAL ]**

- Standard Cost of Actual Quantity used (SC of AQ used) : (a) Rs.35,750 (b) Rs.35,850 (c) Rs.35,950 (d) Rs.36,000
- Standard Cost of Actual Production (SCAP) : (a) Rs.37,020 (b) Rs.37,030 (c) Rs.37,040 (d) Rs.37,050
- Standard Cost per unit : (a) Rs.5.70 (b) Rs.5.80 (c) Rs.5.90 (d) Rs.6.00

**[ REG. LABOUR ]**

- Standard Cost of Actual Hours (SC of AH) paid for : (a) Rs.46,575 (b) Rs.46,675 (c) Rs.46,775 (d) Rs.46,875
- Standard Cost of Productive Hour : (a) Rs.46,075 (b) Rs.46,175 (c) Rs.46,275 (d) Rs.46,375
- Standard Cost of Actual Production (SCAP) : (a) Rs.47,250 (b) Rs.47,350 (c) Rs.47,450 (d) Rs.47,550
- Standard Cost per unit : (a) Rs.7.30 (b) Rs.7.40 (c) Rs.7.50 (d) Rs.7.60
- Labour Cost Variance : (a) Rs.1100 F (b) Rs.1100 A (c) Rs.1300 F (d) Rs.1300 A

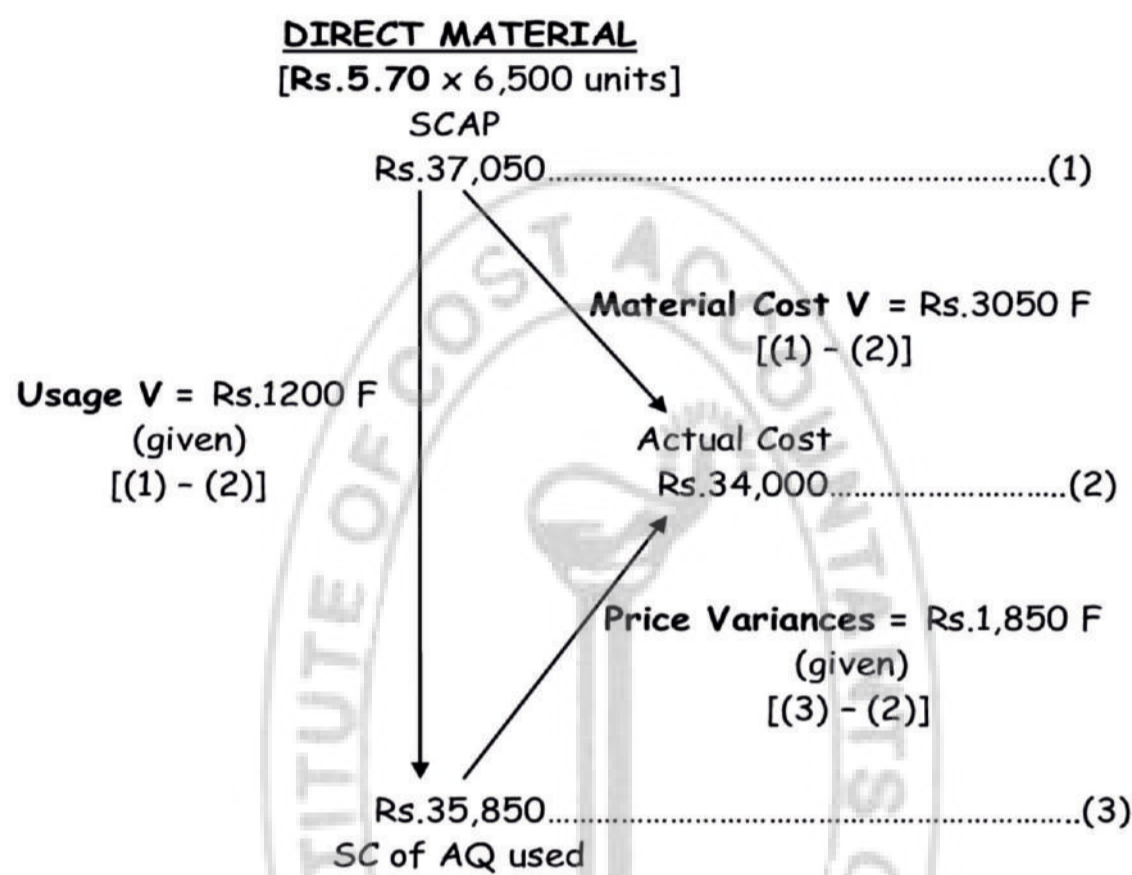
**[ REG. PRIME COST ]**

- Prime Cost per Unit : (a) Rs.11.00 (b) Rs.12.00 (c) Rs.13.00 (d) Rs.14.00

**Answer :**

- |                  |                   |                  |
|------------------|-------------------|------------------|
| 1) (b) Rs.35,850 | 2) (d) Rs.37,050  | 3) (a) Rs.5.70   |
| 4) (d) Rs.46,875 | 5) (b) Rs.46,175  | 6) (c) Rs.47,450 |
| 7) (a) Rs.7.30   | 8) (d) Rs.1,300 A | 9) (c) Rs.13.00  |

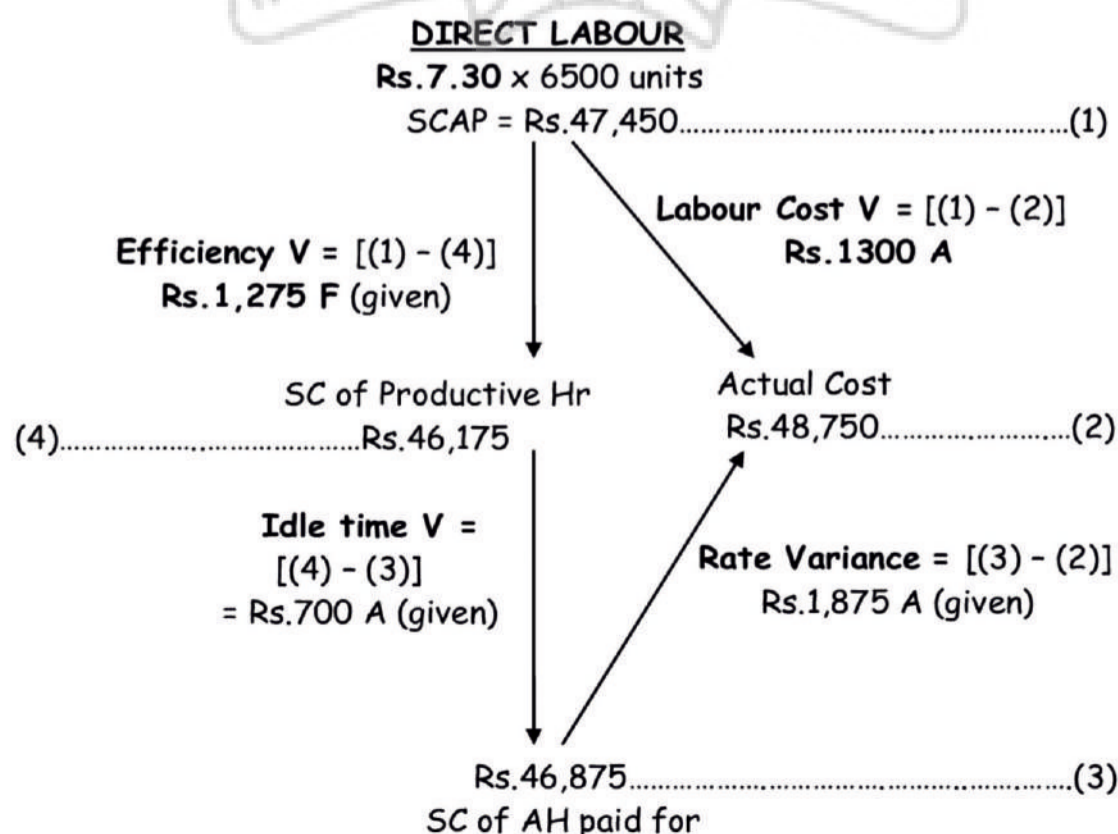
**Solution with Working Note :** Basic data : Actual Production (AP) = 6,500 units



\* We find,

Rs.34,000	Actual Cost
(+) 1,850	Price V (F)
35,850	SC of AQ
(+) 1,200	Usage V (F)
<b>37,050</b>	<b>SCAP</b>

\* Std Cost per unit x AP = SCAP  
So **Std Cost per Unit** = SCAP / AP  
= Rs.37,050 / 6,500 unit = **Rs.5.70**



\* We find,

Rs.48,750	Actual Cost
(-) 1,875	Rate V (A)
46,875	SC of AH paid for
(-) 700	Idle time V (A)
46,175	SC of Productive Hour
(+) 1,275	Efficiency V (F)
<b>47,450</b>	<b>SCAP</b>

\* SC per unit  $\times$  AP = SCAP

Or **SC per unit** = SCAP / AP

= Rs. 47,450 / 6,500 unit = **Rs.7.30**

Now we have, Direct Material Cost per unit	= Rs.5.70
Direct labour Cost per unit	= <u>Rs.7.30</u>
<b>Standard Prime Cost</b>	= <b><u>Rs.13</u></b>

### Solution through diagrams

A diagrammatic solution is characterized by arrows having spearhead in one side. The basic principle is that the amount standing at the spearhead side should always be deducted from that of the bottom side of the same. The resulting balance, if positive, signifies a Favourable Variance whereas a negative balance invariably signifies an Adverse or Unfavourable Variance, automatically. The principle involved can be clearly understood with a simple illustration following :

- 1) Rs.52 - Rs.48 = (+) Rs.4 = Rs.4 Favourable Variance, shown as Rs.4 (F)
- 2) Rs.52 - Rs.61 = (-) Rs.9 = Rs.9 Adverse or Unfavourable Variance, shown as Rs.9 (A)

Some of the multiple advantages associated with the diagrammatic solution of Variance Analysis are noted hereunder :

- 1) Diagram works as a road map which leads one to reach destination in the easiest way.
- 2) Diagrams are simple, easy to understand and use.
- 3) Solution can be arrived at within the shortest possible time.
- 4) Nature of Variance (Favourable or Adverse) emerges automatically due to in-built system.
- 5) Inter-relationship of related Variances are clearly visible and understood.
- 6) Inconsistency in on-going computation is promptly detected for correction.
- 7) It is easier to memorize the diagrams than a bunch of confusion-raising formulae.

A sincere practice of Variance Analysis through diagrams over a couple of days is likely to pay a rich dividend.

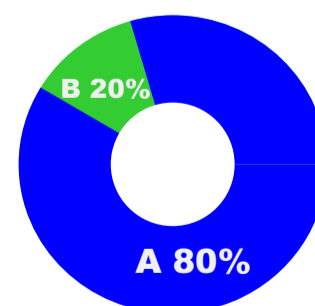


GROUP: II, PAPER:11

# INDIRECT TAXATION (ITX)

Ms. Poushali Das  
Asstt. Professor,  
Scottish Church College  
She can be reached at:  
[das.poushali16@gmail.com](mailto:das.poushali16@gmail.com)

## Your Preparation Quick Takes



### Syllabus Structure

A Canons of Taxations -  
Indirect Tax GST **80%**  
B Customs Laws **20%**

**Learning objectives:**

- The concept of tax and the objective for its levy
- The concept of direct and indirect tax and the differences between the two
- The basic features of indirect taxes
- What are the principal indirect taxes
- As to how the indirect taxes are administered in the country

**GST.****How to change GST registration details of a business?**

In this article, we will discuss what a business owner needs to do if he/she has to change or update the GST registration details. There may be a need to modify registration details later on due to mistakes made while applying for GST registration or due to any changes during the course of the business over a period of time. It is also called the amendment of GST registration details as per the GST law in form REG-14.

Who can update GST registration details?

The following persons can apply for any amendment to registration on the GST portal:

- New GST registrants & normal taxpayers
- TDS and TCS registrants, UN Bodies,
- Embassies & other notified person having the UIN
- A GST practitioners
- Online Information and Database Access or Retrieval (OIDAR) Service Providers
- Non-Resident taxable persons.

A business can update or correct its GST registration details when:

1. The application is being processed and
2. The business is already registered under GST (application is already processed)

What are Core and Non-core fields in GST Registration details?

The fields of a GST registration application are classified as core and non-core fields. Through this, the taxpayer can identify and know whether or not a particular field being amended requires the jurisdictional tax official's approval for amendment, if it happens to be a core field. Whereas, amendments of non-core fields are automatically approved once the amendment application is filed. However, in the case of core fields, if the tax officer does not approve within a stipulated time period, then it is considered automatically approved.

Core fields are as follows:

- Business name, (Legal Name) if there is no change in PAN
- Principal and additional places of business (other than any change in the State)
- Addition or deletion of stakeholders such as promoters or partners or Karta or Managing Committee or CEO.

Non-core fields are as follows:

The rest of the fields other than the core fields, mentioned above, will be called the non-core fields under GST. These include:

- Addition or deletion or modification of bank details
- Business details
- Description of goods and services
- Editing state-specific information (Not being any change of State)
- Authorised signatories or representatives
- Modifying details of existing stakeholders such as promoters or partners or Karta
- Minor modifications in existing principal and additional places of business

Note that for change to the mobile number or e-mail address of the authorized signatory, simply submit the form GST REG-14 and verify online through the GST portal.

Can the PAN number and State be changed or updated?

No, the PAN number cannot be changed for a particular GST registration. In this case, there is any mistake in the PAN number or a change in the PAN due to a change in the constitution of business (like proprietor to partnership). Then, the applicant will have no other choice except to file for a fresh registration using the form GST REG-01.

It is because the GSTIN number is based on the PAN and GSTIN gets changed. Likewise, if there is a change in the principal place of business from one State to another, GSTIN gets modified. Therefore, it also requires the cancellation of existing registration and application for a new GST registration.

What is the process of changing or updating the GST registration details?

Know the process and timelines in gist with the help of the flowchart:

How to change your details after GST registration  
Steps to follow for Amending the Core fields

Step 1: Login to the GST portal and navigate to Services > Registration > Amendment of Registration Core Fields

Step 2: Click on one of the four relevant tabs of core fields that you want to amend, as follows:

Business details, principal place of business, additional place of business and promoters/partners details are the core field tabs appearing on the screen. The steps following their selection are mostly common among all of them.

Step 3: Make the necessary amendments - Add, delete or edit details. Upload the supporting documents wherever asked for.

Submission of documents are required for the following amended core fields:

Principal place of business - Address proof (Note that document is not required for adding or editing details in additional place of business)  
Changes in details of Partners or Promoters - ID proof

Step 4: Enter the reason for the amendment, the date of the amendment and click on the 'Save & Continue' button.

Step 5: Complete verification as an authorised signatory using DSC, e-Signature or EVC. An Application Reference Number (ARN) gets generated. Acknowledgement is sent in 15 minutes to the registered email ID and mobile number of the signatory.

Thereafter, the tax officer processes the application for the amendment to the core field. If he approves, then an approval order in form REG-15 gets generated and can be downloaded from the GST portal along with the amended registration certificate. A message is sent to e-mail ID and mobile number for rejection. The change will take effect from the date of occurrence of the event.

Note: If ARN is already generated for a particular amendment done on the core field and it is under processing by the officer, you cannot apply for another amendment until the previous one gets processed completely.

Steps to follow for Amending the Non-core fields

Step 1: Login to the GST portal and navigate to Services > Registration > Amendment of Registration Non - Core Fields hyperlink.

Step 2: Click on one of the four relevant tabs of non-core fields that you want to amend, as follows:

Step 3: Make the necessary amendments - Add, delete or edit details. Upload the supporting documents wherever asked for. Click on 'Save & Continue' button to proceed.

Step 4: Complete verification through the authorised signatory using DSC, e-Signature or EVC.  
A message of successful application submission appears after submitting an application for registration amendment. In the next 15 minutes, you will receive an acknowledgement to your registered email address and mobile phone number. The primarily approved signatory will receive an SMS and an email informing them of the ARN and the effective filing of the Form.

Non-Core field amendments are automatically allowed after a satisfactory filing by the taxpayer and do not need to be processed by the Tax Official. The change will take effect from the date of occurrence of the event.

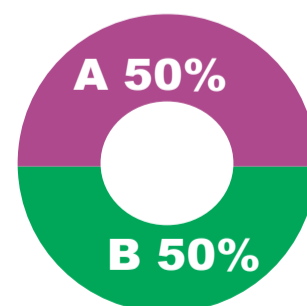
Note: If you have already applied for a core field amendment and an ARN has been created, but the application has yet to be accepted by any tax authority, you will receive the message as given below when applying for a non-core field amendment. If you want to continue, select YES; otherwise, select NO. If you choose Yes, any improvements to the core application that have been made for amendment will not be reflected in the Form.



**GROUP: II, PAPER:12**  
**COMPANY**  
**ACCOUNTS & AUDIT (CAA)**

Dr. Malay Kr. Nayak  
Associate Professor,  
Dept. Of Commerce,  
M.B.B.College, Tripura  
He can be reached at:  
[malay\\_nayak@ymail.com](mailto:malay_nayak@ymail.com)

# Your Preparation Quick Takes



## Syllabus Structure

- A Accounts of Joint Stock Companies 50%
- B Auditing 50%



**Learning Objectives:**

- Apply appropriate judgment derived from knowledge of accounting theory, to financial analysis and decision making
- Effectively define the needs of the various users of accounting data and demonstrate the ability to communicate such data effectively, as well as the ability to provide knowledgeable recommendations.
- Prepare financial statements in accordance with Generally Accepted Accounting Principles.
- Demonstrate an understanding of current auditing standards and acceptable practices, as well as the impact of audit risk on the engagement.

**Company Accounts & Audit****Q 1. What is Gross profit ratio?**

Ans-Gross profit ratio is a financial ratio that measure the performance and efficiency of a business by dividing its gross profit and the net sales.

$$GP \text{ ratio} = \frac{\text{Gross profit} \times 100}{\text{Sales}}$$

**Q 2. How do you calculation the value of stock at the date of fire?**

Ans-Value of stock at the date of fire calculate in the memorandum trading account

Memorandum Trading account as for the period from.....

Particulars	AMOUNT	Particulars	AMOUNT
Opening stock	xxxx	Sales	xxxx
Purchase	xxxx	Closing stock (B/F)	xxxx
Profit & Loss account (% of sales)	xxxx		

**Q 3. What is the average clause?**

Ans- Average clause is clause by which an insurer determines that the payment for any damage or any loss will be in proportion to the value insured. Payment by the insurance company will be reduce according to policy value.

$$\text{Amount of claim} = \text{Actual loss} \times \frac{\text{amount of policy}}{\text{Value of stock at the date of fire}}$$

**Q 4. What is standard Turnover?**

Ans-It is the turnover during the period of 12 month immediately preceding the date of the damage which corresponds with the indemnity period. Suppose ,fire accident happened on 1<sup>st</sup> July 2020 ,indemnity period 5 months(1<sup>st</sup> July 2020 to 30<sup>th</sup> Nov 2020) and standard turnover will be the amount which corresponds from 1<sup>st</sup> July to 30<sup>th</sup> Nov 2019.

**Q 5. What do you mean by reduction in turnover?**

Ans:- When standard turnover exceeds the actual turnover during the period of interruption the same is known as short sales or reduction of turnover. Its different between Standard turnover and actual turnover.

**Q 6. What is indemnity period?**

Ans-It is the period from the date of damage /hazard up to the date when the business begins its normal functions, subject to the mentioned in the policy.

**Q 7. Sham took out a fire policy containing an average clause covering his stock for Rs. 30,000. His practice was to fix his selling price at the cost plus 33.33% . He closes his books of june every year. On 31.3.2008 a fire occurred at his premises and destroyed his stock. The salvaged stock was worth Rs. 12,000. During the period of 9<sup>th</sup> months preceding the fire his purchase amounted to Rs.1,22,000 and sales Rs. 1,68,000. His stock at 1.7.2007 was valued at Rs. 40,000. You are required to prepare a statement showing the amount of claim.**

Ans-

Particulars	AMOUNT	Particularse	AMOUNT
To opening stock	40,000	By sales a/c	1,68,000
To purchase	1,22,000	By closing stock (b/f)	36,000
To profit and loss a/c (25% Of sales)	42,000		

Amount of claim

Value of closing stock

Rs. 36,000

Less; stock salvaged

Rs.12,000

Actual loss of stock / Amount of claim

Rs.24,000

Average clause is applicable = Net claim X  $\frac{\text{policy value}}{\text{Value of stock at the date of fire}}$

$$\begin{aligned} & \text{Value of stock at the date of fire} \\ & = 24,000 \times \frac{30,000}{36,000} \\ & = 20,000 \end{aligned}$$

**Q 8. Stock destroyed by fire is-**

- (A) Normal loss,
- (B) Abnormal loss
- (C) Both
- (D) None of these .

**Answer:- (B) Abnormal loss.**

**Q 9. Stock salvaged is to be -**

- (A) Added to closing stock ,
- (B) Subtracted from closing stock
- (C) No effect
- (D) None of these.

**Answer :- (B) Subtracted from closing stock.**

**Q 10. Average clause is applicable when-**

- (A) policy value is more than actual value
- (B) policy value is less than actual value
- (C) Both cases
- (D) None of these.

**Answer:- (B) policy value is less than actual value.**

**Q 11. Short sales means :-**

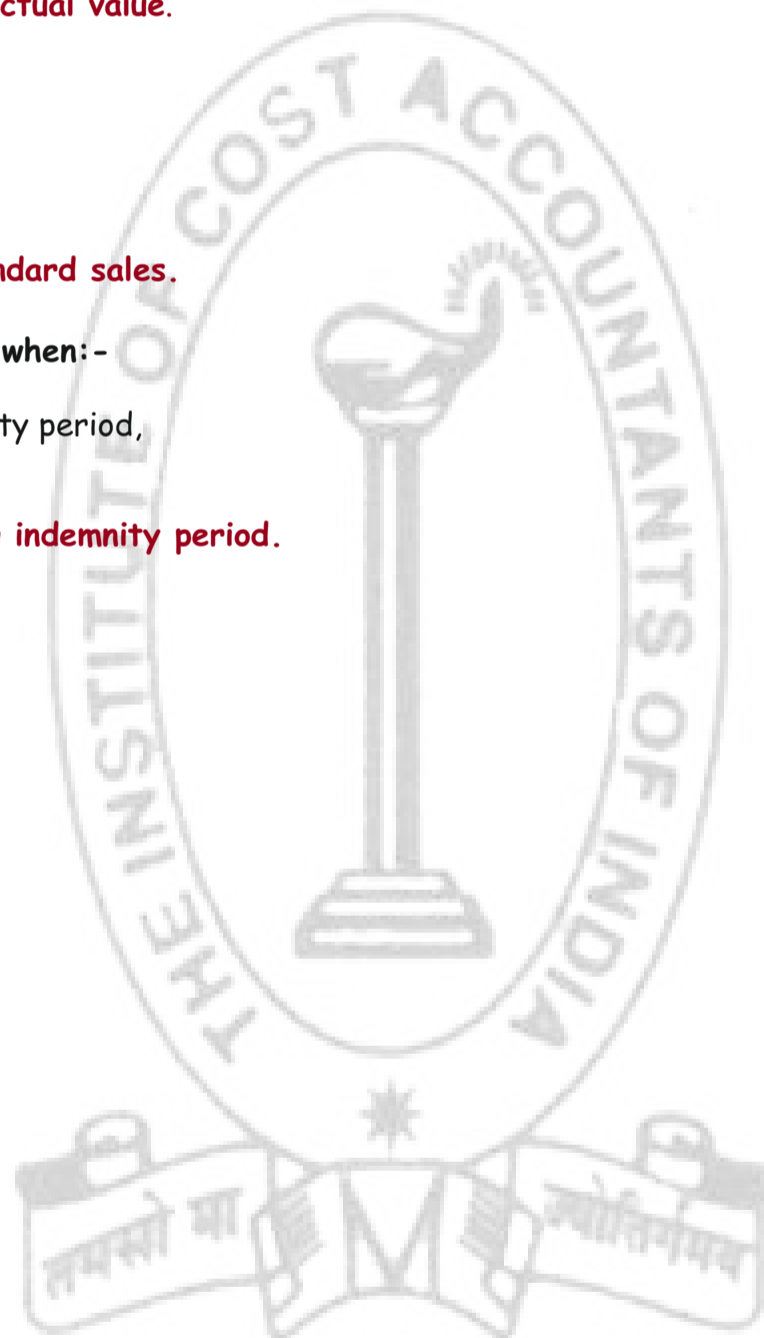
- (A) Standard sales exceeds actual sales ,
- (B) Actual sales exceeds Standard sales,
- (C) both
- (D) None of these.

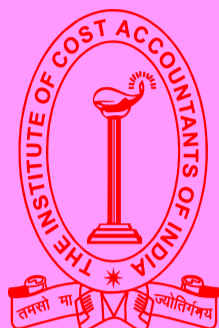
**Answer:- (B) Actual sales exceeds Standard sales.**

**Q 12. Increase cost of working means when:-**

- (A) Additional expenditure incurred,
- (B) expenditure incurred during indemnity period,
- (C) Fixed cost incurred
- (D) None of these.

**Answer:- (B) expenditure incurred during indemnity period.**





# PRACTICAL Advice

## ABOUT YOUR STUDIES - INTERMEDIATE 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**

**Solve Exercises  
given in Study Note**

02

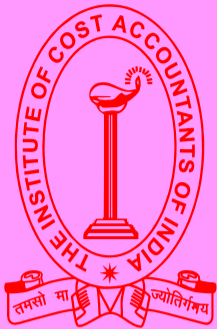
03

**Assess Yourself**

**Appear For Examination**

04

FINISHED



# SUBMISSIONS



## 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](http://www.icmai.in) at request option.

Dear Students,

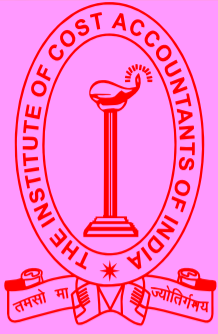
We are very much delighted to receive responses from all of you; for whom our effort is!

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.

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Send your Feedback to:  
e-mail: [studies.ebulletin@icmai.in](mailto:studies.ebulletin@icmai.in)  
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## Message from Directorate of Studies

Dear Students,

Heartfelt wishes to you for passing the exam!! All who passed out have been sincere and diligent since day one and never failed to amaze us with your dedication. You've proved that dedication and learning end at resulting in excellent outcomes. Best wishes for achieving the best place. So proud to call you our student! Congratulations and best wishes for your life. May your future be filled with many great achievements like this.

Those who could not pass out please be steady and we believe, everyone has intellect and presence of mind. But only a few students who can deliver the right thing at right time and with right courage become the winner in the examination. So, please try to deliver your best in your next examination.

We from the Directorate of studies know your expectations from us and accordingly we are trying to deliver some meaningful tips through the publications of monthly E-bulletins. If you sincerely follow those tips, we hope, you will be successful in your endeavor.

To celebrate **75 years of independence and commemorate it as India is celebrating, 'Azadi Ka Amrut Mahotsav'**, across the country and amid the coronavirus pandemic and also organizing various events. India's freedom fighters fought a long and hard struggle for the country's independence from the British and, for years, their words have inspired us. We hope that our students will also participate and pay their homage to the freedom fighters.

**Certain general guidelines are listed below and which will help you in preparing yourselves:**

- Conceptual understanding & Overall understanding of the subject should be clear.
- Candidates are advised to go through the study material provided by the Institute in an analytical manner.
- Students should improve basic understanding of the subject with focus on core concepts.
- The Candidates are expected to give to the point answer, which is a basic pre-requisite for any professional examination.
- To strengthen the answers candidates are advised to give answer precisely and in a structured manner.
- In-depth knowledge about specific terms is required.
- Write question numbers correctly and prominently.
- Proper time management is also important while answering.

Please refer the link mentioned below :

<https://icmai.in/studentswebsite>

- Don't give up
- Don't give in
- Don't give out
- You can win!

**The Institute is pleased to inform that the University Grants Commission (UGC) Ministry of Education, Govt. of India has announced that CMA qualification be Considered equivalent to PG Degree.**

**GOOD LUCK**

**Be Prepared and Get Success;**

**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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# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

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## Headquarters:

CMA Bhawan, 12 Sudder Street, Kolkata - 700016

## Delhi Office:

CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

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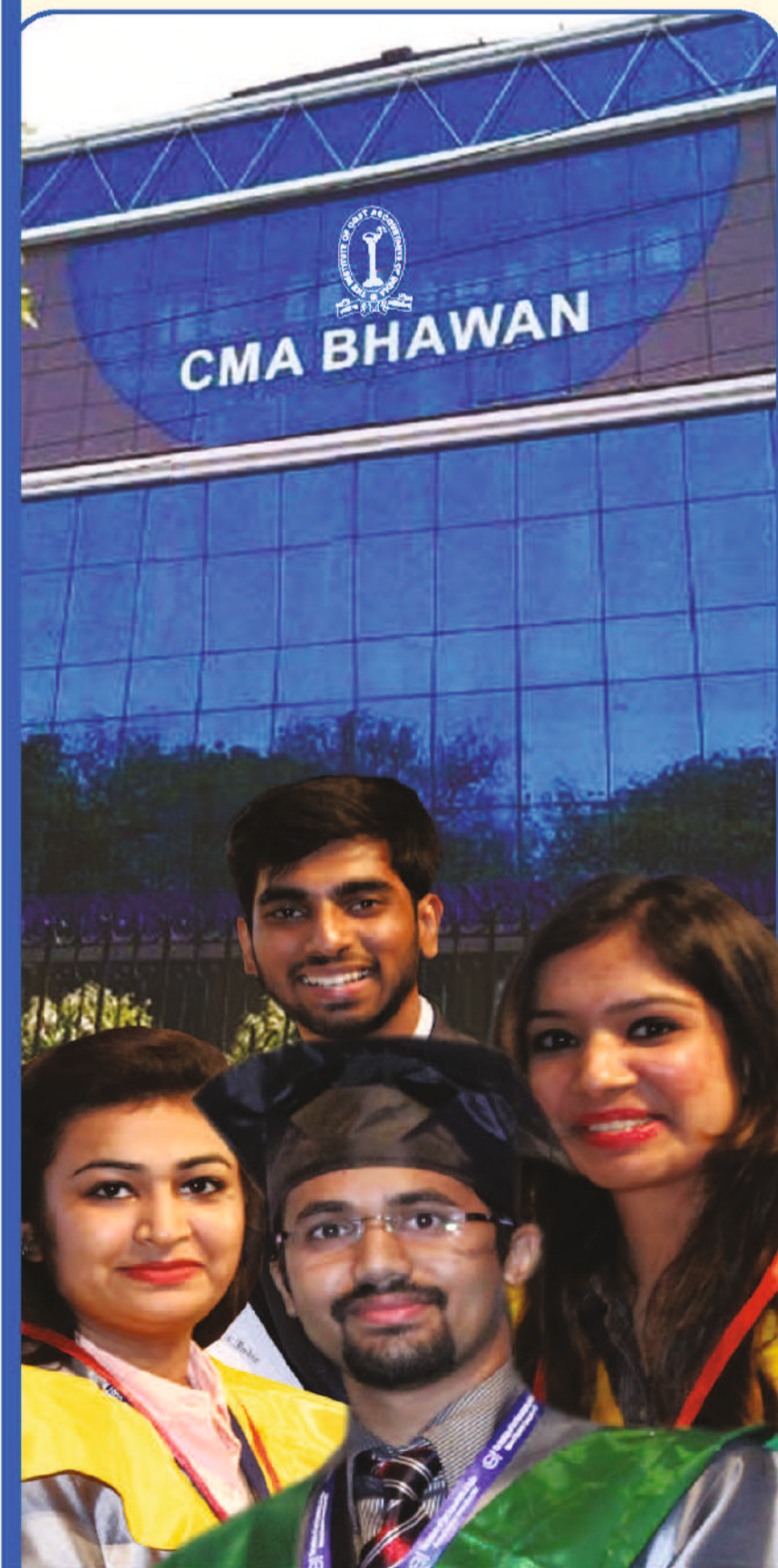
### Few of Our Proud Recruiters



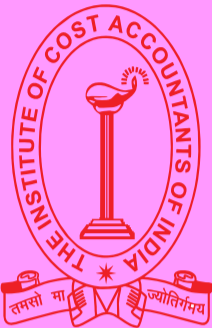
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# Few Snapshots



CMA P. Raju Iyer, President along with CMA (Dr.) Balwinder Singh, Past President & Council Member and CMA B.B. Goyal, Former Addl. Chief Adviser (Cost), Ministry of Finance, GoI, extending greetings to Smt. Nirmala Sitharaman, Hon'ble Union Minister of Finance and Corporate Affairs on 11th April, 2022.



Glimpses of the MOU signing ceremony between the Institute of Cost Accountants of India and Maharaja Sayajirao University Baroda on 30th March, 2022.



CMA Vijender Sharma, Vice President of the Institute along with CMA (Dr.) Sreehari Chava, Convenor, Task Force on Agri Cost Management and CMA N Raveendranath Kaushik, Member, Task Force on Agri Cost Management of the Institute extending greetings to Kum. Shobha Karandlaje, Hon'ble Union Minister of State for Agriculture & Farmers Welfare.

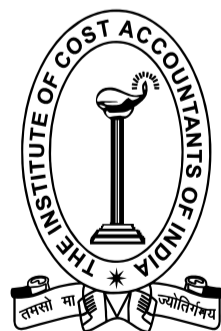


Valedictory Session of Pre-Placement Orientation Programme at Kolkata HQ on 26-03-2022



Glimpses of the MOU signing ceremony between the Institute of Cost Accountants of India and Ravenshaw University on 21st March, 2022.





# 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

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