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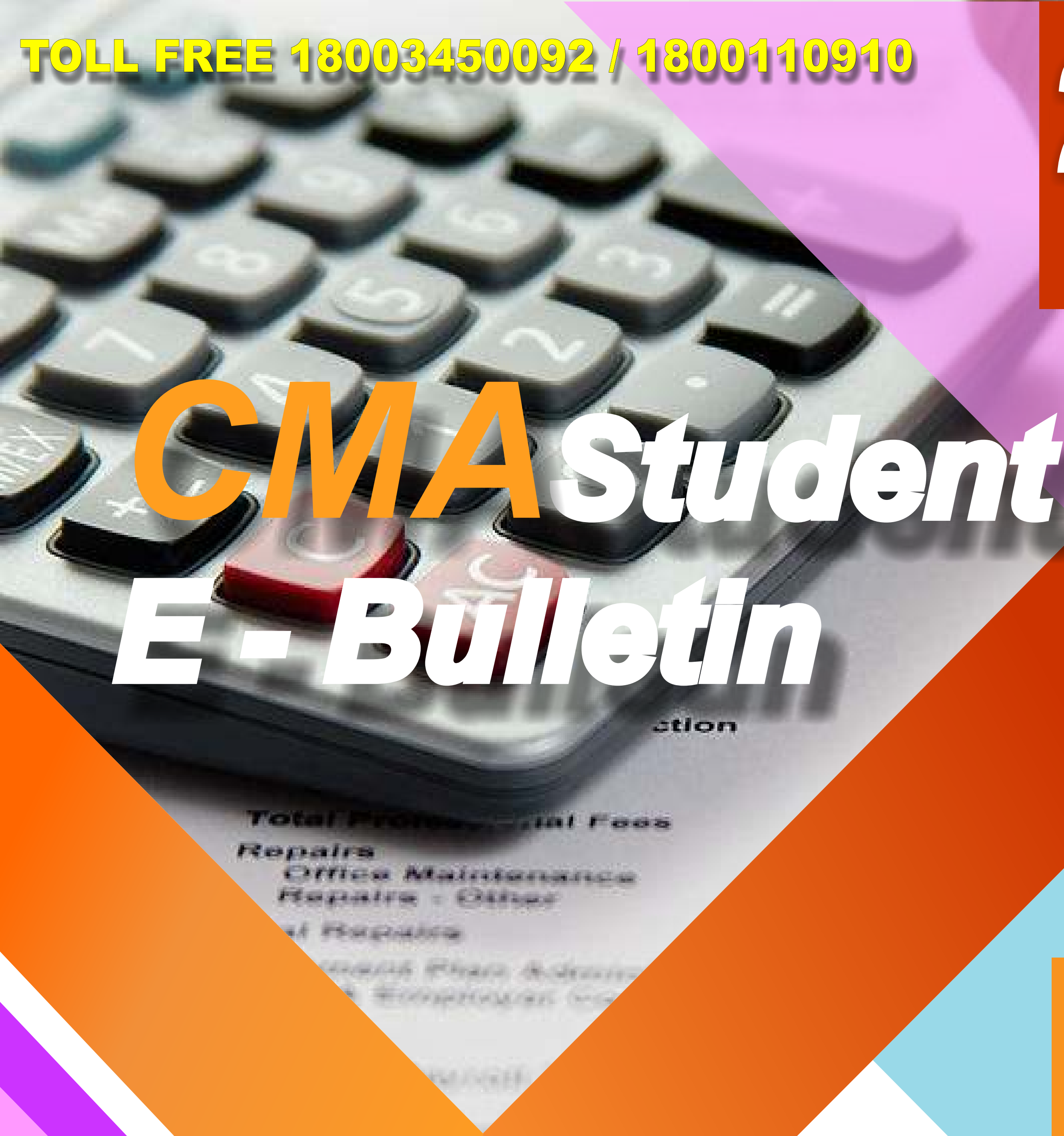

CMA Student E - Bulletin

150 YEARS OF CELEBRATING THE MAHATMA

INTERMEDIATE

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

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Behind every successful business decision, there is always a CMA

Message from The Chairman

CMA Manas Kumar Thakur

Chairman,
Training & Education Facilities (T& EF) Committee

CMA MANAS KUMAR THAKUR
Chairman, T & EF Committee
Directorate of Studies
President (2016-2017)

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MESSAGE FROM THE CHAIRMAN

Dear Students,

Greetings,

"Persistent questioning and healthy inquisitiveness are the first requisite for acquiring learning of any kind"- *M. K. Gandhi*

Education is the process of facilitating learning, or the acquisition of knowledge, skills, values, beliefs, and habits. Ideally, education enhances both cognitive and non-cognitive capabilities. Cognitive skills include knowledge, reasoning, problem solving, and communication abilities. Non-cognitive skills include discipline, focus, perseverance, punctuality, friendliness, and much more. If education makes individuals more productive, it stands to reason that a better-educated population will generate faster economic growth for a country.

Teachers are a key element to educational quality because they orchestrate instructional interactions with and between students around academic content, and these classroom interactions—in an ideal world—influence student learning. "All the world is a laboratory to the inquiring mind".

What I request you; **please read your Study Material carefully, follow MTPs and E-bulletins and practice to solve the problems meticulously. Work Book for Final students' has also been uploaded. I have come to know that you have enjoyed and benefitted from the Webinar Classes conducted by the Directorate of Studies.**

The Directorate of Studies is sincerely putting their effort to help you for coming out as a true professional and a torch bearer of the nation. Your duty is to grab the available resources, to derive the benefits given and to make you a successful professional. Academicians of repute are contributing in this bulletin despite their busy schedule; if you are having any doubts on any subject you may resolve those issues by mailing them.

"Develop a passion for learning. If you do, you will never cease to grow".

Best of luck for your all future endeavour,

CMA Manas Kumar Thakur

Be a CMA, be a Proud Indian

"Behind every successful business decision there is always a CMA"

CONTENTS

150 YEARS OF CELEBRATING THE MAHATMA

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.

Vol: 4, No.: 4.
April 2019, Issue

GROUP: 1, PAPER: 5

FINANCIAL ACCOUNTING (FAC)

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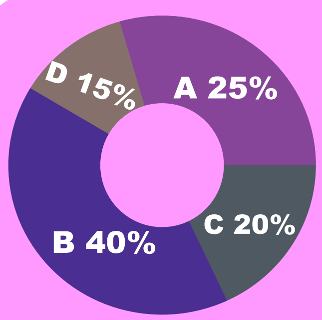
Your Preparation Quick Takes



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.

INSURANCE CLAIM – LOSS OF STOCK

In the last issue we have discussed the computation of insurance claim. In this issue we will take up some problems with adjustments of goods with poor selling line. Before putting the sum a recap of the treatment discussed in the last issue is given below.

Every business entity keeps sufficient stock as per the need and size of its respective business for smooth running of the business, but at the same time risk of loss by fire is a there. To safeguard the businesses from any unforeseen circumstantial loss, most of the business entities buy insurance policy, which covers loss of stock (by fire) — is known as stock policy.

In consideration of the premium, insurance company takes the responsibility to compensate — if any loss occurs by fire or by other means, applicable under the insurance terms. It is in the best interest of the firm to take fire insurance policy because it covers wide range of losses (by fire) including Building damage, Furniture and Fixture loss, Plant & Machinery destruction, etc.

FOLLOWING STEPS TO BE FOLLLOWED TO CALCULATE THE AMOUNT OF CLAIM:

1. Find the date of fire
2. Find the accounting year in which it relates (current accounting year)
3. Find the previous accounting year
4. Prepare trading account of the previous accounting year
5. Calculate gross profit ratio. G P ratio = GP/sales x 100 = x% say
6. Prepare te trading account pf the current accounting year upto the date of fire
7. Apply the GP % as calculated above on sales
8. Closing stock will come out as a balancing figure.
9. Prepare the statement of claim as follows:

Statement of claim	
Closing stock as calculated above	xx
Less : salvage value	xx
Gross claim	xx

Problem :

A fire occurred in the warehouse of Dev and co on 15.05.2017 causing a destruction of a large part of stock. The firm had a fire policy of Rs. 547200 to cover the loss of stock. From the following particulars calculate the amount of claim.

	Rs.
Purchase for the year 2017	3001600
Sales for the year 2017	3712000
Purchase from 1.1.2017 to 15.05.2017	582400
Sales from 1.1.2017 to 15.05.2017	768000
Stock on 1.1.2017	460800
Stock on 31.12.2017	774400
Wages paid during 2017	320000
Wages from 1.1.2017 to 15.05.2017	57600
Stock salvaged	89600

In 2017 some goods were destroyed by fire. The cost of such goods was Rs. 160000. These goods were not covered by insurance policy.

In valuing the stock of 31.12.2017 stock costing Rs. 34000 were found to be of poor selling line and Rs. 6000 in relation to such stock were written off. A portion of such goods (original cost rs. 5000) were sold in April 2018 at a loss of Rs. 1000 on original cost. Remainder of the stock are now estimated to be worth the original cost. Subject to the above exception gross profit has remained at a uniform rate throughout.

Solution:

1. Find the date of fire 15.5.2018
2. Find the accounting year in which it relates (current accounting year): 1.1.18 to 31.12.2018
3. Find the previous accounting year: 1.1.2017 to 31.12.2017
4. Prepare trading account of the previous accounting year:

Trading Account of M/s Dev and co
(For the year ending on 31st December, 2017)

	Total		Total
To opening stock	460800	By sales	3712000
To purchase	3001600	By loss	160000
To wages	320000	By closing stock:	
To gross profit	870000	• Normal item *	746400
		• Abnormal item	34000
	4652400		**4652400**

*774400-(34000-6000) = 774400-28000 = 746400

5. Calculate gross profit ratio. G P ratio = GP/sales x 100 = x% say

   870000/3712000 x 100 = 23.4375 %

6. Prepare the Trading account of the current accounting year upto the date of fire:

Trading Account of M/s Dev and co
(For the period 1.1.2018 to 15.05.2018)

	Normal	Abnormal	Total		Normal	Abnormal	Total
To opening stock	746400	34000	780400	By sales	764000	4000	768000
To purchase	582400		582400	By loss		1000	1000
To wages	57600		57600	By closing stock	801463	29000	830463
To gross profit	179063		179063				
23.4375% on 764000							
	1565463	34000	1599463		1565463	34000	1599463

7. Apply the GP % as calculated above on sales: (23.4375% of 764,000) = 179063

8. Closing stock will come out as a balancing figure.: Rs. 830463

9. Prepare the statement of claim as follows:

   Value of Stock= Rs. 830463

Less: Stock Salvage=	Rs.89,600
Gross claim=	Rs.740863

10. Insurance Claim to be lodged will be –

Net claim = gross claim x policy value / value of stock
= 740863 x 547200/830463
= 488162

Here an average clause will be applied because the value of insurance policy (Rs.547200) is less than the value of stock (Rs. 830463) on the date of fire.

A similar kind of problem is also given below for your practice:

Mr. Bimal Bhandari suffered a loss of stock on 31.3.2010. From the following information, prepare a statement showing claim for the loss to be submitted:

	Rs.		Rs.
Stock on 1.1.2009	76,800	Closing stock on 31.3.2009	63,600
Purchase during the year 2009	3,20,000	Purchases from 1.1.2010 to 31.3.2010	1,08,000
Sales during the year 2009	4,05,200	Sales from 1.1.2010 to 31.3.2010	1,22,800

An item of goods purchased in 2008 at a cost of Rs. 20,000 were valued at Rs. 12,000 on 31.12.2008. Half of these goods were sold for Rs. 5,200 during 2009, and the remaining stock was valued at Rs. 4,800 on 31.03.2009. One fourth of the original stocks was sold for Rs. 2,800 in February 2010 and the remaining was valued at 60% of the original cost. With this exception of this item, the rate of gross profit remained uniform. There was an average clause in the insurance policy which was for Rs. 3,00,000. The stock salvaged was Rs. 24,000.

Practice this kind of sums. In the next issue we will discuss the case of loss of profit.

GROUP: 1, PAPER: 6

LAWS & ETHICS
(LNE)

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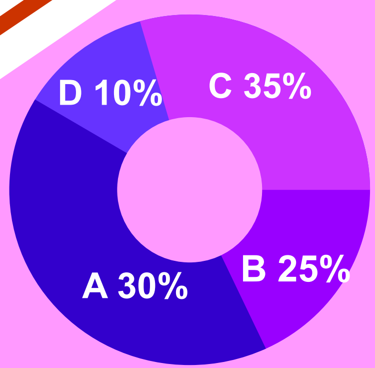
150 YEARS OF CELEBRATING THE MAHATMA

Your Preparation Quick Takes



Syllabus Structure

A Commercial Laws **30%**
B Industrial Laws **25%**
C Corporate Law **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.

LAW & 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 respect of such papers, you are reminded that since you are taking an exam, you must first focus on securing marks. For that, you must study the relevant Sections of the Act, first write what the question wants and then attempt to elaborate by analyzing and commenting on the interpretations of the Act.

In this issue let us deal with Employees Provident Fund and Miscellaneous Provisions Act, 1952

Let us start step by step. Ask yourself these questions and find the answers –

What is this Act ? This Act is purely a Social Welfare legislation. What does the Act provide ? It provides **Social Security and timely monetary assistance.**

Who gets the assistance? Monetary Assistance is **provided to industrial employees working in factories and other establishments and their families when they are in distress.**

Where does the monetary assistance come from ? Through the **institution of Provident Fund, Pension Fund and Deposit Linked Insurance Fund.**

Who manages the Employees' Provident Fund Scheme (EPF Scheme) ? It is managed under the aegis of **Employees' Provident Fund Organization (EPFO).**

Which organizations are covered ? **It covers** every establishment in which 20 or more persons are employed. However, certain organizations are covered even if they employ less than 20 persons, subject to certain laid conditions and exemptions.

The Central Government has framed the following specific Schemes under the Act to provide benefits to the workers and their dependents :

1. The Employees' Provident Fund Schemes,1952 (EPF) ;
2. The Employees' Pension Scheme,1995 (EPS) and
3. The Employees' Deposit – Linked Insurance Scheme,1976 (EDLI)

What is the Eligibility Criteria for joining the EPF Scheme ? As per the Rules, **employee whose pay is more than Rs.15,000 per month at the time of joining** is not eligible. Employees drawing less than Rs.15,000 per month **have to mandatorily become member of the Employees' Provident Fund.** It may be noted that an employee who is drawing a pay above Rs.15,000 per month can become members with the permission of the Assistant Provident Fund Commissioner, if the employee as well as his employer agree.

What are the Formalities to be complied by the Employer for eligible employees joining an employment ?

A EPF Form 5 is filled by an employer every month mentioning the details of new employees joining **qualifying for the membership of** 'Employees Provident Fund, **Employees' Pension Scheme and Employees' Deposit Link Insurance Fund for the first time** during a specific month, that is, those who are eligible for EPF services. For all new joinees in a particular month, the employer has to **let EPFO know about it by 15th of the next month**

What happens after the EPF Form No.5 is submitted to the EPFO ? Submission of EPF Form 5 means that the EPFO is intimated about the new employees joining . Thereafter, the new Universal Account Numbers **(UAN)** are allotted to those members by EPFO and contributions (both employee's and employer's) start getting deposited in their accounts.

What is Universal Account Number ? UAN is a **One time permanent number** which is to be allotted by EPFO and will remain the same for an employee during his/her entire career. If a member is already allotted a UAN then he/she is required to provide the same on joining new establishment to enable the employer to in-turn mark the new allotted Member Identification Number (Member Id) to the already allotted Universal Identification Number (UAN).

Is UAN manadatory ? UAN has been made mandatory for all employees and is intended to help in managing the EPF account and enable fast PF transfer and withdrawals. In most cases, the employer provides the UAN and the employee just has to get it activated by providing relevant KYC (Know Your Customer) details like bank account and Aadhaar number to the employer. Now, whenever an employee joins an organization/establishment, a New Form No.11 has to be submitted by the New Employee to the New Employer. The New **Form No.11 is a Declaration** by a person taking up employment in any establishment on which EPF Scheme, 1952 and /of EPS1995 is applicable). If the employee already has an UAN allotted earlier from a previous employment, he/she simply has to quote that UAN in the Form No.11 along with details of Previous PF Account Number, Date of exit from previous employment, etc.

EPFO will receive the individual new employee's PF contributions only if UAN is linked to current employer and **Know Your Customer (KYC)** compliant Universal Account Number (UAN), is activated and seeded to the individual's bank account.

Now, having covered the points regarding Contributions to Provident Fund, let us know **how the Balance in the Employee's PF Account can be utilized by the PF Member concerned**. We know that PF Contributions are actually meant to be utilized post retirement by the employee. However, the EPFO allows the member concerned to draw money out one's EPF Account even during the course of employment. Such withdrawals are treated as 'advances' and not loans. So the question arises -

Are Advances out of the EPF Balance permitted ? Yes it is permitted subject to specific criteria which are to kept in mind while taking the Advance, depending on the specific situations, such as : the number of years of service, for buying a house or for building a house or buying a plot of land and even for construction of a house on a plot owned by the member, for repaying an outstanding home loan, or for meeting medical needs of self or family members, or for post matriculation education of son/daughter or marriage of self/daughter/son/brother/sister etc.

The amount allowed to be taken out of the EPF Account is considered as an advance therefore, since **the amount drawn is not a loan**, naturally the question of paying interest on such advances does not arise. Naturally, it goes without saying that since it not a loan, **it is not necessary to repay the advance**.

Is the Number of years of continuous service of the employee important ? The answer is Yes , but why ? The **EPF withdrawal is not taxable if one has completed at least five years of continuous service**. If one has switched jobs in less than five years but transferred the EPF to the new employer, it will be counted as continuous service. We all know that usually an employee tends to switch jobs in the early stage of his career for obvious reasons. Therefore , employees who are quitting one job have Two Options with regard to their EPF and those are - Either withdraw it after waiting for 60 days (if unemployed) or transfer the balance to the new employer under the same UAN. and it will be counted as continuous service.

How can an employee avail advance from his EPF ? The process is now very simple. The employee concerned must ensure that his/her **Know Your Customer (KYC)** compliant Universal Account Number (UAN), is activated and seeded to the his/her bank account, and thereafter, the UAN Based Form 31 (New) can be directly submitted to the EPFO by the concerned employee. Otherwise, the concerned employee may fill in Form 31 and submit it to the EPFO through his/her employer.

Are there any Tax implications of withdrawing the PF balance without completing five continuous years of service ? The **answer is Yes** and those are :-

a) the total employer's contribution amount along with the interest earned will get taxable in the year of withdrawal.
b) the amount of deduction claimed under Section 80C on one's own contribution will be added to one's income in the year of withdrawal.
c) Moreover, the interest earned on one's own contribution will also be subject to tax.
d) No TDS (Tax deducted at Source) is deducted if the employee withdraws PF after five years.
e) TDS shall not be applicable in case of PF transfer from one account to another.

Who are the contributors to the EPF Scheme ? Under EPF Scheme, an employee has to contribute towards the Scheme (called **Employee's Contribution**) and an equal amount of contribution is paid by the Employer (called **Employer's Contribution**).

What is the rate of Contribution and on what amount is the percentage contribution calculated? The contribution paid by the employer is **12%** of basic wages plus dearness allowance plus retaining allowance for organizations **employing more than 20 persons**.

Is there any exception ? Yes, in the case of **establishments which employ less than 20 employees** or meet certain other conditions, as per the EPFO rules, the contribution rate for both employee and the employer is limited to **10 percent**.

How much goes to the Employees Pension Scheme (EPS) ? Here it is to be remembered that **out of employer's contribution, 8.33%** will be diverted to Employees' Pension Scheme, **but it is calculated on Rs 15,000**. If the basic pay is less than Rs 15000 then 8.33% of that full amount will go into Employees Pension Scheme, the balance will be retained in the Employees Provident Fund Scheme.

Can an employee contribute more than 12% to the Provident Fund ? Yes, **this is called Voluntary Contribution** to PF **(VPF)**. This VPF also earns tax-free interest. However, the employer does not have to match such voluntary contribution. This extra amount is accounted for separately.

The following Breakup of EPF Contribution will help in better understanding -

12% of the employee's salary (Employee's Contribution)goes towards the EPF.

Whereas the Employer's contribution is divided as below:

1. 3.67% goes towards contribution for EPF(Employees Provident Fund)
2. 8.33% goes towards contribution for EPS (Employees Pension Scheme)

3. 0.5% goes towards contribution for EDLI(The Employees' Deposit – Linked Insurance Scheme)
4. 1.1% goes towards contribution for EPF administration charges
5. 0.01% goes towards contribution for EDLI administration charges

From the above, we find that the employer contribution is 13.61%. The premium and management charges are borne by the employer and the maximum limit is set at 0.5% of Rs.15,000.

Are there any Concessions on the Rate of Contribution ? The answer is Yes, the **Rate can be 10 %** provided :

i. Any establishment has **less than 20** employees.
ii. Any sick unit has been **declared as sick** by the Board for Industrial and Financial Reconstruction (BIFR).
iii. Any establishment that **has accumulated losses** equal to or exceeding its net worth.
iv. Establishments are in the category of **Jute** industry, **Bidi** industry, Coir industry and/or **Guar gum** factory.

Contribution to EPF by Women Employees

The Union Government announced in the Union Budget,2018 that the contribution towards EPF has been decreased to 8% for Women Employee ,for the first three years.

However, the **employer's contribution towards EPF remains the same at 12%.**

EPF contribution exclusively for new employees covered by EPFO who are registered until 31 March 2019.

There is now a major change brought by the Government.
For a new employee who will be covered by the EPFO, the employer will not make any contribution. Instead, the government will make this contribution, which will be 10%(for organizations with less than 20 employees) or 12%. This will be paid for the initial 3 years of the concerned employee's employment and it will include both EPS and EPF.

The payment will be made even to the existing beneficiaries whose 3 years haven't exhausted.

When are withdrawals from the EPF Account permitted ? Let us put the question in a different way - When does an employee get back the Contributions to the Fund ? The answer is : **On retirement, the employee gets a lump sum amount** which is the total of his Own Contribution plus the Employer's Contribution **along with accrued Interest on both** .

So the question now arises - How is the Interest on account calculated ? It may be noted that the Interest in EPF is calculated on the basis of monthly running balance.

Are there any conditions for withdrawal ?
The answer is Yes, however the retiring employee has to attain 55 years of age for claiming Final PF Settlement.

However, partial withdrawal is permitted for those nearing retirement. Anyone over 54 year of age. can withdraw up to 90 percent of the accumulated balance along with accrued interest.

Here a question arises – What happens if the person wants to quit his/her job before attaining 55 years ? Under the existing rule, the employees, in such cases, can withdraw the full PF balance if he is out of employment for 60 straight days or more.

So, now let us know- What is the procedure to withdraw money from EPF Account ? One may now use 'UAN based - Form 19 **for Final Settlement PF Withdrawal ; Form 10C – for only Pension withdrawal and Form 31 for Part-withdrawal of PF Amount PF Advance.**

EPF Withdrawal Claim can be made at the time of retirement or if the employee is unemployed. 75% of the EPF balance can be withdrawn after 1 month of unemployment and balance 25% can be withdrawn after 2 months of unemployment.

EPF Withdrawal Claim can be filed Online or Offline.

For Offline Claim, the **Composite Form** is required to be filled in and submitted. This Composite Form is a 3-in-1 Form which serves the purpose of 3 Forms i.e. Form 19 ; Form 10C and Form 31 as stated above.

For Online Claim for withdrawal, the following points must be kept in mind :

I. The UAN must be allotted and activated
II. The Mobile Number must be registered with the UAN
III. The Bank details must be seeded with the UAN
IV. The PAN and Aadhar Number should also be seeded into the EPFO Database.

The Procedure for claim is a step by step online process , starting with Sign-in to the Universal Account Number (UAN) Member Portal with the UAN and Password.

A Menu Bar will appear where " Online Services" is to be selected. The Claim Forms 31 ; 19 and 10C will appear and are to be selected from the drop down menu ;

Thereafter the step by step information are to be furnished for verification

The purpose for which the advance is required and the amount required and employee's address is to be given. It may be noted that all options for which the employee is Not Eligible for withdrawal is mentioned in RED in the form itself.

The application has to be submitted **along with the relevant scanned documents** depending on the purpose for which the withdrawal claim is filed.

The Employer has to approve the withdrawal request.

The money will then be withdrawn from the EPF Account and deposited in the bank account mentioned and seeded.
A SMS notification will be sent to the Registered Mobile .

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GROUP: 1, PAPER: 7

DIRECT TAXATION
(DTX)

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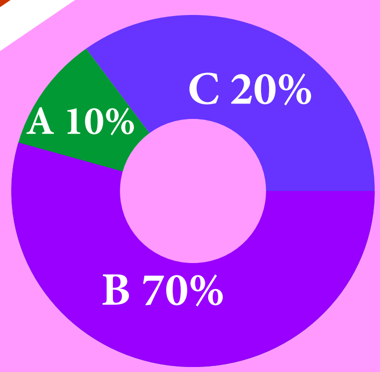
Your Preparation Quick Takes



Syllabus Structure

A Income Tax Act Basics **10%**
B Heads of Income and Computation of Total Income and Tax Liability **70%**
C 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.

Clubbing of Income

Generally, an assessee is taxed on income accruing to him only and he is not liable to tax for income of another person. However, there are certain exceptions to the above rule (mentioned u/s 60 to 64). Sec. 60 to 64 deals with the provisions of clubbing of income, under which an assessee may be taxed in respect of income accrued to other person, e.g. certain income of minor child shall be clubbed in the hands of his parents, income from asset transferred to spouse for inadequate consideration shall be clubbed in the hands of the transferor, etc. These provisions have been enacted to counteract the tendency on the part of the taxpayers to dispose off their income or income generating assets to escape tax liability. Various provisions relating to clubbing are enumerated here in below:

<table>
<tr><th>Section</th><th colspan="2">Particulars</th></tr>
<tr><td>60</td><td colspan="2">Where an income is transferred without transferring the asset yielding such income, then income so transferred shall be clubbed in the hands of the transferor.</td></tr>
<tr><td>61</td><td colspan="2">If an assessee transfers an asset under a revocable transfer, then income generated from such asset, shall be clubbed in the hands of the transferor.
Revocable transfer means, there is any provision for the retransfer of any part or whole of the income/assets to the transferor or gives the transferor a right to re-assume power over any part or whole of the income/ assets.
<u>Exceptions</u>: a) A transfer by way of creation of a trust which is irrevocable during the lifetime of the beneficiary; b) Any transfer which is irrevocable during the lifetime of the transferee; or c) Any transfer made before 1.4.61, which is not revocable for a period of 6 years or more.</td></tr>
<tr><td>64(1)(ii)</td><td colspan="2">Salary, commission, fees or any other remuneration to the spouse from a concern in which assessee has substantial interest. An individual shall be deemed to have substantial interest in a concern if he shares 20% profits of that concern or holds 20% voting power of that company.
Exception:If income to spouse generated due to his/her technical or professional qualification, skill etc.
Where both, husband and wife, have substantial interest in a concern, remuneration will be included in hands of spouse, whose total income excluding such remuneration, is higher.</td></tr>
<tr><td>64(1)(iv)</td><td colspan="2">Subject to sec. 27(i), any income arising from assets transferred (directly or indirectly) to spouse otherwise than in connection with an agreement to live apart without adequate consideration, shall be included in the income of the transferor.</td></tr>
<tr><td>64(1)(vii)</td><td colspan="2">If asset is transferred to other person or an AOP, for inadequate consideration, for immediate or deferred benefit of spouse, then income on asset so transferred shall be clubbed in the hands of the transferor.</td></tr>
<tr><td>64(1)(vi)</td><td colspan="2">Income arising (directly or indirectly) from assets transferred to son's wife, without adequate consideration, shall be included in income of transferor.</td></tr>
<tr><td>64(1)(viii)</td><td colspan="2">If an asset is transferred to other person or an AOP, for inadequate consideration, for immediate or deferred benefit of son's wife, then income on asset so transferred shall be clubbed in the hands of the transferor.</td></tr>
<tr><td rowspan="6">Note applicable on sec. 64(1)(iv), (vi), (vii), (viii)</td><td colspan="2">If assets so transferred, is invested in business then tax treatment shall be as under:</td></tr>
<tr><td>Business</td><td>Income to be clubbed</td></tr>
<tr><td rowspan="2">Proprietary</td><td><u>Income of such business x Value of such assets as on the 1st day of the P.Y.</u></td></tr>
<tr><td>Total investment in the business by the transferee as on the same day</td></tr>
<tr><td rowspan="2">Partnership</td><td><u>Interest on capital x Value of such assets as on the 1st day of the P.Y.</u></td></tr>
<tr><td>Total investment in the firm by the transferee as on the same day</td></tr>
</table>

64(1A)	Income of a minor child shall be clubbed with income of the parent whose total income (excluding this income) is higher. Once clubbing is made with either parent, then in any subsequent years clubbing shall be made with the same parent, unless the AO is satisfied. If marital relationship does not subsist, income shall be clubbed with that parent who maintains the minor child. Exceptions:**a)** Income arises or accrues to the minor child due to any manual work, his skill, talent; or **b)** The minor child is suffering from any disability of nature specified u/s 80U. Exemption u/s 10(32) lower of a) ₹ 1,500; or b) Income so clubbed
64(2)	Where an individual has converted his property into property of HUF, for inadequate consideration, then income derived from such converted property shall be clubbed with individual as under: Before partition — The entire income from such property After partition — Income from the assets attributable to the spouse of transferor.
65	After application of provisions of clubbing (on transfer of property without adequate consideration as discussed above in several sections), income is taxable and tax liability arises in the hands of the transferor. But sec. 65 empowers the tax authorities to serve demand notice (in respect of tax on clubbed income) upon transferee.
Notes	Clubbing of income includes clubbing of negative income The credit of TDS shall be given to the person in whose hands the income is taxable. Income shall be clubbed even when form of the transferred asset is changed. Income arising from the accretion of such property is not to be clubbed. Income on income is not to be clubbed. Income shall be, first, computed in hands of recipient &then clubbing shall be made head wise. • If the clubbed income is eligible for deduction u/s 80C to 80U, then such deduction shall be allowed to the assessee in whose hands such income is clubbed.

Few Illustrations

Illustration 1

Mr. A has 2 residential houses, both are used for own residential purpose. Details of houses are as follows –

Particulars	H 1	H 2
Gross Annual value	1,00,000	2,00,000
Municipal tax (paid)	5,000	10,000
Interest on loan taken for construction of house	20,000	20,000

On 1/4/2015, Mr. A gifted H 1 to her wife. She uses such property for own residential purpose. Compute income from house property of Mr. & Mrs. A. (Assume that Mrs. A does not own any other property).

Solution

Since Mr. A transfers H1 to Mrs. A without adequate consideration, hence, by virtue of sec. 27(i), Mr. A shall be deemed as owner of such house. Since an assessee can claim only one house property as self-occupied at his choice to reduce his tax bill and it can be apparently interpreted that H 2 has higher income, hence the same should be treated as such (self-occupied) and H1 is to be treated as deemed to be let out.

Computation of income from house property of Mr. A for the A.Y. 2019-20

Particulars	Details	Details	Amount
House 1: Deemed to be let out			
Gross Annual Value (GAV)		1,00,000	
Less: Municipal Tax		5,000	
Net Annual Value (NAV)		95,000	

Less: Deduction u/s			
24(a) Standard Deduction (30% of NAV)	28,500		
24(b) Interest on loan	20,000	48,500	46,500
House 2: Self-occupied			
Net Annual Value		Nil	
Less: Deduction u/s			
24(b) Interest on loan		20,000	(20,000)
Income from house property			**26,500**

Note: Since Mrs. A does not own any house, hence her income from house property shall be nil.

Illustration 2

Mr. A owned a residential house for his own residential purpose, details of which are as follows –

Particulars	Amount
Gross Annual value	5,00,000
Municipal tax (paid)	10,000
Interest on loan taken for construction of house	25,000

On 1/4/2015, Mr. A gifted ₹ 10,00,000 to her wife. Out of such money, she acquired a house property for her own residential purpose. New house has gross municipal value of ₹ 50,000. She paid corporation tax of ₹ 2,000. Compute income from house property of Mr. & Mrs. A. (Assume that Mrs. A does not own any other property).

Solution

Computation of income from house property of Mr. A for the A.Y. 2019-20

Particulars	Amount
Self-occupied house	
Net Annual Value	Nil
Less: Deduction u/s	
24(b) Interest on loan	25,000
	(25,000)
Add: Income of Mrs. A clubbed u/s 64(1)(iv)	Nil
Income from house property	**(25,000)**

Computation of income from house property of Mrs. A for the A.Y. 2019-20

Particulars	Amount
Self-occupied house	
Net Annual Value	Nil
Less: Deduction u/s	
24(b) Interest on loan	Nil
Less: Income clubbed u/s 64(1)(iv) with the income of Mr. A	Nil
Income from house property	Nil

Choose the correct answer

1. Mr. X's minor daughter earned 50,000 from his special talent. This income will be clubbed with –
   (a) The income of Mr. X
   (b) The income of Mrs. X
   (c) Mr. X or Mrs. X, whoever's income is higher
   (d) It will not be clubbed
2. Maximum exemption available in clubbing of income to mother or father is –
   (a) Rs. 1,500
   (b) Rs. 1,500 per child
   (c) Rs. 1,200 per child
   (d) Rs. 100 per month per child
3. Mr. A gifted debenture of Rs. 1,00,000 to his wife. She received Rs. 10,000 interest which she reinvests and earns Rs. 1,000. This Rs. 1,000 will be taxable in the hands of –
   (a) Mr. A
   (b) Mrs. A
   (c) Not Taxable
   (d) Mr. A or Mrs. A, at the choice of the Assessing Officer
4. Income arising to a minor married daughter shall be –
   (a) assessed in the hands of minor married daughter
   (b) clubbed with the income of that parent whose total income is higher
   (c) Exempt from tax
   (d) clubbed with the income of her spouse
5. Income of a minor child suffering from any disability of the nature specified in section 80U shall be –
   (a) assessed in the hands of minor
   (b) clubbed with the income of that parent whose total income is higher
   (c) Exempt from tax
   (d) taxable in hands of provider of income like reverse charge
6. Mr. X gives Rs. 2,00,000 to Mrs. X as gift. She invests in a proprietary concern and incurs a loss of Rs. 40,000.
   (a) This loss shall be clubbed in the hands of Mr. X
   (b) The loss shall be borne by Mrs. X
   (c) The loss shall not be clubbed
   (d) The loss shall be ignored while computing income of both Mr. and Mrs. X
7. In certain cases, income of other person is included in the income of assessee. It is called –
   (a) Clubbing of income
   (b) Addition to income
   (c) Increase in income
   (d) Set-off of income
8. In whose total income, the income of a minor child is included –
   (a) Father
   (b) Mother
   (c) Father & Mother both
   (d) Parent whose total income is greater
9. When the income of an individual includes Rs. 20,000 as the income of his minor child in terms of section 64(1A), taxable income in this respect will be –
   (a) Nil
   (b) Rs. 20,000
   (c) Rs. 18,500
   (d) Rs. 15,000
10. Mr. A has three minor children deriving interest from bank deposits to the tune of Rs. 2,000, Rs. 1,300, Rs. 1,600 respectively. Exemption available under section 10(32) of the Income Tax is –
   (a) Rs. 4,900
   (b) Rs. 4,300
   (c) Rs. 4,500
   (d) Rs.5,000

Answer	1	2	3	4	5	6	7	8	9	10
Key	(d)	(b)	(b)	(b)	(a)	(a)	(a)	(d)	(c)	(b)

GROUP: 1, PAPER: 8

COST ACCOUNTING

(CAC)

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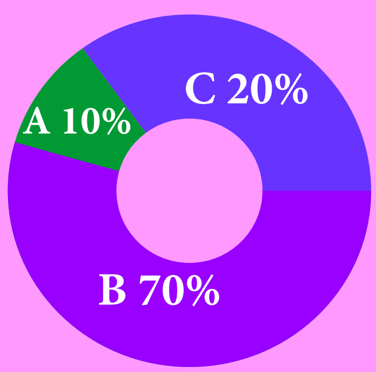
Your Preparation Quick Takes



Syllabus Structure

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

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

Now a days we are leaving in a competitive world where there is also scarcity of natural resources. The urgent need of the day is to utilize the resources efficiently. The roll of Cost Accountants in this regard plays a vital role all over the world. Starting as a branch of Financial Accounting, Cost Accountancy has made a remarkable progress during the last few decades.

A critical study of theory as well as solving the practical problems is very much essential for securing good marks in the exam. The students are requested to go through the theoretical part first for easy understanding the topic and then try to solve the problems that are in exercise. Start from Chapter one and try to complete the other chapters serially as this will enable you to understand better the succeeding chapters. Always try to remember that in professional examinations, emphasis is given on testing comprehension, self expression, understanding and ability to apply knowledge in divergent situation. Success of these examinations mainly depends on student's perseverance, seriousness of study, regularity and through practice.

The following **suggestions** are given based on my long term experience –

1. Try to go through your Study Note and know the syllabus properly.
2. A plane should be developed for completing the syllabus within stipulated time.
3. Try to analyze the trends of setting questions.
4. Time schedule with specified activities, which will help you to avoid procrastination.
5. Clarity of concepts and self expression is essential for successful result.
6. Improve your speed by practice and revision to be able to attempt all questions in limited time.
7. Try to write down all the important terms in your own words and practice it regularly.
8. The student should remember that all objective type questions should be answered as it will carry 100% marks.
9. Finally, try to develop a habit of reading the questions well, underlining and understanding the specific requirements.

The total syllabus is divided into **Six Chapters**. The first chapter dills with the basic concept of cost accounting , beside its other two branches viz, Financial Accounting and Management Accounting. The second chapter relates to the Elements of cost in details. We know the three major elements of costs are – Material, Labour and Overheads. Here the major elements of costs are discussed elaborately and analyzed element-wise with sufficient number of examples. Material consists of the major part of total cost of a product, hence it is necessary to control this cost very carefully. You should read the scope and objectives of different Cost Accounting Standards in details. It will help to grasp the concept of cost accounting easily.

The third chapter is associated with Cost book-keeping, which includes integrated accounting system also . This chapter is very easy to understand but the process is lengthy. In practice, different accounts are to be opened, but it is not necessary to give much effort to complete its solution.

The chapter Contract Costing is very important for this type of examination. There are some standard norms for computation and recognition of profit /loss of incomplete contract. Students sometimes experience difficulty in recommending the amount of profit to be taken into account during a period for long-term contract. Make sure that you are familiar with various methods/formulas for different stage of completion and share of profit. Students are also advised to go through the topic " Profit on incomplete contracts based on SSAP-9. ". Problems on escalation clause are also very important for this chapter.

The next chapter is Operating Costing. Here we have to find out operating cost per unit of output. 'Transport Costing' , 'Hospital Costing', 'Power House Costing' , 'Hotel/ Hostel Costing' etc are also part of Operating Costing. Here it is very important to find out the "Composite Unit" in order to solved the problems.

The chapter Marginal Costing relates to find out Cost-volume-profit relationships. The main thrust should be to follow the wording and determine the desired impact of cost on profitability. The basic part of the problem is to solve Brake –even-point. Sometimes a questions gives details of costs but not the split into fixed and variable elements . Students are advised to segregate total costs into fixed and variable elements using high-low method. 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. For easy understanding you have to solve various types of problems.

The next chapter relates to 'Variance Analysis' which deals with creating responsibilities and identifying the areas of exceptions. The main purpose of variance analysis is to enable the management to improve the operation for effective utilization of resources and to increase the efficiency by reducing costs. Some students are afraid of this important chapter only because of different formulae for different analysis. Only careful study and realization of the requirement in the problem can eliminate such difficulties. Finally the step should be taken based on the causes of variance.

'Budget and budgetary Control' which requires preparation of 'Flexible Budget', Functional Budget, and 'Cash Budget' for taking necessary actions. Theoretical and problem oriented questions may be set from this chapter. The students can easily understand the problems, if theory remains clear. The students are also suggested to go through the theoretical parts-like, concept of Zero-based budgeting, behavior and classification of Budgets etc very carefully. All functional budgets are summarized into master budget consisting of a Budgeted Profit and Loss Account, a Balance Sheet and Cash Flow Statement. a common mistake is to incorrectly deduct closing stocks and opening stocks when preparing Production and Material Purchased Budget. The students should also go through the theory – like, concepts of Zero-Based Budgeting, Behavior and Classifications of Budgets etc.

Here we like to solve a problem relating to marginal costing . The main emphasis of this problem is based on finding out the solution of a Merged Plant.

The Particulars of two plants producing on identical product with the same selling price are as under.

	Plant A	Plant B
Capacity Utilization	70%	60%
	(Rs. Lacs)	(Rs. Lacs)
Sales	150	90
Variable Cost	105	75
Fixed Cost	30	20

It has been decided to merge plant B with plant A. The additional fixed expenses involved in the merger amount to Rs. 2 Lacs.

You are required to find out (a) the Break-Even Point of Plant A and Plant B before merger and the Break-Even point of the merged plant and (b) The Capacity utilization of the integrated plant required to earn a profit of Rs. 18 Lacs.

Solution : - Computation of Break-Even Point of two Plants Before Merger (Rs. Lacs.) .

Particulars	Plant A	Plant B
(A) Sales (Rs Lacs)	150	90
(B) Variable Cost (Rs. Lacs)	105	75
(C) Contribution(A – B) (Rs. Lacs)	45	15
(D) Fixed Cost (Rs. Lacs)	30	20
(E) Profit / Loss (C – D) (Rs. Lacs)	15	5
(F) P/V Ratio = $\frac{\text{Contribution}}{\text{Sales}} \times 100$	30%	16 2/3 %
B.E.P. (Rs. Lacs) =	100	120

Computation of Break -Even Point of Merged Plant

Particulars	Plant A	Plant B	Merged Plant
A) Present Capacity Utilisation	70%	60%	
B) Present Seles (Rs. Lacs)	150	90	
C) Present Variable Cost (Rs. Lacs)	105	75	
D) Present Fixed Cost (Rs. Lacs)	30	20	
E) Full Capacity	100%	100%	**100%**
F) Sales at Full Capacity (Rs. Lacs) [A = 150 ÷70% ; B = 90 ÷ 60%	214.3	150	**364.3**
G) Variable Cost at Full Capacity (Rs. Lacs) [A 105 ÷ 70% ; B = 75 ÷ 60%]	150.0	125	**275.0**
H) Contribution (Rs. Lacs) [F – G]			
I) Fixed Cost at Full Capacity [Rs. 30 lacs + Rs. 20 Lacs + Rs. 2 Lacs}	64.3	25	**89.3**

J) Profit at Full Capacity K) P/V Ratio of Merged Plant $= \frac{\text{Contribution}}{\text{Sales}} \times 100 = \frac{89.3 \text{ Lacs}}{364.3 \text{ Lacs}} \times 100$ L) B.E.P. OF THE Merged Plant $= \frac{\text{Fixed Cost}}{\text{P/V Ratio}} = \frac{\text{Rs. 52 Lacs}}{24.5\ \%}$			52.0 37.3 24.5 % 212.2 Lacs

(b) Required sales to earn a profit of Rs. 18 Lacs in Merged Plant

$$\text{Sales (Rs. Lacs)} = \frac{\text{Fixed Cost} + \text{Profit}}{\text{P/V Ratio}}$$

$$= \frac{\text{Rs. 52 Lacs} + \text{Rs. 18 Lacs}}{24.5\ \%}$$

$$= \frac{\text{Rs. 70 Lacs}}{24.5\ \%}$$

= 285.7 Lacs

∴ Percentage of required Capacity Utilization

$$= \frac{\text{Required Sales}}{\text{Sales at 100 \% Capacity}} \times 100$$

$$= \frac{285.7 \text{ Lacs}}{364.3 \text{ Lacs}}$$

= 78.4 % (Approx)

GROUP: 2, PAPER: 9, Part- i

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM)

Operation Management

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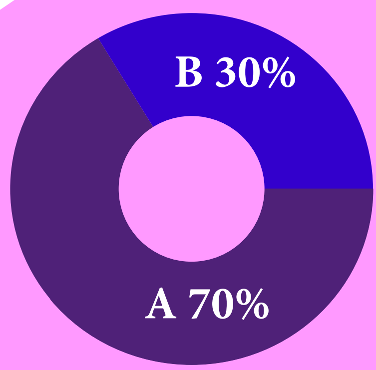
Your Preparation Quick Takes



Syllabus Structure

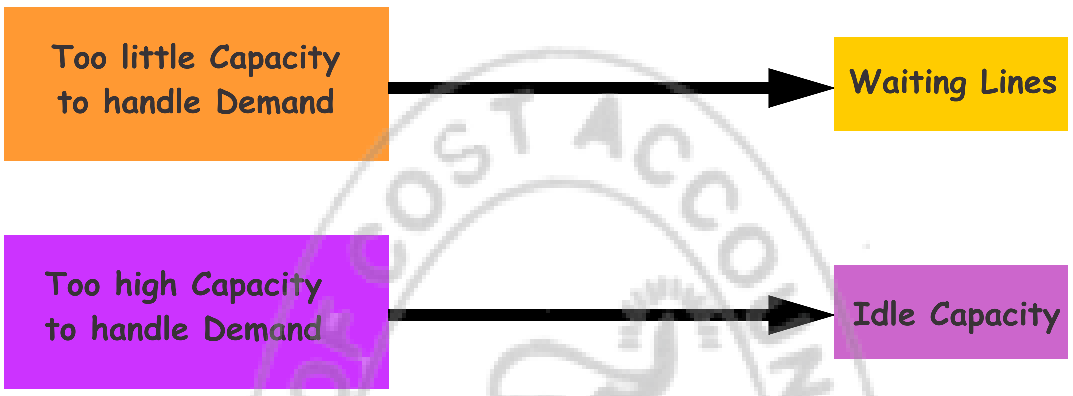
A Operations Management **70%**
B Strategic Management **30%**

Learning Objectives:

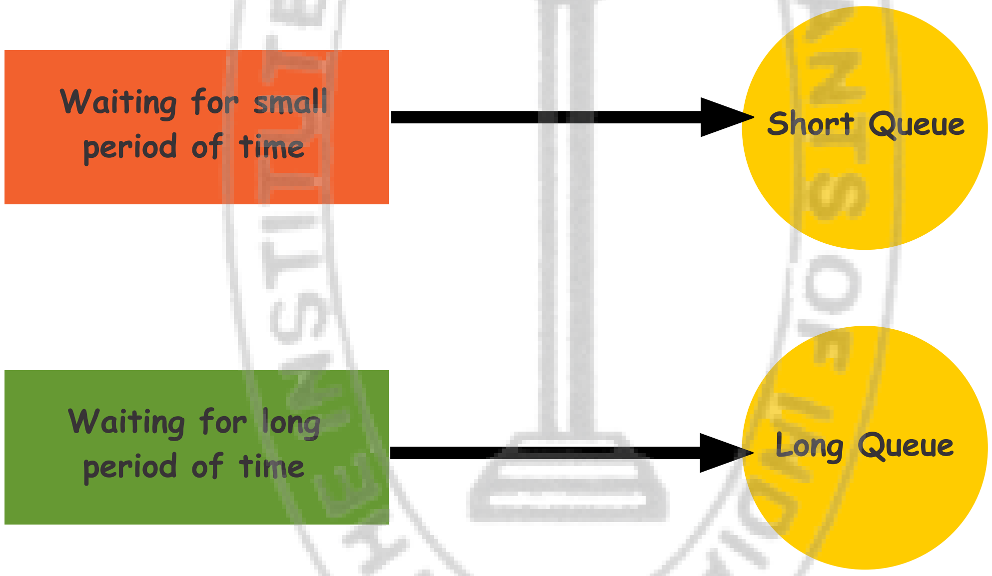
Operations Management develops skills in problem solving, project management, communication, and managing effectively in team-based work environments.
Eventually, student's ability for leadership positions in the production and service industries gets increased.
To solve business processes, it helps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

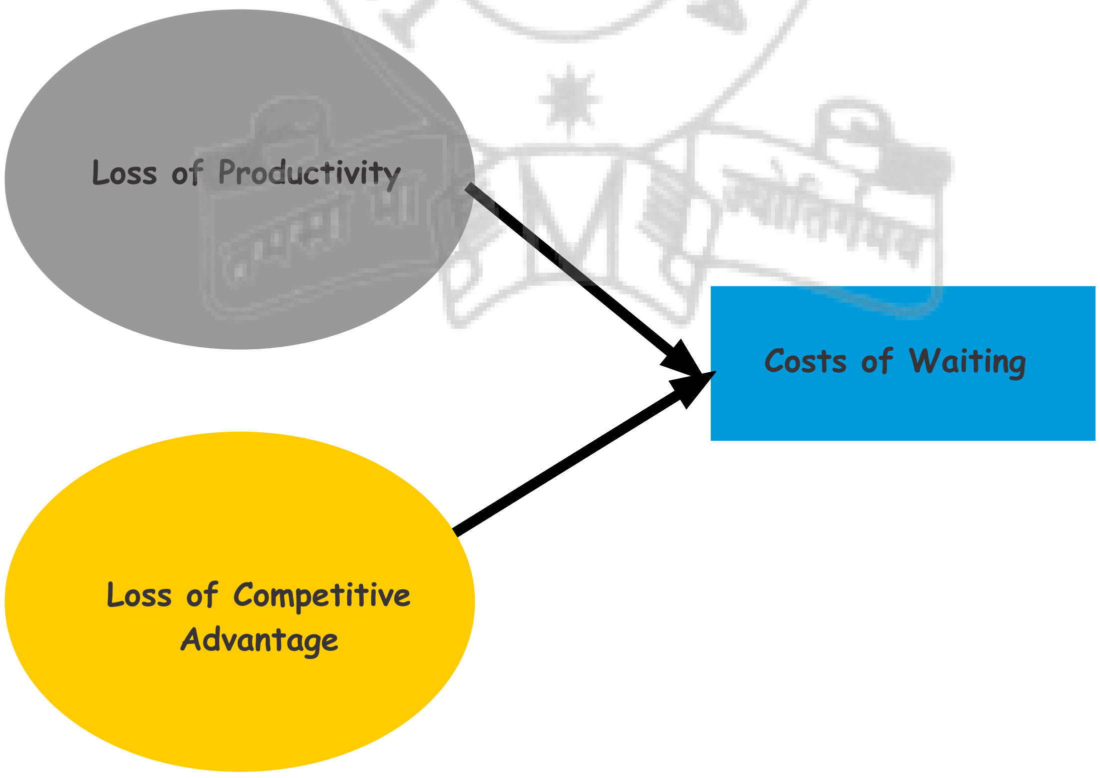
Operations Management

In this issue let me extend our discussions onProduction Planning and Control with Management of Waiting Lines.
Waiting lines occur when there is a temporary imbalance between supply of capacity and demand for capacity.
Waiting lines have impact on cost of operation and they reflect negatively on service to customers.
Therefore it is important to balance the cost of having customers wait with the cost of providing service capacity.



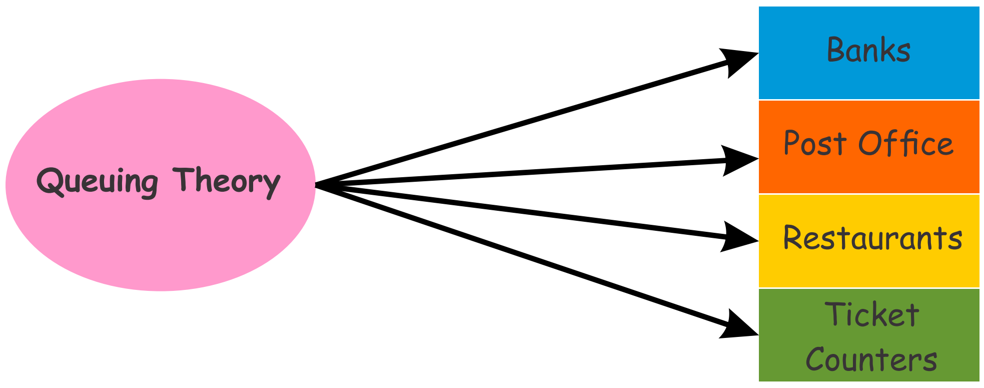
The key to Management of waiting lines is to determine the balance that will provide an adequate level of service at a reasonable cost.





Hence it is important for system designers and managers of existing service systems to design and operate the system after clear assessment of impact of waiting lines.
Designers must weigh the cost of providing a given level of service capacity against the implicit (inherent, hidden) cost of having customers

wait for service. This planning and analysis of service capacity is mathematically called Queuing Theory – an approach to the analysis of waiting lines.



Some Applicability of Queuing Theory

From above waiting lines are commonly found wherever customers arrive randomly for services. In many situations the CUSTOMERS are not people but ORDERS waiting to be filled e.g. Trucks waiting to be unloaded, Jobs waiting to be processed etc.

It is already mentioned that if Capacity of the system < Demand, waiting line forms. But surprisingly on many occasions waiting lines form even with adequate capacity of the system. Suppose a restaurant has a seating capacity of 50. On an average the restaurant faces a demand from 40 customers per hour. The restaurant operates for 6 hours a day. Say on a day no of customers in respective hours are

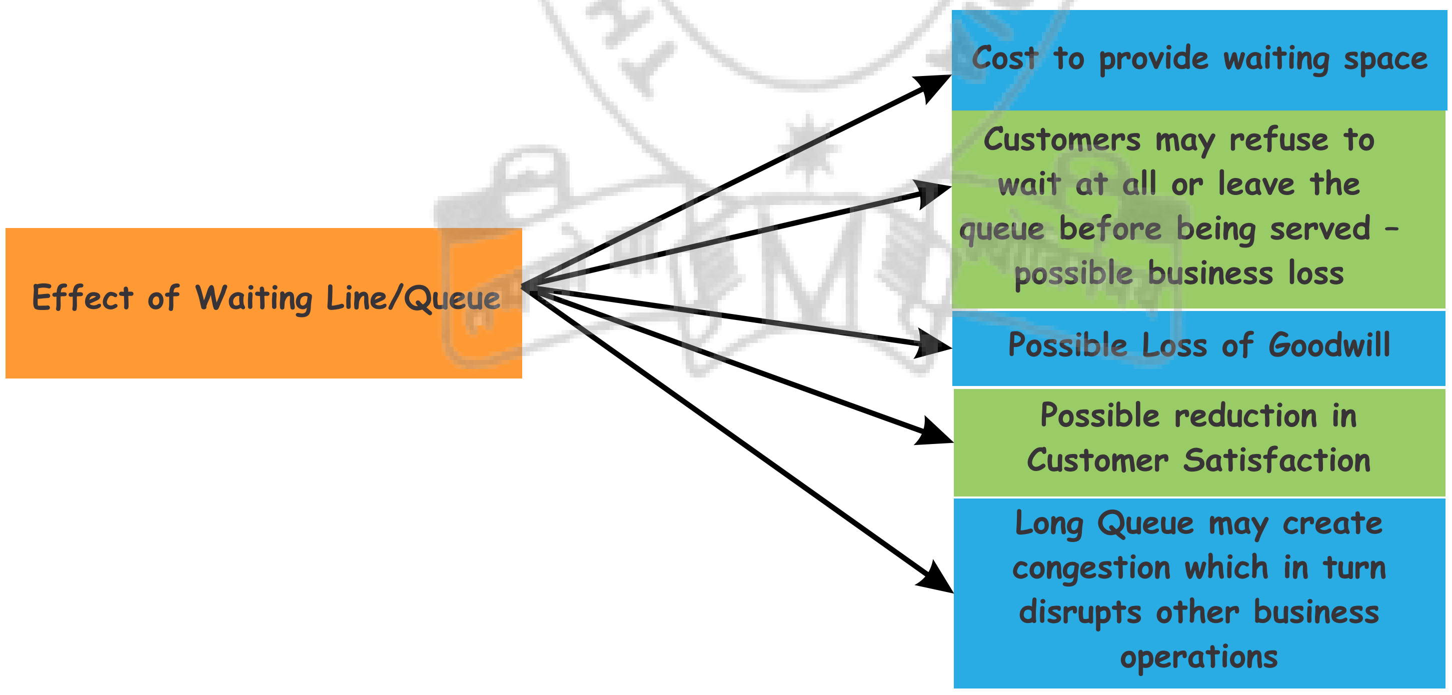
1st hour	2nd hour	3rd hour	4th hour	5th hour	6th hour
20	35	40	80	55	10

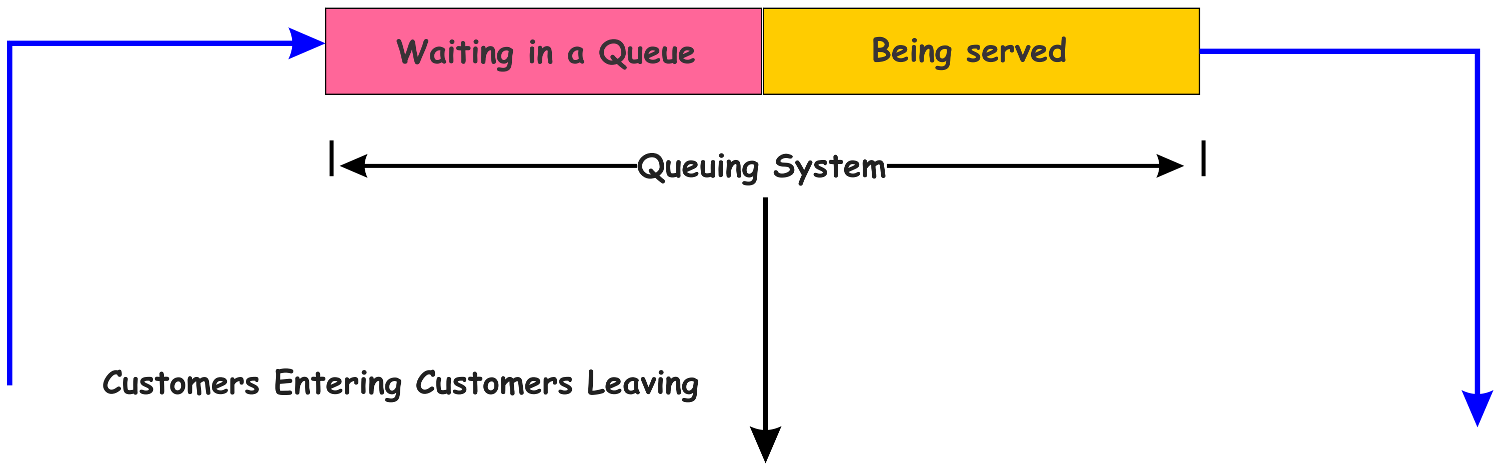
Average demand /hour is maintained at = 240/6 =40 < Seating Capacity of the restaurant (50). So as per our discussions in previous para there should not be any waiting (Queue). But in 4th hour there were 80 no of arrivals which is more than the seating capacity. So in that particular hour restaurants could not serve all arrivals at a time and that creates a queue. Same thing happens in 5th hour. Therefore waiting line formation is there in 4th and 5th hour.

In 4th hour--------There will be Long Queue;
In 5th hour--------There will be Short Queue;

Here we have not yet considered the service time variability. Customers' choice of menu items are different and those require variable service time. So it can't be said that arrivals in a particular hour will get their service in that hour only. Normally customers' arrive in a particular hour leave the restaurant in a different hour succeeding to the hour of arrival.

Therefore it could be concluded that both arrivals and service times exhibit a high degree of variability. And because services cannot be performed ahead of time and stored until needed, the system at time becomes temporarily overloaded, giving rise to waiting lines.
If arrivals can be predetermined (Scheduled)and service time is constant ----there will be no waiting lines.

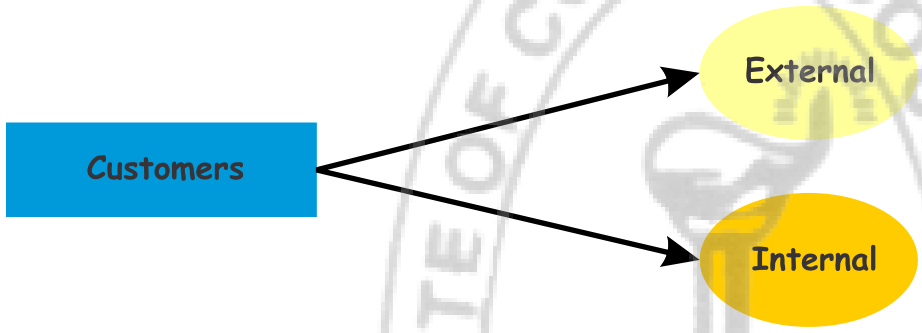




No of customers in the system (in queue or being served) will vary randomly over time.
The goal of waiting line management is to minimize total costs associated with the queuing system:

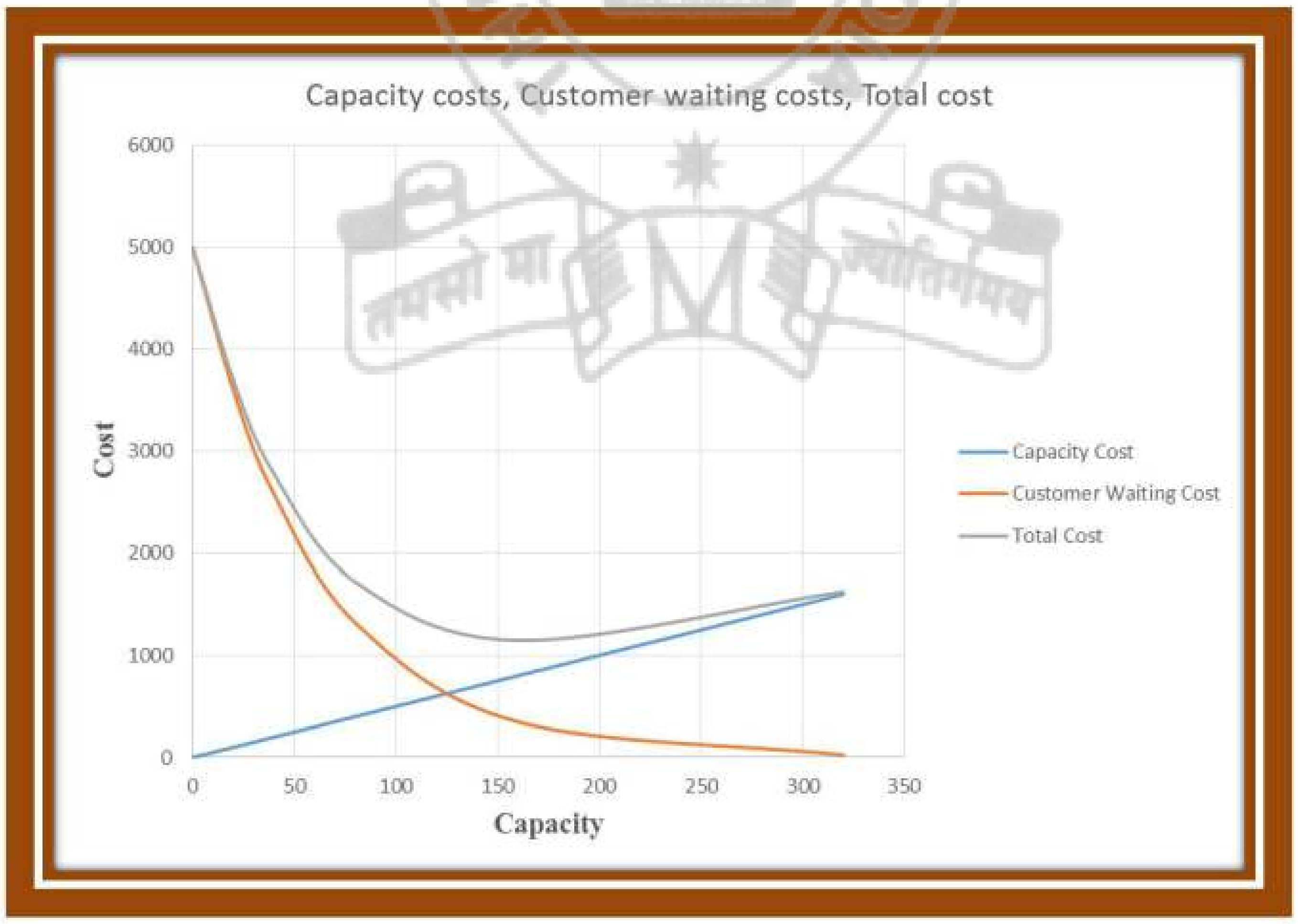
- Customer waiting cost (in box above) ----already mentioned in previous page;
- Capacity cost (in box above);

So total cost (TC) of a queuing system = Customer waiting cost + Capacity Cost
Capacity costs are the costs of maintaining the ability to provide service---- costs of maintaining 50 seating capacity in our restaurant example.



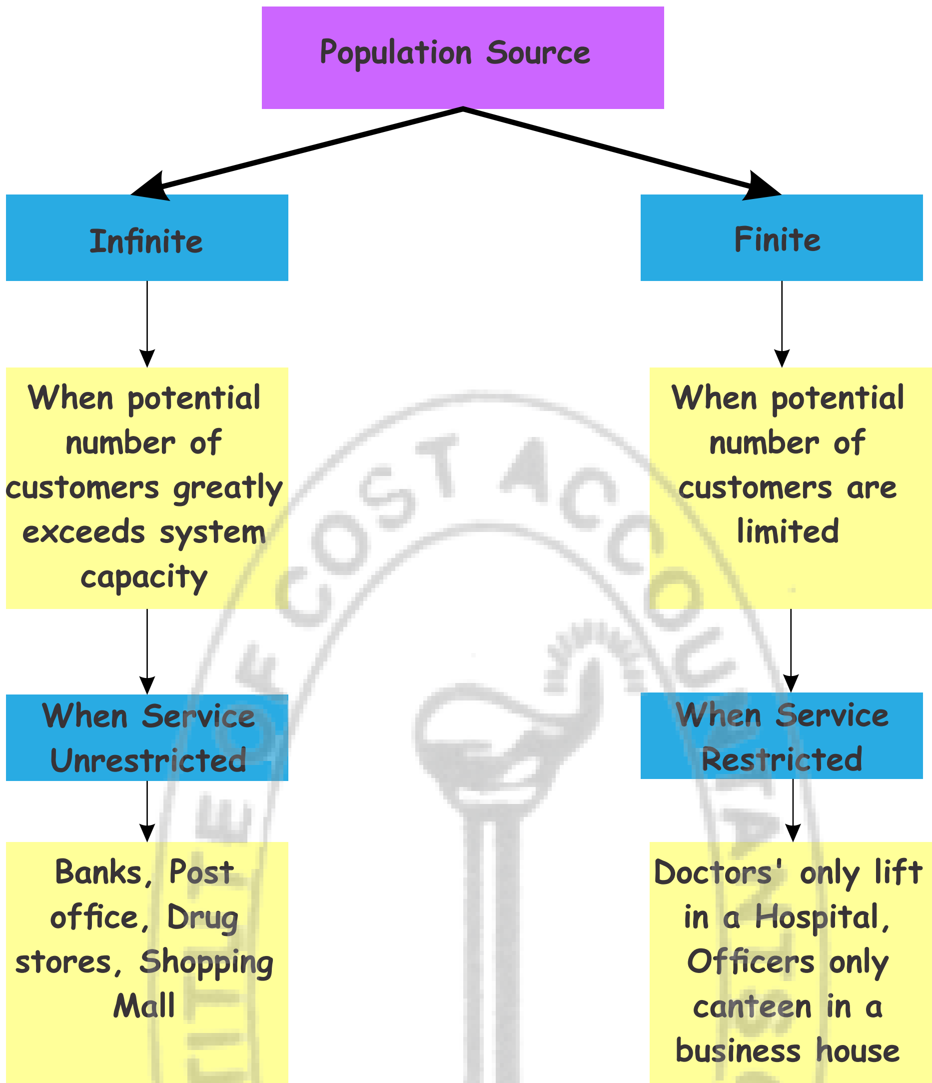
Internal customers include employees of the organization. Customer waiting costs to internal customers mainly include --- wages & salaries paid during waiting time --- Machine operators are waiting for tools, truck drivers waiting for unloading their trucks

The goal of waiting line management is to balance the cost of providing a level of service capacity with the cost of customers. As capacity increases, capacity cost increases. Cost required to create a restaurant with seating capacity of 80 is more than that with a capacity of 50. But with more seating capacity the length of queue could be reduced in 4th hour or could be avoided in 5th year in our example and thereby reduction of customer waiting cost would be the result. So as capacity increases the number of customers waiting and the time they wait tend to decrease, thereby decreasing waiting costs. As is typical in trade off relationships, total costs can be represented as a U-shaped curve.



There are numerous queuing models to choose for successful analysis. Model choice is dependent on the characteristics of the system under investigation. The main characteristics are:

- Population Source;
- Number of servers (Channels);
- Arrival and Service pattern;
- Queue discipline (order of service);

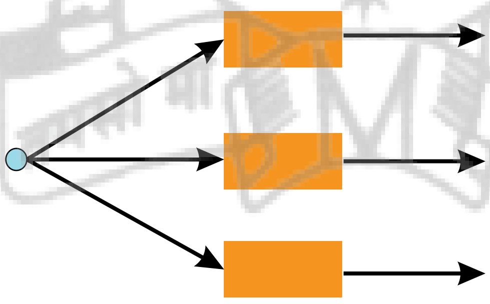


The capacity of queuing system is a function of the capacity of each server. Server and Channel are synonymous. It is assumed that one server could serve only one customer at a time.

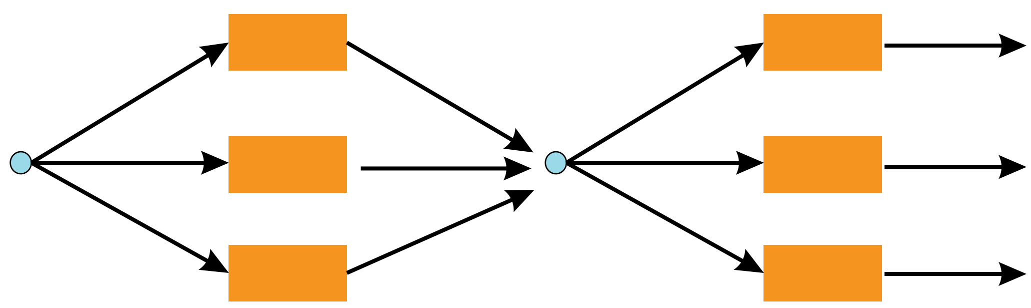
Single Channel Single phase

Single Channel Multiple phase

Multiple Channel Single phasee.g Bank tellers



Multiple channel multiple phase



Phase indicates steps to get a service.

Waiting lines are direct result of arrival and service variability. As discussed earlier, random highly variable arrival and service patterns cause overloading of the system on some occasions.

In commonly used queuing model

Arrivals and services rates are described by a Poisson distribution;
Interarrival time and service time can be described by a negative exponential distribution;

A Poisson distribution is a statistical distribution showing the likely number of times that an event will occur within a specified period of time. e.g. 12 customers arrive at a service facility in an hour. Here arrival of a customer is the event. 12 is the likely number of times of the event. And one hour is the specified period of time.

The exponential distribution (also called the negative exponential distribution) is a probability distribution that describes time between events in a Poisson process. In our example of Poisson inter arrival time (time between events) is 5 minute.
As already told many queuing models are available to choose from. The following is the list of symbols used in doing analysis with

queuing models:

Symbol	Represents	Diagrammatic Representation
λ	Customer arrival rate	
μ	Service rate per server	
L_q	The average number of customers waiting for service	Line + Service = System Customers → → (3) (1) (4)
L_s	The average number of customers in the system (waiting and/or being served)	L_q + r = L_s
r	Average number of customers being served	
ρ	The system utilization	
W_q	The average time customers wait in line	Line + Service = System Customers → → (3) (1) (4)
W_s	The average time customers spend in the system (waiting in line and service time)	W_q + Service time = W_s
M	No of servers	
L_{max}	The maximum expected number waiting in line	

Suggestions:

This lesson could be used as an aid to teaching on queuing models in study notes. Concept of waiting line is vital for analysis of queuing models under chapter Production, Planning and control. With the help of discussions in this issue along with knowledge imparted by study guide, analysis of queuing models will be taken in the next issue. For Proper understanding of waiting line emphasis is given in this issue on pictorial presentation. Attempts are made here to indicate few important symbols used in model on infinite source. For supplementary readings one can refer Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson, Productions and Operations management by R.B. Khanna.

GROUP: 2, PAPER: 9, Part- ii

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM)

Strategic Management

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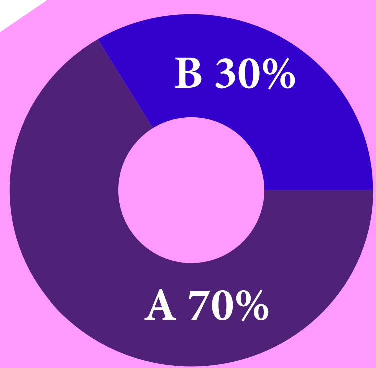
Your Preparation Quick Takes



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

A method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem is generally called as **Strategy**. Strategy is important because the resources available to achieve these goals are usually limited. Strategy generally involves setting goals, determining actions to achieve the goals, and mobilizing resources to execute the actions.

Strategy typically involves two major processes: formulation and implementation.

Formulation involves analyzing the environment or situation, making a diagnosis, and developing guiding policies. It includes such activities as strategic planning and strategic thinking.

Implementation refers to the action plans taken to achieve the goals established by the guiding policy.

What is meant by Formulation of strategy?

(i) Develop and evaluate strategic alternatives
(ii) Select appropriate strategies for all levels in the organisation that provide relative advantage over competitors
(iii) Match organizational strengths to environmental opportunities
(iv) Correct weaknesses and guard against threats

Implementation of strategy means:

(i) Effectively fitting organizational structure and activities to the environment
(ii) The environment dictates the chosen strategy; effective strategy implementation requires an organisational structure matched to its requirements. Evaluating results
(iii) How effective have strategies been?
(iv) What adjustments, if any, are necessary.

What is Plant Layout?

Plant layout involves the arrangement and location of production machinery, work centres and auxiliary facilities and activities (inspection, handling of material storage and shipping) for the purpose of achieving efficiency in manufacturing products or supplying consumer services.

Plant layout should co-ordinate use of material, men and machines and achieve the following objectives:

Facilitate the manufacturing process,
Minimise materials handling,
Maintain flexibility of arrangement and operation,
Maintain high turnover of work-in-process,
Hold down investment in equipment,
Make economical vise of building cube,
Promote effective utilisation of manpower,

Promote for employee convenience, safety and comfort in doing the work.

In designing plant layout a number of factors such as nature of product, volume of production, quality, equipment, type of manufacture, building plant site personnel and materials handling plan should be kept in view.

Why Maintenance of Equipment is requires?

Maintenance of equipment is an important facility of planning consideration. It is intimately linked with replacement policies. Every manufacturing enterprise follows some maintenance routine in order to avoid unexpected breakdowns and thus minimise costs associated with machine breakdowns such as machine down time and possible loss of potential sales, idle direct and indirect labour, delays in other processes that may depend for material supply on the machine that is down, increased scrap, customer dissatisfaction from possible delays in deliveries and the actual cost of repairing the machine.

A number of strategies can be adopted for maintenance of machines and equipment. Two most important ones are carrying excess capacity and preventive maintenance.

The question that now arises is how much excess capacity should be carried by an organisation. This should be decided keeping in mind a fundamental principle that as the number of stand-bys increases, lost production costs decrease while holding costs for the stand-bys rise. The alternative providing the minimum total cost is preferred.

Generally two types of maintenance are taken care of by the organizations:

Preventive Maintenance &
Breakdown Maintenance

Preventive Maintenance:

Preventive maintenance is based on the premise that good maintenance prevents breakdowns. Preventive maintenance means preventing break downs by replacing worn-out machines or their parts before their breakdown. It anticipates likely difficulties and does the expected needed repairs at a convenient time before the repairs are actually needed. Preventive maintenance depends upon the past knowledge that certain wearing parts will need replacement after a normal interval of vise

A typical preventive maintenance strategy is more mundane than mathematical modelling. The guiding principle is that the time spent on preventive maintenance should be less than the time required for repairs, and the value imported to machines by preventive maintenance should exceed the programme cost.

Breakdown Maintenance:

The breakdown maintenance is a type of maintenance that involves using a machine until it completely breaks down and then repairing it to working order.

Breakdown maintenance is maintenance performed on equipment that has broken down and is unusable. It is based on a breakdown maintenance trigger. It may be either planned or unplanned.

The goal of preventative maintenance is to detect and avoid issues before they become an issue. Breakdown maintenance is reacting defensively to breakdowns and unexpected occurrences.

GROUP: 2, PAPER:10

COST & MANAGEMENT ACCOUNTING AND FINANCIAL MANAGEMENT(CMFM)

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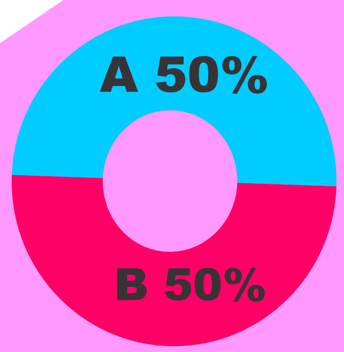
Your Preparation Quick Takes



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:Paper15) 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.

Accounting and Financial Management Section B

Chapter 10: Cost of Capital:

Step 3: Determine the Overall Cost of Capital

The overall cost of capital is calculated as the weighted average of costs of individual sources of capital (i.e. specific sources of capital) where weights can be determined by any one of the methods stated in step 2 (i.e. book value weights or market value weights or marginal value weights).

Consider the following example:

Refer to the previous example on book value and market value weights in our earlier issue. Suppose, following specific cost information has been additionally given.
Cost of equity (K_e) = 12%
Cost of preference shares (K_p) = 10%
Cost of debt (K_d) = 6% (considering 40% tax)
Calculate the overall cost of capital using (a) book value weights; (b) market value weights.

Solution:

(a) Calculation of overall cost of capital using book value weights

Sources of capital	Book value (Rs.)	Specific cost (%) (K_i)	Book Value Weights (W_i)	K_iW_i
E.S.C (100000 shares @ Rs. 10 each)	1000000	12	$\frac{1}{3}$ 0.333	4
P.S.C (5000 shares @ Rs. 100 each)	500000	10	$\frac{1}{6}$ 0.167	1.67
Retained earnings	500000	12 (since, K_e= K_r)	$\frac{1}{6}$ 0.167	2
10% Debentures (Rs. 100)	1000000	6	$\frac{1}{3}$ 0.333	2
Total	3000000		1.000	9.67

So, overall cost of capital = 9.67%

(b) Calculation of overall cost of capital using market value weights

Sources of capital	Market value (Rs.)	Specific cost (%) (K_i)	Book Value Weights (W_i)	K_iW_i
E.S.C (100000 shares @ Rs. 10 each)	2400000	12	$\frac{4}{9}$ 0.444	5.33
P.S.C (5000 shares @ Rs. 100 each)	600000	10	$\frac{1}{9}$ 0.112	1.11
Retained earnings	1200000	12 (since, K_e= K_r)	$\frac{2}{9}$ 0.222	2.67
10% Debentures (Rs. 100)	1200000	6	$\frac{2}{9}$ 0.222	1.33

Total	5400000		1.000	10.44

So, overall cost of capital = 10.44%
Note: In case of marginal value weights, the company shall decide the alternative sources from which it wants to procure the funds and in what proportion. Then the same proportions should be considered as weights with respect to the specific costs of the sources chosen. Weighted average of the two shall be the overall cost of capital.

Suppose, the above company wants to procure Rs. 1000000 by only two sources (E.S.C Rs. 400000 and10% Debt Rs. 600000). Then using the marginal weights 4:6 i.e. 0.4 and 0.6, the overall cost of capital will be = 12%*0.4+6%*0.6 = 8.4%

Comprehensive Problems on Calculation of Overall Cost of Capital:

Illustration 1: The current capital structure of a firm is given below:

Particulars	Amount (Rs./lakh)
Equity share capital (Rs.100 each)	400
Retained earnings	200
12% debentures (Rs.100 each)	400
Total	1000

You are given the following further information:

i) Current market value per share Rs. 300
 Dividend paid per share in the last year Rs.45
 Growth rate in dividend 10%

ii) The market value of debenture is Rs.110 per debenture

iii) Corporate tax rate 40%

Using market values as weights, find out average cost of capital of the firm.

Solution:

Step 1: Calculation of Specific Costs of Capital:

i) For Equity Share Capital (K_e):

$$K_e \quad \frac{D_1}{P_0} \quad g$$

Where, D_1= Expected dividend per share = D_0 (1+g)
D_0= Previous dividend per share = Rs. 45
P_0= Current Market price per share i.e. Rs. 300
g= Expected growth rate in dividend i.e. 10% or 0.10

$$K_e \quad \frac{45 \;\; 1 \;\;\; 1.10}{300} \quad 0.10 \quad 0.265 \text{ or } 26.5\%$$

i) For Retained Earnings(K_r):
K_r=K_e=26.5%, (assuming external yield criterion)

ii) For 12% Debentures (K_d):
K_d= r (1-t)
Where, r = Cost of debentures before tax i.e. 12%; t= Corporate tax rate i.e. 40% or 0.40
K_d= 12 (1-0.40) = 7.20%

Step 2: Calculation of Market Values:

Market Value of E.S.C and R.E= 4 lakh shares @ Rs. 300 = Rs. 1200 lakhs
The total market value of equity of Rs. 12,00 lakh has to be divided into Equity Share Capital and Retained earnings in the ratio of their book value i.e. 2:1

So, Market Value of E.S.C = Rs.1200 *2/3 = Rs. 800 lakh
So, Market Value of R.E = Rs.1200 *1/3 = Rs. 400 lakh
Market Value of Debentures = 4 lakh @ Rs. 110 = Rs. 440 Lakh

Step 3: Calculation of Weighted Average Cost of Capital (K_0) using Market values as weights.

Source of Capital	Market value(Rs.)	Weights (W_i)	After-tax Cost (%) (K_i)	Weighted Cost (K_i W_i)
Equity Share Capital	8,00,00,000	0.4878	26.50	12.9267
Retained Earnings	4,00,00,000	0.2439	26.50	6.4634
12% Debentures	4,40,00,000	0.2683	7.20	1.9318
Total	16,40,00,000	1.0000		21.3219

So, the weighted average cost of capital using market value weights = 21.3219%

Illustration 2: The capital structure and other information of a company are given below:

Sources	Amount (Rs. in lakhs)	After-tax Cost of capital (%)
Equity Shares (Rs. 100 each)	100	14
Retained Earnings	50	?
Debentures	200	?

The market value of equity share is Rs. 300 per share. The company uses market value of weights for computing average cost of capital. Corporate tax rate is 40% while the average cost of capital is 10%.

What is the cost of retained earnings and cost of debt (before tax)? State necessary assumption in this context.

Solution:

Assumption: we assume external yield criterion for calculating the cost of retained earmnings. Hence cost of retained earnings (K_r) = cost of equity (K_e) = 14%

Working Notes: MV of ESC and RE = 1 lakh shares @ Rs. 300 = Rs. 300 lakh.

The total market value of equity of Rs. 300 lakh has to be divided into Equity Share Capital and Retained earnings in the ratio of their book value i.e. 2:1
So, MV of ESC = 300*2/3 = Rs. 200 lakh
So, MV of RE = 300*1/3 = Rs. 100 lakh
MV of Debentures = Book Value of debentures.

Computation of WACC
(Using Market Value Weights)

Sources of finance	Market- value (Rs. in lakh)	Weights	Specific Cost (%)	Weighted Cost
Equity shares capital	200	0.4	14	5.60
Reserve & Surplus	100	0.20	14	2.80
Debentures	200	0.40	x	0.40x
	500	1.00		10.00

$K_e + K_r + K_d = K_o$
5.60% + 2.80% + 0.4x = 10.00%
0.4x = (10.00-8.40) %
x = 1.60%
K_d = 1.60/.40
= 4% (after tax)
Cost of Debt (before tax) = 4% / (1-0.40) = 6.67%

GROUP: 2, PAPER:11

INDIRECT TAXATION

(ITX)

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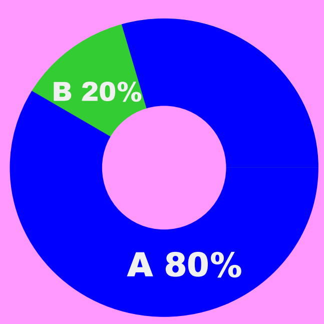
Your Preparation Quick Takes



Syllabus Structure
A 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

Indirect Taxation

GST is a single tax on the supply of goods and services. That means the end consumer will only bear the GST charged by the last dealer in the supply chain. Several economists and experts see this as the most ambitious tax reform since independence. GST will eventually replace all indirect taxes levied on goods and services by the central and state governments, and is expected to liberate India of its complex indirect taxation structure.

Let's try and understand how GST will function throughout the value chain:

How did indirect taxes functioned earlier?

India's constitution has divided the current taxation power fairly between the centre and states. Both enjoy their own share and exclusivity on respective taxes. Most goods attract a wide range of taxes including:

1. Central Taxes:

a. Central Excise duty

b. Duties of Excise (Medicinal and Toilet Preparations)

c. Additional Duties of Excise (Goods of Special Importance)

d. Additional Duties of Excise (Textiles and Textile Products)

e. Additional Duties of Customs (commonly known as CVD)

f. Special Additional Duty of Customs (SAD)

g. Service Tax

h. Central Surcharges and Cess

2. State Taxes:

a. State VAT

b. Central Sales Tax

c. Luxury Tax

d. Entry Tax

e. Entertainment and Amusement Tax

f. Taxes on advertisements

g. Purchase Tax

h. Taxes on lotteries, betting and gambling

i. State Surcharges and Cess

To add to that, one has to pay a "tax on tax" throughout the value chain as well. However, in the current tax structure, businesses are not allowed to take tax credits, which leads to a high probability of double taxation at every step of the supply chain. This not only increases the taxes to as high as 24-27%, but also raises the end cost of the goods or services significantly.

How will GST transform the present indirect structure?

GST is an attempt to remove the geographical barriers and create a single market that is open to all, to buy, sell, import, and export within the country.

However, the impact of GST will not be uniform and will vary from one sector to another. The common man will benefit in two ways: first, all the taxes will directly be collected at the point of consumption, and second, consumers won't have to pay a 'tax on tax'.

This way multiple tax points would be removed, cascading tax system would be eliminated and the eventual tax paid would be reduced in most cases. This in turn would lead to reduction in the cost of production, and by extension an increase in profits for the businessmen. A part of these benefits will eventually be passed on to the end-consumer as well.

How will GST work?

A product has to go through different stages before it reaches the end consumer, and there are several taxes applicable throughout this process. However, this situation will change in the GST regime. Here's an illustration to understand how:

Stage 1: Manufacturing

Take apparel manufacturing as an example and **10%**as the GST applicable.

The manufacturer buys raw material worth **INR 500**that is inclusive of the GST of **INR 50** (10% of 500).

He then adds his own value of **INR 50** to the materials during the manufacturing process. This brings the gross value of the product to **INR 550**.

Now, the total tax amount on the output of the apparel comes to **INR 55** (10% of 550) In the current tax system, the manufacturer would be required to pay a tax of **INR 55**; however, under GST he can set some of his tax off as he has already paid it while purchasing the raw materials. Therefore, the final GST that the manufacturer will incur will be of INR 5 (total tax amount till now **minus** the tax he has already paid) i.e. **INR 5** (55-50)

Stage 2: Wholesale

Here, the apparel is passed from the manufacturer to the wholesaler at a gross value of **INR 550** that is inclusive of the GST of **INR 55** (10% of 550). The wholesaler then adds his value (his margin) of INR 50 making the total INR 600 (550 + 50). This brings the total tax amount on the final to INR 60 (10% of 600). Like the manufacturer, the wholesaler too can set off this tax amount with the tax that he has already paid for while purchasing the goods from the manufacturer. Thus, the final GST for the wholesaler would be INR 5 (60 – 55)

Stage 3: Retailer

In this final step, the retailer buys the apparel from the wholesaler at a gross value of **INR 600** that is inclusive of the GST of **INR 60** (10% of 600). He then adds his value or margin of INR 50 making the total cost of the goods **INR 650**. The GST applicable here is **INR 65** (10% of 650), but since the retailer has already paid a tax while purchasing the goods, he can set it off. Thus, the final GST incidence for the retailer would be **INR 5** (65 – 60).

At the end, since the retailer will sell the product at INR 650, the GST paid by the customer would be INR 65(10% of 650) only. This number would have been much higher in our current tax structure.

Thus GST can be a win-win scenario that will benefit the entire value chain and make it easier for both businesses and consumers. To know more about GST, check our other articles in the series.

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GROUP: 2, PAPER:12

COMPANY

ACCOUNTS & AUDIT (CAA)

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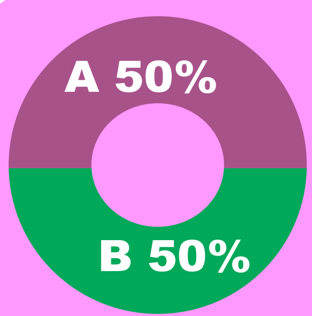
Your Preparation Quick Takes



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

What is the requirement of cash flow statement?

Section 129 of the Companies Act 2013 requires Financial Statement as per the definition of Financial Statement under section 2(40), Financial Statement in relation to company includes Cash Flow Statement for the financial year besides Balance Sheet, Profit and Loss Account as usual. However, Financial Statement with respect to One Person Company, Small Company and Government Company may not include Cash Flow Statement.

As per Section 40 of the Companies Act 2013, every company intending to offer shares or debentures to the public is required to undergo provisions of listing of securities with stock exchanges. Every company while submitting its application for listing with their stock exchanges, should produce a number of documents as enclosures which include cash flow statement.

What is the format of Cash Flow Statement?

AS 3 lays down a format for the cash flow statement which identifies separately the main activities resulting in cash inflows or outflows. The standard requires three separate categories of cash flow namely:

1) Operating Activities

2) Investing Activities

3) Financing Activities

What is the meaning of Cash Flow from Operating Activities?

Cash flow from operating activities means principal revenue producing activities which include:

- Cash receipts from sale of goods and the rendering of services
- Cash receipts from royalties, fees, commission and other revenue
- Cash payments to suppliers for goods and services
- Cash payments to and on behalf of employees
- Cash receipts and payments of insurance
- Cash payments or refunds of income tax
- Cash receipts and payments relating to contracts for dealing trading purposes

What is the meaning of Cash flow from Investing Activities?

Cash flow from investing activities represents the expenditure to which expenditures have been made with intention to generate future income.

Cash flows from investing activities include:

- Cash payments to acquire fixed assets
- Cash receipts from disposal of fixed assets
- Cash payments to acquire shares, warrants or debt instruments
- Cash receipts from disposal of share warrants or debt instruments
- Cash advances and loans made to third parties
- Cash receipts from the repayments of advances made to third parties
- Cash payments for future contracts as classified financing activities
- Cash receipts from future contracts classified as financing activities

What is the meaning of financing activities?

Cash flows from financing activities are required for predicting claims on future cash flows by fund providers. Cash flows from financing activities are:

- Cash proceeds from issuing shares and instruments
- Cash proceeds from issuing debentures
- Cash payments of amounts borrowed
- Payments of dividend
- Payments of interest

What is the usual prescription of AS 3 for preparation of Cash Flow Statement?

Net cash flow from operating activities is calculated by taking net profit which is to adjust for non cash items like depreciation, goodwill written off etc. In nutshell, it would be:

Net profit before taxation excluding extra-ordinary profit or loss

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Add back:

- Depreciation
- Goodwill written off
- Preliminary expenses written off
- Interest expenses written off
- Loss on sale of assets
- Proposed Dividend

Less:

- Profit on sale of investment
- Interest income
- Dividend income

Net cash Flow from Operating Activities ____

Cash flow from investing activities may be done from profit or loss from extra-ordinary items as adjusted for purchase of fixed assets, purchase of investments etc. It would be:

Profit or loss from extra-ordinary items ____

Add back:
- Proceeds from sale of property, plant and equipment
- Proceeds of sale of investment

Less:
- Purchase of property, plant and equipment

Similarly cash flow from financing activities may be calculated through:

- Proceeds from issue of shares including premium
- Proceeds from issue of debentures

Less: Dividend paid, Interest paid, Repayment of Loan

Examinees are to get adherence of this method namely indirect method as listed companies are allowed to use this method for preparation and presentation of cash flow statement.

In the summer days, the sun is illumined to full extend. Let us proceed to illumine ourselves. Enjoy the flow of study.

Ethically Working ....

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01.00 Appreciate the value of Hard Work

Here goes a popular story that highlights the importance to experience the difficulty and learn to value hard work behind all the given comfort.

The MD said, "..... I want to recruit a person who can appreciate the value of others, a person who knows the sufferings of others to get things done, and a person who would not put money as his only goal in life. ...."

Once, an academically excellent youngster applied for a managerial position in a big corporate. He cleared the initial filters and landed with the Managing Director for the final selection. The MD discovered from the CV that the youth's academic achievements were excellent all the way. From the secondary school until the postgraduate research, never had a year when he did not score.

Come the interview, the MD asked, "Did you obtain any scholarships in school?" The youth answered "None". The MD asked, "Was it your father who paid for your school fees?" The youth answered, "My father passed away when I was one year old, it was my mother who paid for my school fees". The MD asked, "Where did your mother work?" The youth answered, "My mother worked as clothes cleaner".

The MD requested the youth to show his hands. The youth showed a pair of hands that were smooth and perfect. The MD asked, "Have you ever helped your mother wash the clothes before?" The youth answered, "Never, my mother always wanted me to study and read more books. Furthermore, my mother can wash clothes faster than me". The MD said, "I have a request. When you go back today, go and clean your mother's hands, and then see me tomorrow morning".

The youth felt that his chance of landing the job was high. When he went back, he happily requested his mother to let him clean her hands. His mother felt strange, happy but with mixed feelings, she showed her hands to the boy. The youth cleaned his mother's hands slowly. His tears rolled down as he did that. It was for the first time he noticed that his mother's hands were so wrinkled, and there were so many bruises in her hands. Some bruises were so painful that his mother shivered when they were cleaned with water.

This was the first time the youth realized that it was this pair of hands that washed the clothes everyday to enable him to pay the school fee. The bruises in the mother's hands were the price that the mother had to pay for his graduation, academic excellence and his future. After finishing the cleaning of his mother's hands, the youth quietly washed all the remaining clothes for his mother. That night, mother and son talked for a very long time.

Next morning, the youth went to the director's office. The MD noticed the tears in the youth's eyes, and asked: "Can you tell me what have you done and learned yesterday in your house?" The youth answered, "I cleaned my mother's hands, and also learnt that without my mother, there would not the successful me today. By working together and helping my mother, I now realize the value of my mother's hard work behind my comfort".

The MD said, "This is what I am looking for to be in my manager. I want to recruit a person who can appreciate the value of others, a person who knows the sufferings of others to get things done, and a person who would not put money as his only goal in life. You are hired".

Later on, this young person worked very hard, and received the respect of his subordinates. Every employee worked diligently and as a team adhering to scrupulous work ethics. And, the company's performance enhanced tremendously.

02.00 Work ethic

Work ethic is perceived as a belief that hard work and diligence have a moral benefit and an inherent ability, virtue or value to strengthen character and individual abilities. It is a set of values centered on importance of work and manifested by determination or desire to work hard. Social ingrainment of this value is considered to enhance character through hard work that is relevant to an individual's field of work. Put in short, a work ethic is a set of moral principles a person uses in their job.

Proponents of a strong work ethic consider it to be vital for achieving goals, that it gives strength to their orientation and the right mindset. People who possess a strong work ethic embody certain principles that guide their work behaviour, leading them to produce high-quality work consistently and the output motivates them to stay on track. A good work ethic fuels an individual's needs and goals, and it is related to the initiative by a person for the objectives. It is considered as a source of self respect, satisfaction, and fulfillment.

The primary benefits that may be visualized from a team of ethical workers are:

i. **Goal-oriented actions**: It is not about making plans or the next logical steps; it's about getting things done so that the work invested wouldn't be counter-productive.
ii. **Prioritized Focus**: Focusing on qualitative activities that a person is capable of and in areas where they can make a difference or a high impact based on objectives.
iii. **Being available and reliable**: Spending time on the work and building oneself up for the task.
iv. **Conscientiousness**: A desire to do a task well, being vigilant and organized.
v. **Creating a Rewarding Routine**: Engaging in tasks that provide strength and energy which can be transferred to ultimate goals, creating a habit and a habitat for success.
vi. **Embracing Positivism**: Shape a problem with the statement "good".

03.00 The Six Traits

Given under are the six traits set out by Prof. David De Cremer that predict ethical behaviour at work.

(i) **Conscientiousness**: Individuals showing this trait are careful, reflective, and reliable, which means that they tend to be responsible organizational citizens. Research shows that conscientiousness is indeed positively associated with higher levels of moral reasoning, leading people high in this trait to display less antisocial, unethical, and even criminal behaviour.

(ii) **Moral attentiveness**: This describes the extent to which individuals are aware of the various ethical dilemmas at hand. A morally attentive person will see ethical issues where others may see none. It may sound a bit obvious to say, but being aware of the ethical dilemmas at hand are a prerequisite to start talking about it.

(iii) **Duty orientation**: Individuals with a strong sense of duty tend to be loyal and mission-oriented, and motivated to take action on what they perceive as a problem. Research has shown that a high sense of duty orientation leads employees to voice their concerns more quickly.

(iv) **Customer orientation**: Employees who are strongly motivated to prioritize the needs of customers also tend to adopt more ethical attitudes in the experience and execution of their job. Customer oriented employees tend to be more ethical because they value the others' needs as highly as their own and create fewer conflicts of interest in their relationships with others. As a result, they are more likely to notice and willing to address challenges that violate ethical rules and expectations. Research shows that exactly those serving qualities make that customer oriented sales agents engage in less unethical behavior than their sales-oriented counterparts.

(v) **Assertiveness**: Although assertive individuals can sometimes be regarded as grating, the trait of assertiveness is essential in building ethical cultures. In any group, the pressure to conform is high. As a result, the default is often not to question decisions - much less ethically questionable ones. Assertive individuals are the ones who can prevent such groupthink by standing up to the pressures of conformity even (or especially) when doing so carries risk.

(vi) **Proactivity**: Individuals with a proactive personality feel less constrained by situational forces. When it comes to ethical issues, this tendency helps them be more active in keeping a moral course. Research has shown that employees with a proactive personality engage more often and more quickly in acts of whistle-blowing. Other research has found this to be even more likely in cases where the companies' stated ethical values conflict with what's happening. In other words, when companies are serious in stressing the importance of an ethical culture, those employees with a proactive personality will be extremely useful in voicing any initial ethical failures or threats to the companies' integrity.

Screening job applicants on the traits mentioned above can help develop companies a blueprint of the kind of employee they are looking for who will endorse, shape, and push an ethical culture. Of course, individuals do not act in isolation — whether they will speak up ultimately also depends on the extent to which the broader organization legitimizes their behavior. But hiring more ethical employees is one way to build the kind of organization that makes values a priority.

04.00 Quick Take

A positive work ethic enables productivity, reliability, accountability and a growing sphere of professional & healthy relationships. Good work ethic leads to a good life style.

150 YEARS OF CELEBRATING THE MAHATMA

Examination TIME TABLE

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)

Day & Date	Intermediate Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
11th June, 2019 (Tuesday)	Financial Accounting (Paper 05) (Group - I)
12th June, 2019 (Wednesday)	Operations Management & Strategic Management (Paper 09) (Group - II)
13th June, 2019 (Thursday)	Laws & Ethics (Paper 06) (Group - I)
14th June, 2019 (Friday)	Cost & Management Accounting and Financial Management (Paper 10) (Group - II)
15th June, 2019 (Saturday)	Direct Taxation (Paper 07) (Group - I)
16th June, 2019 (Sunday)	Indirect Taxation (Paper 11) (Group -II)
17th June, 2019 (Monday)	Cost Accounting (Paper 08) (Group - I)
18th June, 2019 (Tuesday)	Company Accounts & Audit (Paper 12) (Group - II)

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
Live Webinar

02 Solve Excercises given in Study Note

03 Assess Yourself

04 Appear For Examination

FINISHED

SUBMISSION

Updation of E-Mail Address/Mobile:

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

Dear Students,

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

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

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

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

Message from

Directorate of Studies

Dear Students,

Greetings from the D.O.S.,

Congratulation to all the successful examiners who have pass in December, 2018 terms of examination Those, could not clear in please remind that, failure is a key of success so try hard. 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**. Other than this we are trying to help you through **New Mock Test Papers (MTPs), New Work book**, and we are conducting **New Webinar sessions (live)** and where your active participation is amazing. Before stepping in to the examination hall, please go through the **PPTs on 'Achieve your GOAL'**; uploaded by the Directorate of Studies and which will help you to know about certain Do's and Dont's in the examination.

You know that the nation is celebrating 150th birth anniversary of the father of the nation M.K.Gandhi. One of his inspirational message towards the students were:

" Continue to grow and evolve",

Let us observe his memory by following his message.

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 links mentioned below :

For Mock Test Papers (MTP) : **http://icmai.in/studentswebsite/mtp2016_j18_fnd.php**

For Revision Test Papers (RTP) : **https://icmai.in/studentswebsite/rtp2016_d18.php**

For PPT on "Achieve your GOAL : **http://icmai.in/studentswebsite**

For Work Book Link : **https://icmai.in/studentswebsite/Workbook-Syl-2016-Inter.php**

Live Webinar Link : **http://icmai.in/icmai/news/889.php**

Ebulletin Link : **https://icmai.in/studentswebsite/E-Bulletin.php**

We are sure that you will be motivated after looking into the placement news of our students' appeared in the Times of India, newspaper. Many of our students' were placed in reputed companies, which may encourage you to accomplish the course quickly and to be placed in good companies.

GOOD LUCK & Best wishes as always.

Be Prepared and Get Success;

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Statutory Body under an Act of Parliament

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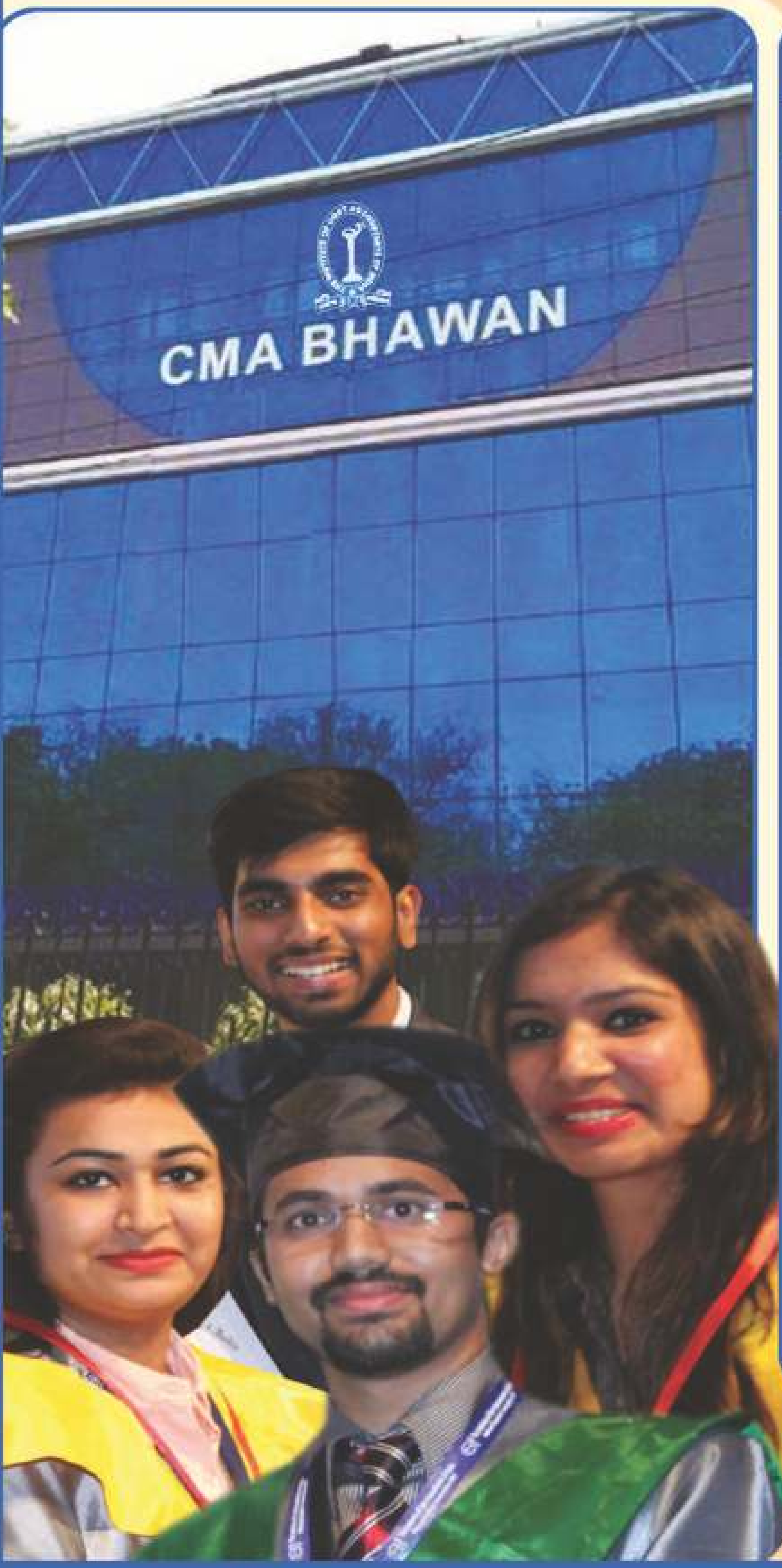

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