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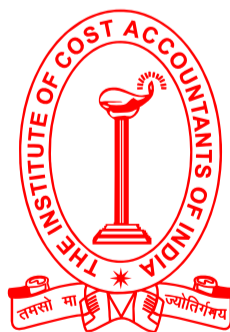
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CMA Student E - Bulletin

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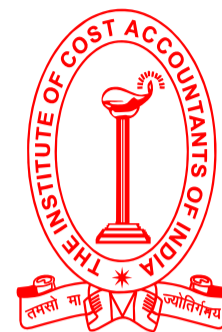
Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700016

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

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

Ph: 091-11-24666100

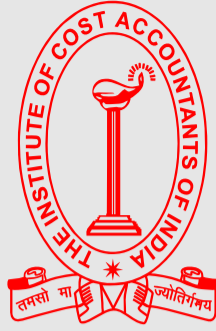
Behind every successful business decision, there is always a **CMA**



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KNOWLEDGE Update



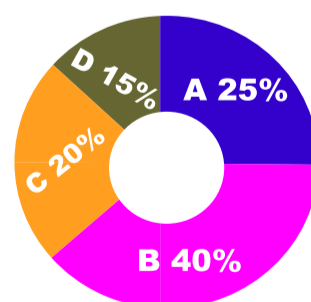
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.



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

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

Your Preparation Quick Takes



Syllabus Structure

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

Learning Objective:

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

FINANCIAL ACCOUNTING

Welcome once again to another new issue in your e bulletin. Soon your plus two results will be declared and new life will be opened up to shape your future. Decide according to your choice and prioritise your tastes and preference. A right decision at right time makes your path smooth. Take a decision and try to ensure that the decision taken is right for you. To prove this, you require a good amount of self-confidence. Ample opportunities are waiting for you. If you are confused take help of seniors and counsellors to guide.

Best wishes to all you.

In the last issue we have revised the topic Joint Venture. Here again some exercises are given for your practice and revision of the chapter - Insurance claim and valuation of inventories.

State whether the following statements are 'true' or 'false':

1. Under a contract of fire insurance, the insurer may indemnify, either, by paying cash or by replacing or reinstating the subject-matter insured.
2. When stock in trade is destroyed by fire, for the same quantity of goods, a retailer can claim more amount than a manufacturer.
3. A standard fire policy also covers loss by theft during or after the occurrence of a fire.
4. Where the property insured is of a value greater than the sum insured, then the Insured is considered as being his own insurer for the difference and in the event of any loss, must share a proportionate loss.
5. The object of both, fire and profits insurance, is to indemnify the revenue losses arising due to fire.
6. Annual turnover is the turnover during the twelve months immediately before the damage.
7. Under a profits insurance policy, loss of profits is measured with reference to budgeted profit.
8. Whatever be the amount of the policy, the loss incurred is to be totally indemnified by the insurer.

Answers.

- (1) True
- (2) True
- (3) True
- (4) True
- (5) False
- (6) True
- (7) False
- (8) False.

Fill in the blanks:

1. The difference between the standard turnover and actual turnover during the indemnity period is.....
2. The maximum period for which indemnity is granted by the insurer isyears for a consequential loss policy.
3. The average clause in a policy discourages.....

4. If the standard turnover is Rs. 72,000, actual turnover Rs. 15,000 and the rate of gross profit is 33 1/3%, the claim for loss of profits will be.....

5. The minimum period, for which indemnity is to be sought by the insured, is in the case of consequential loss policy.

6. For the preparation of claim for loss of stock, the difference between the value of stock on the date of fire and Is considered.

Answers.

(1) Short sales

(2) three

(3) under Insurance

(4) Rs. 19,000

(5) three months

(6) stock salvaged.

State whether the following statements are TRUE' or 'FALSE':

1. Inventory valuation affects only the income statement.

2. The reduction of historical cost to net realisable value is due to the application of the accounting convention of conservatism.

3. A major objective of accounting for inventories is the proper determination of inventories for the purpose of financial statements.

4. The system whereby stock valuation can be ascertained from accounting records is known as perpetual inventory.

5. Perpetual inventory and continuous stock taking mean one and the same.

6. An enterprise is at perfect liberty to change its policy of stock valuation from time to time to suit the exigencies.

7. Specific identification is a formula that attributes specific costs to identified items of inventory.

8. Inventories should be valued at the lower of historical cost and current replacement cost.

9. Changes in the accounting policies relating to stock valuation are to be explained only to statutory auditors and need not be disclosed in financial statements.

Answers :

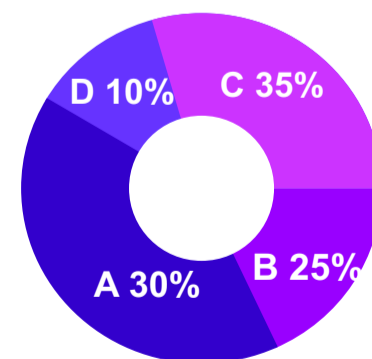
1. False 2. True 3. True 4. True 5. False 6. False 7. True 8. False 9. False.



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

CA Partha Ray
He can be reached at:
prapray@rediffmail.com

Your Preparation Quick Takes



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

Learning Objectives:

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

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

LAWS & ETHICS

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

In this issue we shall continue to deal with Corporate Laws - Companies Act, 2013 and Rules

Maintenance of Register of Members etc.

As per Rule 5 of Companies (Management and Administration) Rules, 2014 requiring Maintenance of the Register of members etc. under section 88. -

Every company shall maintain the registers under Section 88(1) clauses (a), (b) and (c) in the following manner namely:-

- (1) The entries in the registers maintained under section 88 shall be made within 7 (seven) days after the Board of Directors or its duly constituted committee approves the allotment or transfer of shares, debentures or any other securities, as the case may be.
- (2) The registers shall be maintained at the registered office of the company unless a special resolution is passed in a general meeting authorising the keeping of the register at any other place within the city, town or village in which the registered office is situated or any other place in India in which more than one-tenth of the total members entered in the register of members reside.
- (3) Consequent upon any forfeiture, buy-back, reduction, subdivision, consolidation or cancellation of shares, issue of sweat equity shares, transmission of shares, shares issued under any scheme of arrangements, mergers, reconstitution or employees stock option scheme or any of such scheme provided under this Act or by issue of duplicate or new share certificates or new debenture or other security certificates, entry shall be made within seven days after approval by the Board or committee, in the register of members or in the respective registers, as the case may be.
- (4) If any change occurs in the status of a member or debenture holder or any other security holder whether due to death or insolvency or change of name or due to transfer

to Investor Education Protection Fund or due to any other reason, entries thereof explaining the change shall be made in the respective register.

- (5) If any rectification is made in the register maintained under section 88 by the company pursuant to any order passed by the competent authority under the Act, the necessary reference of such order shall be indicated in the respective register.
- (6) If any order is passed by any judicial or revenue authority or by Security and Exchange Board of India (SEBI) or competent authority attaching the shares, debentures or other securities and giving directions for remittance of dividend or interest, the necessary reference of such order shall be indicated in the respective register.
- (7) In case of companies whose securities are listed on a stock exchange in or outside India, the particulars of any pledge, charge, lien or hypothecation created by the promoters in respect of any securities of the company held by the promoter including the names of pledge / pawnee and any revocation therein shall be entered in the register within fifteen days from such an event.
- (8) If promoters of any listed company, which has formed a joint venture company with another company have pledged or hypothecated or created charge or lien in respect of any security of the listed company in connection with such joint venture company, the particulars of such pledge, hypothecation, charge and lien shall be entered in the register members of the listed company within fifteen days from such an event.

As per Rule 8 of Companies (Management and Administration) Rules, 2014

Authentication. - (1) The entries in the registers maintained under section 88 and index included therein shall be authenticated by the company secretary of the company or by any other person authorized by the Board for the purpose, and the date of the board resolution authorising the same shall be mentioned.

(2) The entries in the foreign register shall be authenticated by the company secretary of the company or person authorized by the Board by appending his signature to each entry.

As per Rule 9 of Companies (Management and Administration) Rules, 2014**Declaration in respect of beneficial interest in any shares. - (1)**

A person whose name is entered in the register of members of a company as the holder of shares in that company but who does not hold the beneficial interest in such shares (hereinafter referred to as "the registered owner"), shall file with the company, a declaration to that effect in **Form No. MGT.4**, within a period of thirty days from the date on which his name is entered in the register of members of such company:

Provided that (1) where any change occurs in the beneficial interest in such shares, the registered owner shall, within a period of thirty days from the date of such change, make a declaration of such change to the company in **Form No. MGT.4** in duplicate.

(2) Every person holding and exempted from furnishing declaration or acquiring a beneficial interest in shares of a company not registered in his name (hereinafter referred to as "the beneficial owner") shall file with the company, a declaration disclosing such interest in **Form No. MGT.5**, within thirty days after acquiring such beneficial interest in the shares of the company:

Provided that where any change occurs in the beneficial interest in such shares, the beneficial owner shall, within a period of thirty days from the date of such change, make a declaration of such change to the company in **Form No. MGT.5** in duplicate.

(3) Where any declaration under section 89 is received by the company, the company shall make a note of such declaration in the register of members and shall file, within a period of thirty days from the date of receipt of declaration by it, a return in **Form No. MGT.6** with the Registrar in respect of such declaration with fee.

As per Rule 14 of Companies (Management and Administration) Rules, 2014**Inspection of registers, returns etc. -**

(1) The registers and indices maintained pursuant to section 88 and copies of returns prepared pursuant to section 92, shall be open for inspection during business hours, at such reasonable time on every working day as the board may decide, by any member, debenture holder, other security holder or beneficial owner without payment of fee and by any other person on payment of such fee as may be specified in the articles of association of the company but not exceeding fifty rupees for each inspection.

Explanation.- For the purposes of this sub-rule, reasonable time of not less than two hours on every working day shall be considered by the company.

(2) Any such member, debenture holder, security holder or beneficial owner or any other person may require a copy of any such register or entries therein or return on payment of such fee as may be specified in the articles of association of the company but not exceeding ten rupees for each page. Such copy or entries or return shall be supplied within seven days of deposit of such fee.

As per Rule 15 of Companies (Management and Administration) Rules, 2014**Preservation of Register of Members etc. and Annual Return. -**

(1) The register of members along with the index shall be preserved permanently and shall be kept in the custody of the company secretary of the company or any other person authorized by the Board for such purpose; and

(2) The register of debenture holders or any other security holders along with the index shall be preserved for a period of eight years from the date of redemption of debentures or securities, as the case may be, and shall be kept in the custody of the company secretary of the company or any other person authorized by the Board for such purpose.

(3) Copies of all annual returns prepared under section 92 and copies of all certificates and documents required to be annexed thereto shall be preserved for a period of eight years from the date of filing with the Registrar.

(4) The foreign register of members shall be preserved permanently, unless it is discontinued and all the entries are transferred to any other foreign register or to the principal register. Foreign register of debenture holders or any other security holders shall be preserved for a period of eight years from the date of redemption of such debentures or securities.

(5) The foreign register shall be kept in the custody of the company secretary or person authorized by the Board.

Now let us start with ANNUAL RETURN - Sec.92 of Companies Act, 2013

Annual Return is prepared by a company every year. It must be kept in mind that this Annual Return is not a financial document, but gives information available about the company, its members, the activities of the company and other useful information as at the close of the financial year. It is to be filed with the Registrar of Companies.

Now, let us know what information, this Annual Return contains.

The annual return of a company shall contain the following details:

1. The details of the Registered office.
2. The Principal Business activities.
3. Details of holding, subsidiary, and associate companies.
4. Details of members, debenture holders, and other security holders and their shareholding pattern.
5. Particulars of promoters, directors, and Key Managerial Personnel (KMPs).
6. The Indebtedness of the company.
7. Details of Board Meetings & Committee meetings and the particulars of their attendance.
8. Details of the meeting of members or class thereof along with attendance particulars.
9. Particulars of remuneration of directors and the KMPs.

10. Details of any penalty or punishment, if any, imposed on the company, or its directors and/or officers.
11. Details of compounding or appeals.
12. Details of shares held by or on behalf of Foreign Institutional Investors (FIIs).
13. Such other particulars as may be prescribed.

The format of the Annual return is e-Form MGT-7.

This form is available for download on the MCA website.

As per Sec.92(4) An annual return is required to be filed by the company to the Registrar within 60 days from the date of the AGM or within 60 days from the date on which it should have been held.

Annual Return shall be signed by a director and the Company Secretary of the Company or in case of absence of the Company Secretary by a Company Secretary in Practice.

Provided that in the case of a small company or an One Person Company (OPC) not having a company secretary, the annual return shall be signed by the director of the company.

Certificate of Correctness of Annual Return

As per Sec.92(2) every listed company and public company having paid-up Share Capital of Rs.10 crores or more or a turnover of Rs.50 crores or more are required to take certification from a Practising Company Secretary regarding the **correctness of the facts stated in the Annual Return in Form MGT-8.**

Extracts of Annual Return

As per Sec.92(3) The extracts of the Annual Return shall form the part of the Board's Report. The format of **extracts of Annual Return is Form MGT-9.**

As per Sec.92(5) Penalty for Non-Filing of Annual Return

Where a company fails to file an annual return before the due date, it shall be liable to a penalty which shall not be less than Rs.50,000 but which may extend to Rs.5,00,000 and every officer of the company who is in default shall be punishable with imprisonment which may extend to six months or with fine which shall not be less than Rs.50,000 but which may extend to Rs.5,00,000 or both.

Sec.93 - Return in case Promoters' Stake Changes omitted w.e.f. 13/06/2018

As per Sec.94 - Place of keeping returns :

1. The registers required to be kept and maintained by a company under section 88 and copies of the annual return filed under section 92 shall be kept at the registered office of the company.
2. Registers or copies of return may also be kept at any other place in India in which more than one-tenth of the total number of members entered in the register of members reside, if approved by a special resolution passed at a general meeting of the company and the Registrar has been given a copy of the proposed special resolution in advance.
3. The registers and their indices, except when they are closed under the provisions of this Act, and the copies of all the returns shall be open for inspection by any member, debenture-holder, other security holder or beneficial owner, during business hours without payment of any fees and by any other person on payment of such fees as may be prescribed.
4. Any such member, debenture-holder, other security holder or beneficial owner or any other person may-
 - a) take extracts from any register, or index or return without payment of any fee; or
 - (b) require a copy of any such register or entries therein or return on payment of such fees as may be prescribed.

COMPANIES(MANAGEMENT AND ADMINISTRATION) RULES,2014 [EFFECTIVE FROM 1st APRIL,2014]

Rule 14 of Companies (Management and Administration) Rules,2014 Inspection of registers, returns etc. -

Rule 14(1) provides that the registers and indices maintained pursuant to section 88 and copies of returns prepared pursuant to section 92, shall be open for inspection during business hours, at such reasonable time on every working day as the board may decide, by any member, debenture holder, other security holder or beneficial owner without payment of such fee as may be specified in the articles of association of the company but not exceeding Rs.50 (fifty) for each inspection. Explanation- For the purposes of this sub-rule, reasonable time of not less than two hours on every working day shall be considered by the company.

Rule 14(2) provides that any such member, debenture holder, security holder or beneficial owner or any other person may require a copy of any register or entries therein or return on payment of such fees as may be specified in the articles of association of the company but not exceeding Rs.10 (ten) for each page. Such copies or entries or return on payment of such fees as may be specified in the articles of association of the company but not exceeding Rs. 10 (ten) for each page. Such copies or entries or return shall be supplied within 7 (seven) days of deposit of such fee.

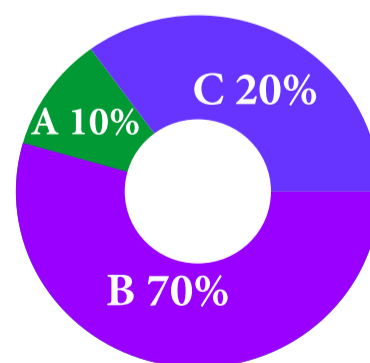


GROUP: I, PAPER: 7

DIRECT TAXATION (DTX)

CA Vikash Mundhra
He can be reached at:
vikash@taxpointindia.com

Your Preparation Quick Takes



Syllabus Structure

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

Learning Objectives:

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

SALARIES

1. **Salary** means any payment by the employer to employee.
2. **Basis of charge:** Salary is chargeable to tax either on 'due' basis or on 'receipt' basis, whichever is earlier.
3. **Basic Salary:** Fully taxable in all cases.
4. **Dearness Allowance (DA) or Dearness Pay (DP):** Fully taxable in all cases.
5. **Fees:** Fully taxable in all cases.
6. **Commission:** Fully Taxable.
7. **Bonus:** Contractual bonus is taxable as bonus whereas voluntary bonus is taxable as perquisite.
8. **Gratuity**
 - a. Gratuity received during continuation of service is fully taxable in the hands of all employees.
 - b. Gratuity received at the time of termination of service by Government employee is fully exempted.
 - Gratuity received at the time of termination of service by non-government employee, covered by the Payment of Gratuity Act shall be exempted to the minimum of the following
 - (a) Actual Gratuity received
 - (b) ₹ 20,00,000; and
 - (c) $\frac{15}{26} \times \text{Completed year of service} \times \text{Salary p.m.}$
Completed year of service consider any fraction in excess of 6 months.
 - Gratuity received at the time of termination of service by non-government employee not covered under the Payment of Gratuity Act shall be exempted to the minimum of the following:
 - (a) Actual Gratuity received;
 - (b) ₹ 20,00,000; and
 - (c) $\frac{1}{2} \times \text{Completed year of service} \times \text{Average Salary p.m.}$
Completed year of service ignores any fraction of the year.
 - c. Gratuity received after death of employee is exempted.
9. **Leave Salary Encashment**
 - a. Leave salary during continuation of service is fully taxable in hands of all employees.
 - b. Leave salary received by Government employee is fully exempted.
 - Leave salary received by non-Government employee shall be exempted to the minimum of the following:
 - (a) Actual amount received as leave salary
 - (b) ₹ 3,00,000/-
 - (c) $10 \times \text{Average salary p.m.}$
 - (d) $[(1 \times \text{completed year of service}) - \text{leave actually taken in terms of month}] \times \text{average salary p.m.}$
Completed year of service ignores any fraction of the year.
 - c. Leave salary paid to the legal heir of deceased employee is not taxable as salary.
10. **Pension [Sec. 17(1)(ii)]**
 - Uncommuted pension is fully taxable in the hands of all employees
 - Commuted pension received by a Government employee is fully exempt from tax.
 - Commuted pension received by an employee who also received gratuity: $\frac{1}{3}$ of total pension commuted shall be exempted.
 - Commuted pension received by an employee who does not receive gratuity: $\frac{1}{2}$ of total pension commuted shall be exempted.
11. **Voluntary Retirement Compensation:** Compensation received at the time of voluntary retirement shall be exempted to the minimum of the following
 - (a) Actual amount received as per guidelines; or
 - (b) ₹ 5,00,000 provided following conditions are satisfied -
 - (i) Compensation is not received from Individual, HUF or Firm.
 - (ii) Voluntary Retirement Scheme (VRS) framed in accordance with prescribed guidelines i.e.
 - (a) Scheme must be applicable to all employees who have either completed age of 40 years or has completed 10 years of service

- (b) Scheme must be framed to reduce the number of employees
 - (c) Vacancy caused is not to be filled up
 - (d) Retiring employee is not employed in another company or concern belonging to the same management
 - (e) Compensation does not exceed - 3 months salary for each completed year of service; or salary for balance month of service left. Benefit under 10(10C) can be claimed once in the life of assessee.
12. **Annuity [Sec. 17(1)(ii)]:** Fully taxable
 13. **Salary received in lieu of notice period:** Fully taxable
 14. **Profits in lieu of salary [Sec. 17(3)]:** Fully taxable

ALLOWANCES

15. **House rent allowance (HRA):** Minimum of the following is exempted from tax:
 - (a) Actual HRA received
 - (b) 50%/40% of salary
 - (c) Rent Paid - 10% of Salary
16. **City Compensatory Allowance/Tiffin Allowance/Medical Allowance/Servant Allowance:** Fully taxable.
17. **Entertainment Allowance:** Fully taxable, irrespective of actual expenditure incurred. Government employee can claim deduction u/s 16(ii)
18. **Children Education Allowance:** Minimum of the following is exempted -
 - (a) ₹ 100 per month per child (to the maximum of two children)
 - (b) Actual amount received.
19. **Children Hostel Allowance:** Minimum of the following is exempted -
 - (a) ₹ 300 per month per child (to the maximum of two children)
 - (b) Actual amount received
20. **Truck Driver's Allowance:** Minimum of the following shall be exempted:
 - (a) 70% of allowance
 - (b) ₹ 10,000 p.m.
21. **Allowance to Government employees outside India:** As per sec. 10(7), any allowance or perquisite allowed outside India by the Government to an Indian citizen for rendering services outside India is wholly exempt from tax.
22. Any other allowance for which there is no specific provision shall be fully taxable.
23. **In case of following allowances deduction is allowed to the extent of actual expenditure:** Travel or transfer Allowance, Daily Allowance, Conveyance Allowance, Helper / Assistant Allowance, Professional Development Allowance/ Research Allowance, Uniform Allowance

PERQUISITES

24. Rent-free accommodation in hands of Government employee is taxable to the extent of licence fee.
25. Rent-free accommodation in hands of other employees is taxable as under -
 - Where accommodation is hired by the employer: 15% of salary or hire charges, whichever is lower.
 - Where accommodation is owned by the employer: 15%/10%/7.5% of salary, depending on population of city in which accommodation is provided.
26. Valuation of rent-free furnished accommodation = [Value of accommodation + Value of furniture being {10% of original cost (if owned by employer) or Hire charge paid by employer}].
27. Valuation of accommodation provided at concessional rent: Value of Rent free accommodation as usual - Rent payable by employee to employer for the above facility.
28. Insurance premium payable by employer shall be fully taxable
29. The difference between fair market value of the specified securities or sweat equity shares and amount paid by the employee shall be considered as taxable perquisite.
30. The amount or the aggregate of amounts of any contribution made to the account of the assessee by the employer:
 - a) in a Recognised Provident Fund (RPF);
 - b) in the scheme referred to in sec. 80CCD(1) [i.e., NPS]; and
 - c) in an approved superannuation fund,
 - to the extent it exceeds ₹ 7,50,000 in a previous year.

Taxpoint: There is combined upper limit of ₹ 7,50,000 in respect of employer's contribution in a year to NPS, superannuation fund and recognised provident fund and any excess contribution is taxable.
31. The annual accretion (like interest, dividend, etc.) during the previous year to the balance at the credit of the aforesaid fund or scheme to the extent it relates to the contribution referred above.

Taxpoint: Such accretion shall be included in the total income and shall be computed in such manner as may be

prescribed.

32. **Motor-car Facility:**

Owned	Maintain	Used for	Taxable value
Employer		Personal purpose	Maintenance + Depreciation
		Both purpose	₹ 1,800 or ₹ 2,400 p.m.
Employer	Employee	Personal purpose	Depreciation
		Both purpose	₹ 600/₹ 900 p.m.
Employee	Employer	Personal purpose	Maintenance
		Both purpose	Actual expenditure by employer - ₹ 1,800/2,400 p.m.
Driver: Add salary of driver (used for personal purpose) or ₹ 900 p.m. (partly used for personal purpose)			

33. **Free Transport -**

- If employer is engaged in transportation business: Amount charged from public for such facility.
- In any other case: Actual cost of employer for such facility.

34. Notional cost of Traveling/Touring/Holiday Home facility shall be taxable.

35. Expenditure incurred by employer in respect of credit card facility to employee shall be taxable unless the card is wholly used for office purpose.

36. Gift, voucher or token given by employer: Cash gift is fully taxable. However, non-cash gift in excess of ₹ 5,000 fully taxable.

37. **Club Expenditure:**

- Expenditure incurred by employer in respect of club facility to employee shall be taxable.
- Where such expenses are incurred wholly and exclusively for office purpose and specified conditions are satisfied then nothing shall be taxable.
- Health club, sports and similar facilities are not taxable.
- Entrance fee of corporate membership is not taxable

38. Manufacturing cost or hire charge of gas, electricity or water facility shall be taxable.

39. Free education to family of employee

Case	Taxable Value
Institution owned by the employer	Child: Notional cost subject to an exemption of ₹ 1,000 p.m. per child.
Institution not owned by the employer by reason of his being in employment.	Other family member: Notional cost of such facility
Reimbursement	Actual reimbursement shall be taxable.

40. Valuation of perquisite in respect of free domestic servants shall be actual cost to the employer.

41. Perquisite in respect of interest free loan or concessional rate of interest shall be taxable in the hands of all employees as per the SBI rate of interest (on first day of the previous year), if aggregate amount of loan exceeds ₹ 20,000. However, any interest paid by the employee to the employer shall be reduced from the above computed value.

42. Valuation of perquisite in respect of use of movable assets shall be 10% of the original cost of such asset (If asset is owned by the employer) or charges paid or payable by the employer (If asset is hired).

43. Valuation of the perquisite in respect of movable assets sold by an employer to its employee shall be "the written down value - sale price". The written down value shall be calculated considering the rate of depreciation for Electronic items 50%(WDV), Motor-car 20%(WDV) and for other items 10% (SLM).

44. **Medical facility in India -**

- Medical facility in a Government hospital or hospital maintained by the employer is exempted.
- Reimbursement of medical expenses in a hospital, which is approved by the CCIT, for the prescribed diseases is fully exempted.
- Group medical insurance obtained by the employer for his employees is fully exempted.
- Reimbursement of any insurance premium paid by the employee is fully exempted.

45. Medical facility provided outside India: Medical expenditure, cost of stay abroad (for patient + one caretaker) is exempted to the extent permitted by the RBI. Cost of travel (for patient + One care taker) is exempted only when GTI of the employee does not

exceed ₹ 2,00,000 p.a.

46. If an employee goes on travel in India (on leave) with his family and traveling cost is reimbursed by the employer, then such reimbursement is fully exempted for 2 journeys in a block of 4 years.
47. Provident Fund

Particulars	SPF	RPF	URPF	PPF
Employer's Contribution	Not taxable	Exempted upto 12% of Salary	Not taxable	NA
Employee's Contribution	Eligible for deduction u/s 80C	Eligible for deduction u/s 80C	Not eligible for deduction u/s 80C	Eligible for deduction u/s 80C
Interest	Not Taxable	Exempted @ 9.5% p.a.	Not Taxable	Not taxable
Lump sum	Not Taxable	Not Taxable if employee retires after 5 years of service or due to inability to work. Otherwise it shall be taxable as URPF	Employer's contribution or interest thereon is taxable as salary. Interest on employee's contribution taxable as income from other sources	Not Taxable

Taxpoint

- The amount or the aggregate of amounts of any contribution made to the account of the assessee by the employer:
 - in a Recognised Provident Fund (RPF);
 - in the scheme referred to in sec. 80CCD(1) [i.e., NPS]; and
 - in an approved superannuation fund,
 - to the extent it exceeds ₹ 7,50,000 in a previous year.
 - The annual accretion (like interest, dividend, etc.) during the previous year to the balance at the credit of the aforesaid fund or scheme to the extent it relates to the contribution referred above.
48. **Transferred balance:** On conversion of URPF to RPF, taxable amount is all sums comprised in the transferred balance that would have been liable to income tax if the recognition of the fund had been in force from the date of institution of the fund.
49. Standard deduction: Lower of (i) salary; (ii) ₹ 50,000
50. Entertainment allowance is allowed as deduction u/s 16(ii) in hands of Government employee to the minimum of following -
- Actual entertainment allowance
 - ₹ 5,000
 - 20% of Basic Salary.
51. Tax on employment or professional tax shall be allowed as deduction u/s 16(iii) on cash basis, whether paid by employee or by employer (on behalf of employee) from gross taxable salary.



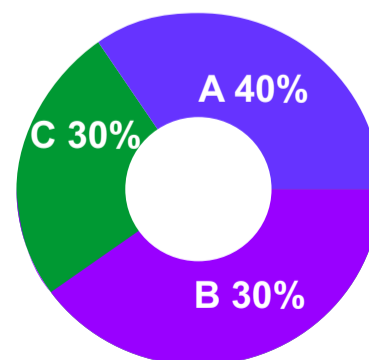
GROUP: I, PAPER: 8

COST ACCOUNTING

(CAC)

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

Your Preparation Quick Takes



Syllabus Structure

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

Learning Objectives:

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

COST ACCOUNTING

Costing enable a business not only to find out what various jobs or processes have cost but also what they should have cost; it indicates where losses and waste are occurring before the work is finished, and there for immediate action may be taken if possible to avoid such losses or waste. Business policy may require the consideration of alternative methods and procedures, and this is facilitated by cost information correctly presented. At present the value and importance of cost accounting need hardly be overemphasized. Cost accounting, by exercising control over the entire business operations, enables management to eliminate wastages, leakages, increase efficiency and productivity and helps decision making by suitably fixing prices in case of competition, trade depression, and idle capacity with a view to maximizing the gains or minimizing the losses.

The **Paper eight** is a scoring subject out of all papers. It is observed from the past experience that 70% to 80% of the total questions are set from practical problems and the balance is theoretical part. Although only 20% questions are set from theoretical part, but a greater emphasis should be given on theoretical part, as most of the students are very much weak in theory. For easy understanding the topic you should go through the theory in details and then try to solve the exercise problems. Starting from the first chapter we should go through all other chapter serially to understand the succeeding chapters in a better way.

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

I suggest some valuable guidelines based on my long time experience-

1. A time bound plan should be there for completing the whole syllabus as well as revision within the target periods.
2. Try to go through your Study Note and know the complete syllabus. Remember all chapters are interlinked.
3. Analyze the trends of setting questions by taking at least ten to fifteen terms.
4. Please try to write all the important terms in your own words and read them regularly.
5. Improve your speed by regular practice and revision.
6. Always try to answer all objective type questions as practice, which carries 100% marks.
7. Try to develop a habit of reading the questions well, underlining and understanding the specific demands.

The main purpose of our study, **Paper Eight** are to understand the concept of cost, determining the Cost of product or services, understanding the concept of Standard Cost, applying the concept of the marginal costing, Budgetary Control and formulating of business strategy and operational planning.

As per study material, your entire syllabus is divided into six main chapters. In first chapter the basic concepts of cost accounting are discussed, besides its other two branches viz, Financial Accounting and Management accounting. The second chapter described the Elements of cost thoroughly. Here a classification has to be made to arrive at the detailed cops of departments, process, production orders, jobs or other cost units. The three major elements of costs are - material, labour and Overheads. In this chapter cost concepts are discussed and analyzed element-wise. Material consists of the major part of total cost of a product, hence it is necessary to control this cost. You must read the scope and objectives of different Cost Accounting Standards. It will help to grasp the concept of cost accounting easily. Try to solve the problems on earnings of workers under different schemes. The meaning of Cost allocation, Cost apportionment and cost absorption should be very clear by solving the practical problems regularly. It will help to grasp the concept of Cost Accounting very easily.

The next chapter, Cost Book-Keeping, which includes integrated accounting system is not at all difficult. In this system, different accounts are to be opened, but it is not necessary to give much emphasis to complete its solution. Here, separate ledgers are maintained by the cost sections. The chapter is very easy to understand but the process is lengthy.

The third chapter relates to Contract Costing. The Job, Batch or Contract Costing is very important for the Intermediate Examinations. Most of the students often face difficulty in recommending the amount of profit to be taken into account for an incomplete contract. You should make sure that you are familiar with various methods/formulae for different stages of completion and

share of profit. Students are also advised to go through the topic "Profit on incomplete contracts based on SSAP - 9". Various problems on 'escalation clause' are used to be set at this level of examination also.

The next chapter is related to Operating Costing. In 'Operating Costing' we have to find out operating cost per unit of output. This chapter also includes 'Transport Costing', 'Hospital Costing', 'Power House Costing', 'Hotel/ Hostel Costing' etc. Finding out the 'Composite Unit' is very important for finding the solution of these type problems.

The next chapter relates to 'Marginal Costing' which aims to find out cost-volume-profit relationships of a product. It is not a system of costing, but is a especial technique concerned particularly with the effect which fixed overheads has on the running of the business. This is an important chapter from the students' perspective. Students should understand the concepts, Uses, needs and importance of 'Marginal Costing' carefully. The main thrust should be to follow the wording and determine the desired impact on profitability. Break-even Analysis and finding out the Breakeven point is the basic part for solving the problem. For a product of different sales-mix, contribution per unit of key-factor should be find out and then different options should be marked on the same basis, i.e. contribution per unit of key factor. Here you should also study the effect on profits due to various changes, in Fixed Cost/ Variable Cost/ selling price/ sales-mix and again the effect of the above on BEP, Margin-of-safety. More than one problem is generally set from this chapter. Hence, various types of problems should be worked out for easy understanding.

The chapter 'Standard Costing' deals with creating responsibilities and identifying the activities or areas of exceptions. Here variances are analyzed in detail according to their originating causes. Any problem on standard cost for working out different variances can be worked out by using a standard format applicable to all variance analysis. The students are afraid of this important chapter only because of different formulae for different analysis. Only a serious study and realization of the requirement in the problem can eliminate such difficulties. The main objective of this analysis is to improve the operation by effective utilization of resources for reducing its product cost.

Budgetary control is a tool used widely for assisting management in planning and control. In practice budget is used in various fields viz. in our privet life, in business and also in the Government departments. A problem relating to Production Budget and Purchase Budget is suggested here. Please try to solve by your own.

Problem

The following are the estimated sales of a company for eight months ending 30.11.1998 :

Months	Estimated Sales (units)
April '98	12,000
May '98	13000
June '98	9000
July '98	8000
August '98	10000
September '98	12000
October '98	14000
November '98	12000

As a matter of policy, the company maintains the closing balance of finished goods and raw materials as follows :

Stock items	Closing balance of a month
Finished goods	50% of the estimated sales for the next month
Raw materials	Estimated consumption for the next month

Every unit of production required 2 kg of raw material costing Rs. 5 per kg.

Prepare Production Budget (in units) and Raw Material Purchase Budget (in units and cost) of the company for the half year ending 30 September 1998 .

Solution

(I) Production budget (in units) for half year ending 30th September 1998.

Months	Sales (In units)	Closing balance 50% of the estimated sales for the next month)	Opening balance (for the month)	Production
April '98	12000	6500	6000	12500
May '98	13000	4500	6500	11000
June '98	9000	4000	4500	8500
July '98	8000	5000	4000	9000

August '98	1000	6000	5000	11000
September '98	12000	7000	6000	13000
	64000			65000

(ii) Purchase Budget (in cost and units) for the half year period ending 30.9.1998.

Consumption @ 2 kg. per unit (kgs.)	Closing balance	Opening Balance	Purchase (in kg.) = 3+2+1	Rate (Rs.)	Amount (Rs.)
25000	22000	25000	22000	5	110000
22000	17000	22000	17000	5	85000
17000	18000	17000	18000	5	90000
18000	22000	18000	22000	5	110000
22000	26000	22000	26000	5	130000
<u>26000</u>	26000	26000	26000	5	<u>130000</u>
130000					655000

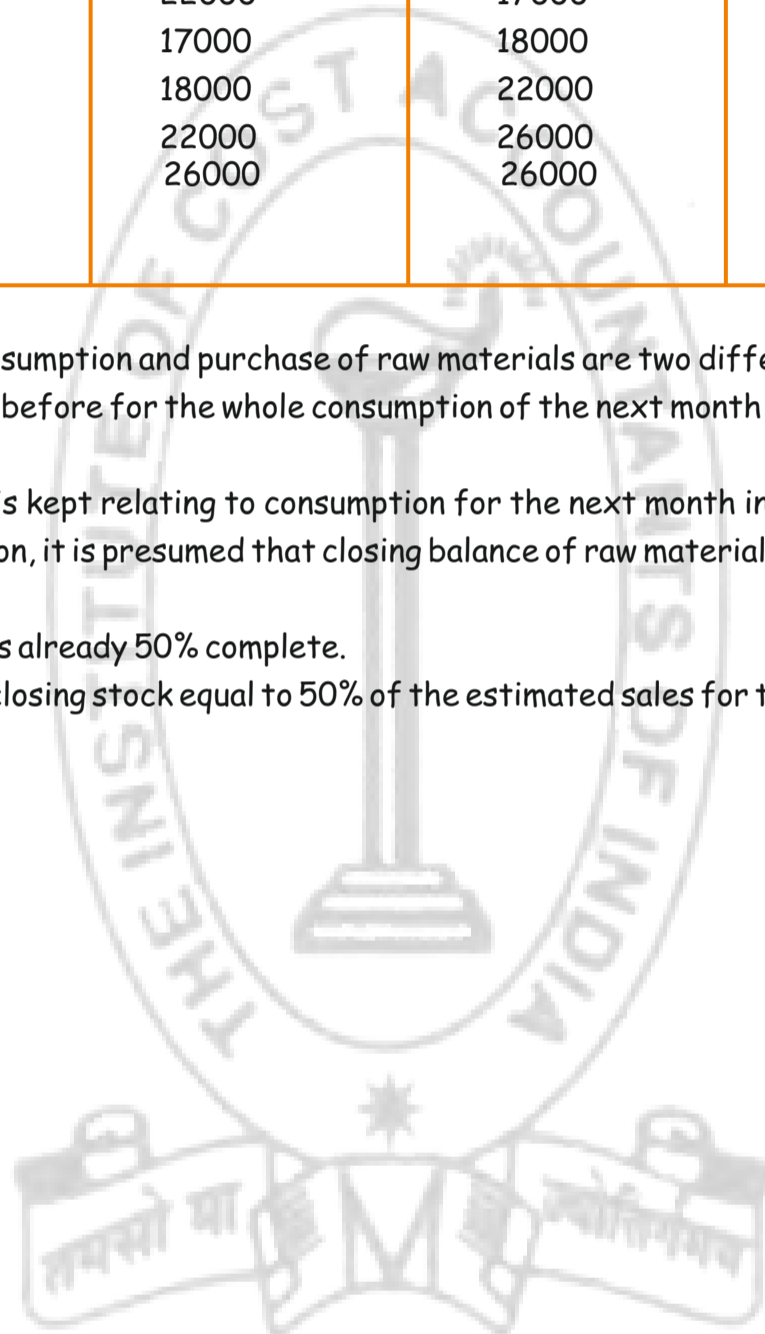
Note 1. It should be kept in view that consumption and purchase of raw materials are two different aspects. Raw materials, as per policy of the company, are purchased one month before for the whole consumption of the next month but is consumed subsequently to meet the sales target.

Note 2. Closing balance of raw material is kept relating to consumption for the next month in April, consumption is $12500 \times 2 = 25000$ Kgs. As per table given above for this reason, it is presumed that closing balance of raw materials relating to March 1999 is Rs. 25000 Kgs.

Note 3. In April, production will include :

(a) Completing the finished goods, which is already 50% complete.

(b) Getting the finished goods ready for closing stock equal to 50% of the estimated sales for the next months.

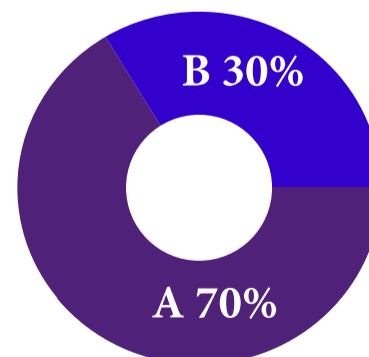




GROUP: II, PAPER: 9, Part- i
OPERATIONS
MANAGEMENT & STRATEGIC
MANAGEMENT (OMSM)
Operations Management

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

Your Preparation Quick Takes



Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

Learning Objectives:

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

Operations Management

In this issue we will discuss on Facility Location.

Location of facilities for operation is a long term irrevocable (generally) commitment decision. Generally because it is not easy to change the location of the operations base once it has been established. Recently, however, Tata Motors Limited (TML) changed the location of its facilities for manufacturing Nano motors and shifted it to Gujarat.

Where to locate the Facilities for Operation is the Product of



While selecting location the first step is

Which type of facility we want--- Is it a heavy manufacturing facility or a service facility or a warehouse

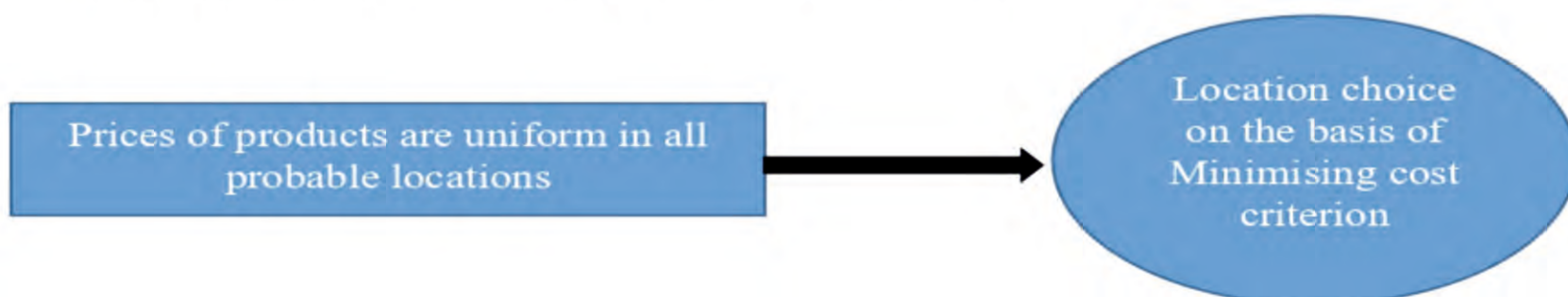
Factors considered for locating manufacturing facilities are different than that considered for locating service facilities.

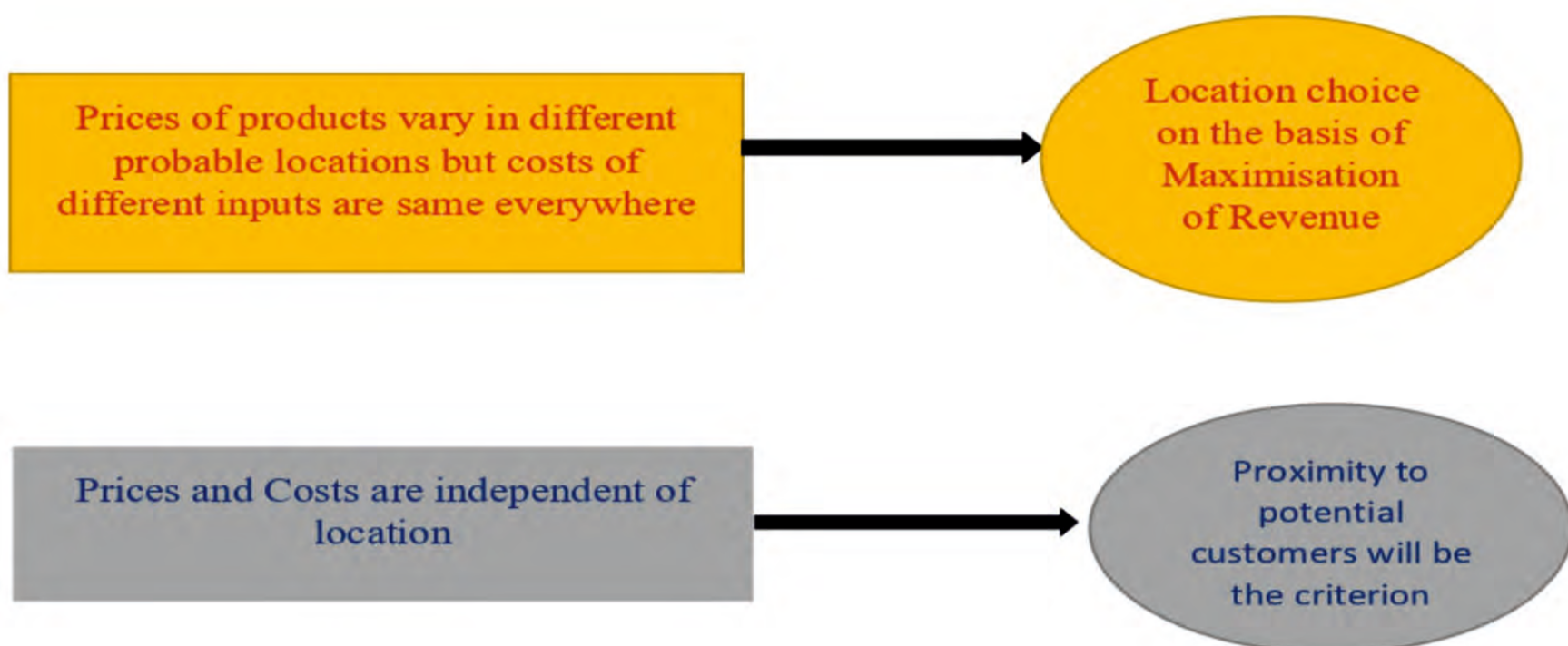


The location decision needs to be taken under two different situations:

- i) Location of facility by an establishment for the first time;
- ii) Location of facility by an establishment having one or two facility already existing;

But in all cases Profit maximization for economic activities will be the main criterion while selecting the location of facility on the basis of different factors. Under this main Profit maximization criterion the choices are:





Location decisions are usually made more frequently by service providing organisations than that deal with manufacturing facilities. But Both Manufacturing and service organisations consider many factors both tangible & intangible, short run & long run while selecting location for facilities.

Factors which are to be considered in location selection must fulfill at least one of the two conditions:



Location choice for an established organisations i.e. organisations having already existing facilities is taken on its multi-plant operations strategies. The different strategies could be:

Distinguished products different locations. Like in Indian Railways

Same products different locations. Like in case of ACC cement

Multiple products in same location. Like in Maruti Udyog

Products of one plant feed into the other plant. Like in ordnance
Factories of India

Location choice for the first time is not covered by any prevailing strategy. So in this case before deciding upon the location, organizational strategies to achieve organizational goals and objectives are to be decided.

Location of facilities can be On-shore or Off-shore.

On shore factors are generally:

- Labour -availability, education, costs, attitudes, union etc;
- Proximity to customers;
- Number of Customers;
- Land/construction/leasing/rental costs;
- Modes and quality of transportation;
- Community;
- Government regulations;
- Local business regulations;
- Government services;
- Business Climate;
- Community services;
- Incentive packages;
- Environmental regulations;
- Raw material availability;
- Weather/climate;
- Infrastructure/Availability of logistics;
- Quality of life;
- Tax environment;
- Banking systems;
- Availability of financial services/securities;
- Proximity of suppliers;
- Education system;
- Availability of utilities
- Quality of services of utilities;

Off-shore factors are generally:

- Government stability;
- Government regulations;
- Political and economic environment;
- Relation with home country;
- Prospect of foreign market and its growth;

- Foreign exchange rates;
- Culture;
- Weather/Climate;
- Export/Import regulation, duties, tariffs;
- Raw material availability;
- Number and proximity of suppliers;
- Transportation and distribution systems;
- Labour -availability, education, costs, attitudes, union etc.
- Availability of technology;
- Technical expertise;
- Cross border trade regulations;
- Group trade agreements;

In location of facilities problem few important points to remember are:

- ▶ in any facility location problem the central objective is to assess whether the location helps the establishment to remain competitive for a long time;
- ▶ to an established organization capacity can be increased either by expansion of the facilities at the existing site/sites or by relocation of the facilities (closing down the existing ones), other than opening up of new facility;
- ▶ location decisions for service facilities are taken more frequently than manufacturing facilities;
- ▶ although the primary location criteria for a service related business is usually access to customers but it will not only be the only criteria. Other factors mainly financial considerations also be factors;
- ▶ good infrastructure always attracts more new business facilities;
- ▶ besides physical and social characteristics, local incentives are also important factors in attracting new business facilities. Incentives include cash and relaxed government regulations;
- ▶ favourable labour climate is the most important factor for location decision of a labour intensive firms;
- ▶ favourable labour climate applies not only to the workforce already on site but also to the employees that a firm hopes will transfer to or will be attracted to the new site;
- ▶ if minimization of costs is the criteria for location decision then considerations be made not only for today's costs but for long run costs also to be included;
- ▶ tangible as well as intangible factors affecting future costs are to be considered in location decision problem;
- ▶ for manufacturing plants locating near markets is particularly important when the final goods are bulky or heavy and outbound transportation costs are high;
- ▶ firms dependent on inputs of bulky , perishable or heavy raw materials always prefer location near suppliers to reduce inbound transportation costs;
- ▶ in case of service facilities, customer proximity is not an enough consideration for facility location problem- the key is proximity to customers who will patronize the facility and seek its services;

- ▶ for warehousing and distribution facilities transportation costs and proximity to markets are two most important factors in facility location problem;
- ▶ in facility location problem management considers not only the present location of its competitors but also assess the reaction of competitors to firm's new location;
- ▶ critical mass strategy whereby facilities are located near competitors is usually adopted by some firms in industries like new-car sale, fast food centers;

Choose the correct answer:

Q 1.

In an off shore facility location problem the choice of a particular country depends on few factors. Which one of the following is not a factor in such decision problem?

- i) political stability; ii) export and import quotas; iii) currency and exchange rates;
- iv) proximity to domestic utility service providers;

Q 2.

In facility location problem nearness to raw material suppliers offers certain advantages. Which one of the following is not an advantage in this respect?

- i) reduced cost of transportation; ii) possibility of heavy discount on bulk purchase;
- iii) reduced cost of storage; iv) regular & proper supply;

Q 3.

In facility location problem minimization of costs is one of the criteria. Here cost means i) only short term costs; ii) both cost of today and tomorrow in the long run; iii) long term costs affecting profits; iv) variable costs;

Q 4.

The increased ability to adjust the production programme to suit the likes and dislikes of consumers is the resultant advantage if the facility is located i) near to market; ii) near to ports; iii) near to suppliers; iii) near to labour community;

Q 5.

When final goods are heavy and bulky location of the manufacturing plant should be near to i) consumers to reduce cost of after sales service; ii) suppliers to reduce inbound transportation costs; iii) remote places to reduce cost to maintain environmental regulations; iv) market to reduce outbound transportation costs;

Q 6.

In and around esplanade area of Kolkata there are show rooms of dealers from various car manufacturers. The strategy adopted by such dealers is called i) critical mass; ii) competitors sensitivity; iii) equity perception; iv) impact balancing;

Q 7.

Location choice for the first time is based primarily on i) reaction of the competitors in the same industry ; ii) prevailing strategy in locational problems; iii) organizational

strategy for achieving its goal; iv) strategies taken by peer groups in the same industry;

Q 8.

Maximisation of revenue will be the criteria in location selection when i) prices and costs of inputs are independent of location; ii) prices of products are independent but costs of inputs are dependent on location; iii) prices and costs of inputs both are dependent on location; iv) prices dependent on location but costs of inputs are independent;

Q 9.

The objective of location decision is to assess i) whether the location helps in generation of enough revenues for the establishment; ii) whether the location helps establishments to remain competitive for a long time; iii) whether the location helps in generation of enough revenues for the establishment and its ancillaries; iv) whether the location patronises the overall development of the surrounding area;

Q 10.

Which of the following establishment is not following "Same product different location" strategy: i) ACC; ii) NTPC; iii) AMUL; iv) SAIL;

Ans:

Q1/iv; Q2/ii; Q3/ii; Q4/i; Q5/iv; Q6/i; Q7/iii; Q8/iv; Q9/ii; Q10/iv;

Evaluating Location Alternatives:

There are a number of techniques that are helpful in evaluating location alternatives:

- Locational Cost-profit volume analysis method
- Factor rating method
- Center of gravity method

The procedure for *Locational Cost-profit volume analysis* method involves three steps:

- Determine the fixed and variable costs associated with each location alternative
- Plot the total-cost lines for all location alternatives on the same graph
- Determine which location will have the lowest total cost for the expected level of output. Alternatively, determine which location will have the highest profit.

Assumption for this method are:

- Fixed costs are constant for the range of probable output
- Variable Costs are linear for the range of probable
- The required level of output can be closely estimated
- Only one product is involved

The total cost for each location:

$$\text{Total Cost} = FC + v * Q, \text{ where } FC \text{ fixed cost, } v \text{ variable cost \& } Q \text{ output}$$

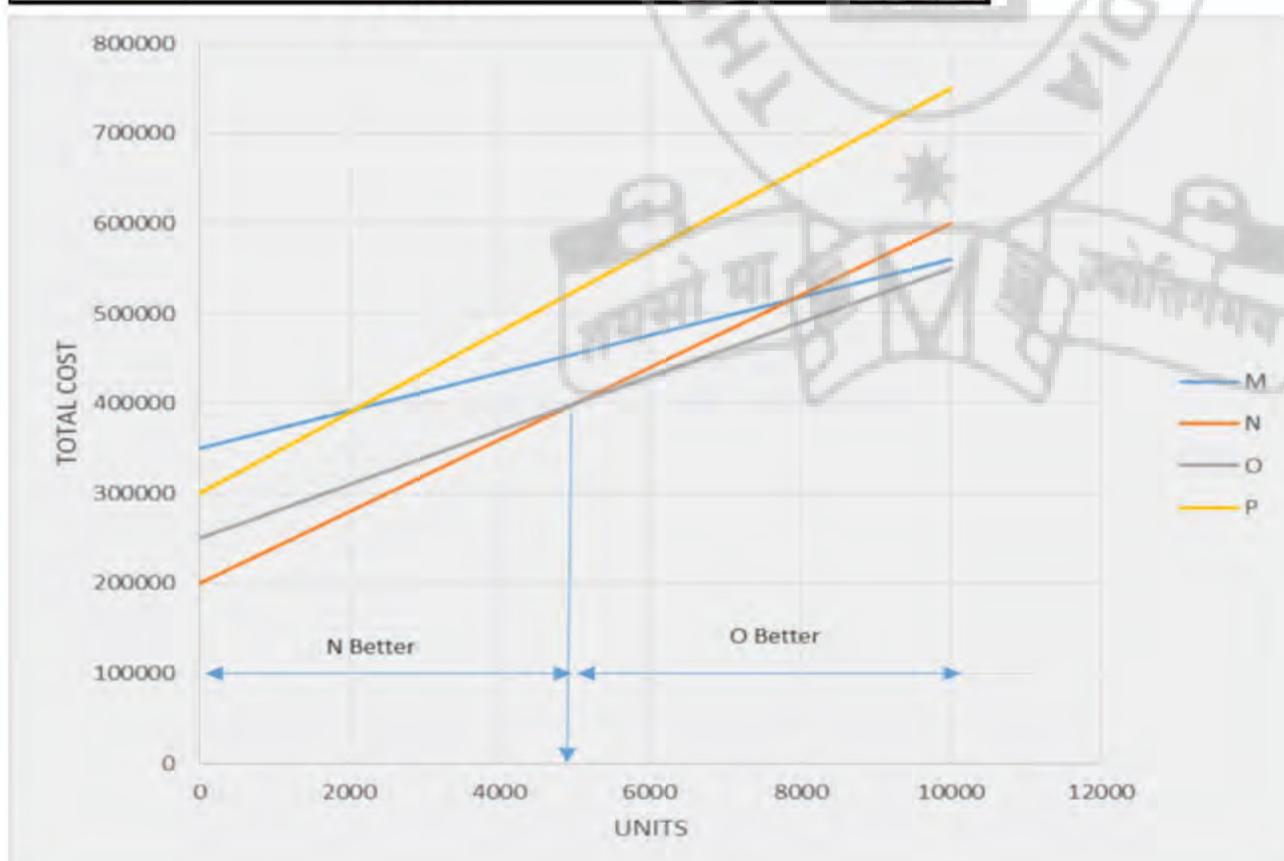
Illustration: Fixed and variable costs for four probable locations of an establishments are:

Location	Fixed Cost /year	Variable Cost p.u
M	R350000	R21
N	R200000	R40
O	R250000	R30
P	R300000	R45

- Plot the total-cost lines for these locations on a single graph
- Identify the range of output for which each alternative is superior (i.e. the lowest total cost)
- If expected output at the selected location is to be 8000 units per year, which location would provide the lowest cost?

Ans: To plot the total-cost lines we must assume an output level nearest to the expected output level. In this question expected output level is 8000 so we find total-cost lines at 10000 units under different locations and details are:

Location	Fixed Cost	Variable Cost	Total Cost at 10000 units
M	350000	21	560000
N	200000	40	600000
O	250000	30	550000
P	300000	45	750000



The exact range of N and O location can be found by equating the total cost lines of N and O as

$$200000 + 40Q = 250000 + 30Q$$

$$\text{Or, } 10Q = 50000$$

$$\text{Or, } Q = 5000$$

i.e. up to an output range from 0 to 5000 location N is better and above 5000 location O is better. Other two locations will never be considered under given situation

In the above method of location decision Transportation cost on many occasions plays a very important role. Under this condition Total Cost of a location will be

$$\text{Total Cost of a location at an output} \\ = \text{Total Fixed cost} + \text{Total Variable cost} + \text{Total Transportation cost}$$

& data will be look like

Location	Fixed Cost /year	Variable Cost p.u produced	Transportation cost p.u transported
M	R450000	R40	R50

- If a facility will be the sole source or destination of shipments, the company can included the transportation costs in a locational cost volume analysis by incorporating the transportation cost per unit being shipped into the variable cost per unit.
- When a problem involves shipment of goods from multiple sending points to multiple receiving points and a new location (sending or receiving) is to be added to the system, the company should undertake a separate analysis of transportation. This analysis is called *Transportation model of linear programming*.

Factor Rating method is a technique that can be applied to a wide range of decisions ranging from personal (buying a car) to professional (choosing a career). It can be used for location analysis. It is better understood with an illustration

Illustration: A Xerox shop intends to open a new outlet. The following table contains information on two potential locations. Choose the better alternative.

Factor	Weight	Location1	Location 2
Proximity to existing store	0.10	100	70
Traffic Volume	0.05	80	80
Rental Costs	0.4	70	82
Size	0.1	86	87
Layout	0.2	41	63
Operating Costs	0.15	80	93

In this method

- First relevant factors are chosen (as in column 1)
- Weights are assigned to relevant factors depending upon their sensitivity to location (as in column 2)
- Locational advantage of different locations w.r.t relevant factors are assessed on a common scale e.g,1 to 100 (as in column 3 & 4)
- Next weighted scores of different locations are measured as follows:

Factor	Weight	Location1	Location2	Weighted Score	
				Location1	Location2
Proximity to existing store	0.1	100	70	10	7
Traffic Volume	0.05	80	80	4	4
Rental Costs	0.4	70	82	28	32.8
Size	0.1	86	87	8.6	8.7
Layout	0.2	41	63	8.2	12.6
Operation costs	0.15	80	93	12	13.95
				70.8	79.05

As weighted score of location 2 is more so company should go for location2

Center of Gravity method is a method to determine the location of a facility that will minimise shipping costs or travel time to various destinations. e.g. Community planners locate the fire station at center of the locality so that at minimum time accident points could be reached

Under this method coordinates of each location from an assumed (0, 0) position is determined and

- If the quantities to be shipped to every location are equal, the coordinate of the Center of Gravity will be

$$(\bar{x}, \bar{y})$$

where $\bar{x} = \frac{\sum x}{n}$ & $\bar{y} = \frac{\sum y}{n}$, where x & y the coordinates of different destinations

- If the quantities to be shipped to every location are different, the coordinate of the Center of Gravity will be (\bar{x}, \bar{y})

$$\text{where } \bar{x} = \frac{\sum xQ}{\sum Q}$$

$$\text{ \& } \bar{y} = \frac{\sum yQ}{\sum Q}, \text{ where } x \text{ \& } y \text{ the coordinates of different destinations}$$

Illustration: There are four destinations D1, D2, D3 & D4. Locate a supply point on Center of Gravity method so that same quantity could be supplied to each destinations. Coordinates of destinations are (2,2), (3,5), (5,4),(8,5).

Supply point will be located at coordinates

$$\bar{x} = \frac{\sum x}{n} = \frac{2 + 3 + 5 + 8}{4} = 4.5 \text{ \& } \bar{y} = \frac{\sum y}{n} = \frac{2 + 5 + 4 + 5}{4} = 4$$

Illustration: Suppose in the above problem supplies to be made to D1, D2, D3 and D4 are 800, 900, 200 and 100 respectively. Then coordinate of the supply point under Center of Gravity method will be

$$\bar{x} = \frac{\Sigma xQ}{\Sigma Q} = \frac{800 * 2 + 900 * 3 + 200 * 5 + 100 * 8}{800 + 900 + 200 + 100} = 3.05$$

&

$$\bar{y} = \frac{\Sigma yQ}{\Sigma Q} = \frac{800 * 2 + 900 * 5 + 200 * 4 + 100 * 5}{800 + 900 + 200 + 100} = 3.7$$

Suggestions:

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

Best Wishes

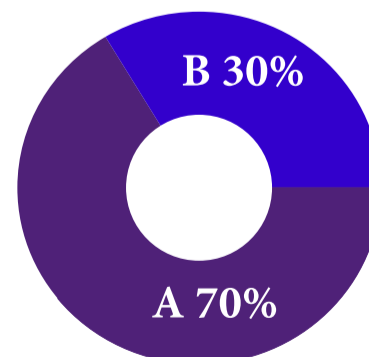




GROUP: II, PAPER: 9, Part- ii
OPERATIONS
MANAGEMENT & STRATEGIC
MANAGEMENT (OMSM)
Strategic Management

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

Your Preparation Quick Takes



Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

Learning Objectives:

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

STRATEGIC MANAGEMENT

1. What are the means by which long term objectives will be achieved?

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

Answer: A

2. Corporate Governance is concerned with:

- A. Executive remuneration, disclosure of information, auditing and accounting procedures and management structure of the organization
- B. Election to the board of directors
- C. Relationship with national governments
- D. Corporate level strategy

Answer: A

3. The slowest way to grow a business is likely to be through:

- A. Merger
- B. Outsourcing
- C. Internal development
- D. A strategic alliance

Answer: C

4. A joint venture can be defined as:

- A. Two firms collaborate together on a specific project
- B. One firm licenses its intellectual property to another firm
- C. Two firms merge together
- D. Two firms come together to form a third, legally separate firm

Answer: D

5. All of the following are key opportunities and threats in external environment because of political, government and legal forces except:

- A. Tax rate
- B. Social security programme
- C. Cross border relationship
- D. Patent law

Answer: B

6. Bargaining power of customer is high if:

- A. Differentiation of competitors' product is low
- B. Switching costs are low for substitute products
- C. The buyer has little information about the market
- D. The buyer requires a high quality product for own production

Answer: A

7. Which of the following requires a firm to establish annual objectives, device, policies motivate employees and allocate resources for the execution of strategies?

- A. Strategy formulation
- B. Strategy evaluation
- C. Strategy implementation
- D. Strategy estimation

Answer: C

8. The primary benefit brought from restructuring is:
- Employees involvement
 - Cost reduction
 - Increased morale
 - Increased number and organizational hierarchy
- Answer: B**
9. A possible and desirable future state of an organization is called:
- Mission
 - Vision
 - Strategy implementation
 - Strategy formulation
- Answer: B**
10. Selling all of a company's assets in parts for their tangible worth is called:
- Divestiture
 - Concentric diversification
 - Liquidation
 - Unrelated integration
- Answer: C**
11. Which of the following statements best describes the concept of strategic awareness?
- Managers understanding of the organizations history, competencies and current strategy
 - Managers understanding of current strategy and its effectiveness
 - Managers understanding of the strategic options available to the organization
 - Managers understanding the organizations strategy, its effectiveness
- Answer: D**
12. What is the recommended length of an effective mission statement?
- One page
 - Less than 200 words
 - One sentence of 10 to 20 words
 - There is no recommendation, it can be as long as the management wants
- Answer: D**
13. The reason for mergers and acquisitions are:
- To increase managerial staff and to minimize economies of scale
 - To reduce tax obligations and increase managerial staff
 - To create seasonal trends in sales and to make better use of a new sales force
 - To provide improved capacity utilization and to gain new technology
- Answer: D**
14. Which of the following is associated with successful strategies?
- Creating superior value to customers
 - Exploitation of key success factors
 - Creating and maintain strategic fit
 - All of the above
- Answer: D**
15. From the following activities which does not comes under the primary activities of value chain analysis?
- Operations
 - Technology development
 - Marketing and sales
 - Services
- Answer: B**



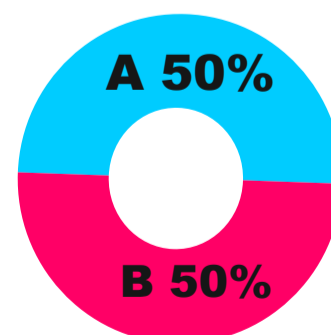
GROUP: II, PAPER:10

COST & MANAGEMENT

ACCOUNTING AND FINANCIAL
MANAGEMENT(CMFM)

CMA Bimalendu Banerjee
He can be reached at:
bbanerjee2050@gmail.com

Your Preparation Quick Takes



Syllabus Structure

A Cost & Management Accounting 50%

B Financial Management 50%

Learning Objectives:

The paper Cost & Management Accounting and Financial Management (Group II; Paper 10) is a unique blend of theoretical elaborations and practical illustrations. The aim of this paper is to equip the students with a working level knowledge regarding the two disciplines and prepare a ground for a few advanced level papers like Strategic Financial Management (Final Group 3: Paper 14), Strategic Cost Management decision Making (Final Group 3: Paper 15) and Strategic Performance Management and Business Valuation (Final Group 4: Paper 20) in the CMA Final Course. The entire syllabus of the paper is segregated into two segments namely Cost & Management Accounting (Section A: Full Marks 50) and Financial Management (Section B: Full Marks 50). Each of the individual sections has further been divided into five chapters each highlighting a specific aspect of the subject concerned. In this section of e- bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.

GR - II CMA & FM**Question No. - 1 (Material & Labour)**

The standard cost card for one unit of a product shows the following costs for

Material and Labour :

Material	4 pieces @ Rs.5.00
Labour	10 hours @ Rs.1.50

5,700 units of the product were manufactured during the month of May, 2022 with the following material and labour costs.

Material	23000 pieces @ Rs.4.95
Labour	56800 Hours @ Rs.1.52

What shall be the :-

[REG. MATERIAL]

- 1) Standard Cost of Actual Production (SCAP) : (a) Rs.1,12,000 (b) Rs.1,13,000 (c) Rs.1,14,000 (d) Rs.1,15,000
- 2) Standard Quantity for Actual Production : (a) 22800 pcs. (b) 22900 pcs. (c) 23000 pcs. (d) 23100 pcs.
- 3) Std Cost of Actual Quantity used : (a) Rs.1,12,000 (b) Rs.1,13,000 (c) Rs.1,14,000 (d) Rs.1,15,000
- 4) Price Variance : (a) Rs.1150 A (b) Rs.1150 F (c) Rs.1200 A (d) Rs.1200 F
- 5) Usage Variance : (a) Rs.1150 A (b) Rs.1150 F (c) Rs.1000 F (d) Rs.1000 A
- 6) Cost Variance : (a) Rs.125 F (b) Rs.125 A (c) Rs.150 F (d) Rs.150 A

[REG. LABOUR]

- 7) Standard Cost of Actual Production (SCAP) : (a) Rs.85,400 (b) Rs.85,500 (c) Rs.85,600 (d) Rs.85,700
- 8) Standard Hour for Actual Production : (a) 54000 Hr (b) 55000 Hr (c) 56000 Hr (d) 57000 Hr
- 9) Std Cost of Actual Hours worked and paid for : (a) Rs.85100 (b) Rs.85200 (c) Rs.85300 (d) Rs.85400
- 10) Efficiency Variance : (a) Rs.300 F (b) Rs.300 A (c) Rs.325 A (d) Rs.325 F
- 11) Wage Rate Variance : (a) Rs.1126 F (b) Rs.1126 A (c) Rs.1136 F (d) Rs.1136 A
- 12) Cost Variance : (a) Rs.836 F (b) Rs.836 A (c) Rs.846 A (d) Rs.846 F

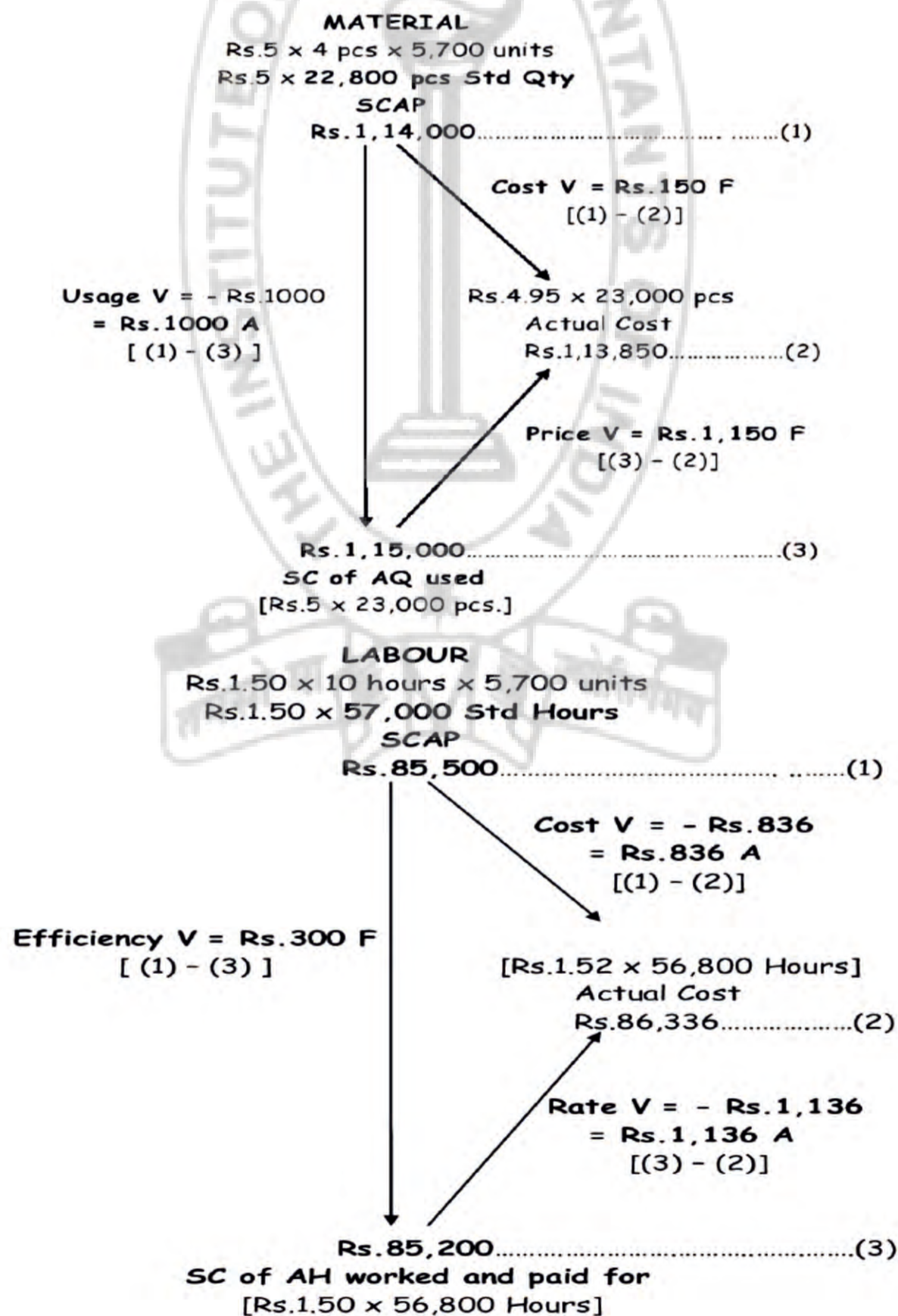
Answer :

- | | | |
|------------------|--------------------|--------------------|
| 1) (c) Rs.14000 | 2) (a) 22800 pcs. | 3) (d) Rs.1,15,000 |
| 4) (b) Rs.1150 F | 5) (d) Rs.1000 A | 6) (c) Rs.150 F |
| 7) (b) Rs.85,500 | 8) (d) 57,000 Hrs. | 9) (b) Rs.85,200 |
| 10) (a) Rs.300 F | 11) (d) Rs.1136 A | 12) (b) Rs.836 A |

Steps for Solution for both Question 1 and 2 :

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

Solution with Working Notes : Actual Production (AP) = 5,700 units



Question No. - 2 (Working Back)

The details regarding a food product manufactured by ABC Co. for the last one week are as follows :

Standard Cost (for one unit)		
Direct Materials	10 units @ Rs.1.50	Rs.15
Direct Wages	5 hour @ Rs.8	40
Production Overheads	5 hour @ Rs.10	50
<hr/>		
Actual (for whole activity)		
Direct Materials		Rs.6,435
Direct Wages		Rs.16,324
<hr/>		
Analysis of Variances :		
Direct Materials		
Price	Rs.585	(Adverse)
Usage	Rs.375	(Favourable)
<hr/>		
Direct Wages (Labour)		
Rate	Rs.636	(Favourable)
Efficiency	Rs.360	(Adverse)
<hr/>		
Production Overheads		
Expenditure	Rs.400	(Favourable)
Volume	Rs.750	(Favourable)

What shall be the :-

REG. MATERIAL

- Standard Cost of Actual Quantity used : (a) Rs.5840 (b) Rs.5850 (c) Rs.5860 (d) Rs.5870
- Standard Cost of Actual Production (SCAP) : (a) Rs.6225 (b) Rs.6230 (c) Rs.6235 (d) Rs.6240
- Actual Units of Production (AP) : (a) 400 units (b) 405 units (c) 410 units (d) 415 units
- Actual Quantity used in Production : (a) 3900 units (b) 3910 units (c) 3920 units (d) 3930 units
- Actual Price per unit : (a) Rs.1.55 (b) Rs.1.60 (c) Rs.1.65 (d) Rs.1.70
- Standard Quantity for Actual Production : (a) 4140 units (b) 4150 units (c) 4160 units (d) 4170 units
- Cost Variance : (a) Rs.200 F (b) Rs.200 A (c) Rs.210 F (d) Rs.210 A

REG. LABOUR

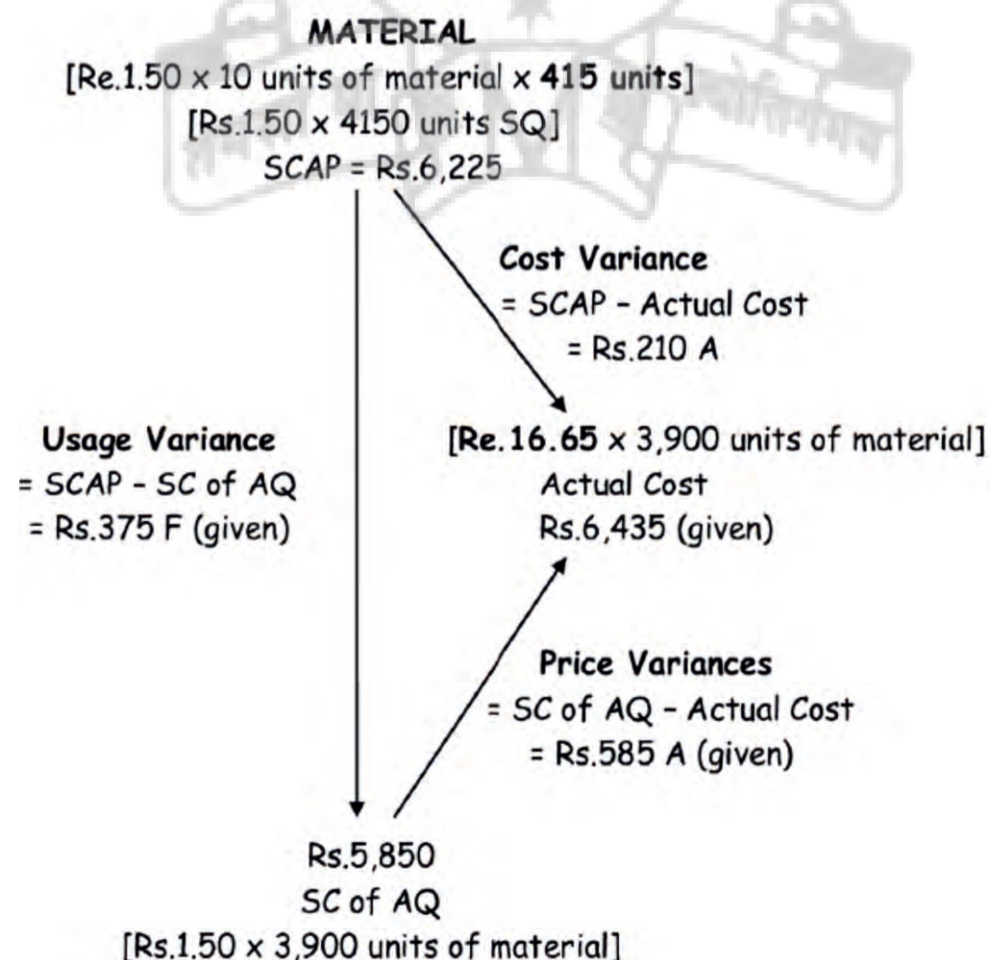
- Standard Cost of Actual Production (SCAP) : (a) Rs.16600 (b) Rs.16700 (c) 16800 (d) Rs.16900
- Std Hour for Actual Production : (a) 2075 Hr. (b) 2080 Hr (c) 2085 Hr (d) 2090 Hr
- Std Cost of Actual Hour : (a) Rs.16930 (b) Rs.16940 (c) Rs.16950 (d) Rs.16960
- Actual Hour for Production : (a) 2100 Hr. (b) 2110 Hr. (c) 2120 Hr. (d) 2130 Hr.
- Actual Rate per Hour : (a) Rs.7.70 (b) Rs.7.80 (c) Rs.7.90 (d) Rs.8.00
- Cost Variance : (a) Rs.270 F (b) Rs.270 A (c) Rs.276 A (d) Rs.276 F

REG. PRODUCTION OVERHEADS (FIXED)

- 14) Std Prod. OH for Actual Production : (a) Rs.20750 (b) Rs.20850 (c) Rs.20950 (d) Rs.21000
- 15) Std Hour for Actual Production : (a) 2045 Hr. (b) 2055 Hr. (c) 2065 Hr. (d) 2075 Hr.
- 16) Budgeted Hour : (a) 2000 Hr. (b) 2100 Hr. (c) 2200 Hr. (d) 2300 Hr.
- 17) Actual Overheads : (a) Rs.19400 (b) Rs.19500 (c) Rs.19600 (d) Rs.19700
- 18) Efficiency Variance : (a) Rs.450 F (b) Rs.450 A (c) Rs.460 A (d) Rs.460 F
- 19) Capacity Variance : (a) Rs.1150 A (b) Rs.1150 F (c) Rs.1200 A (d) Rs.1200 F
- 20) Production Overhead Variance : (a) Rs.1150 A (b) Rs.1150 F (c) Rs.1175 F (d) Rs.1175 A

Answer :

- | | | |
|-------------------|-------------------|-------------------|
| 1) (b) Rs.5850 | 2) (a) Rs.6225 | 3) (d) 415 units |
| 4) (a) 3900 units | 5) (c) Rs.1.65 | 6) (b) 4150 units |
| 7) (d) Rs.210 A | 8) (a) Rs.16600 | 9) (a) 2075 Hr. |
| 10) (d) Rs.16960 | 11) (c) 2120 Hr. | 12) (a) Rs.7.70 |
| 13) (d) Rs.276 F | 14) (a) Rs.20750 | 15) (d) 2075 Hr. |
| 16) (a) 2000 Hrs. | 17) (c) Rs.19600 | 18) (b) Rs.450 A |
| 19) (d) Rs.1200 F | 20) (b) Rs.1150 F | |

Solution with Working Notes**Working Note - 1**

* We know,

Rs.6,435	Actual Cost
(-) 585	Price V (A)
5,850	SC of AQ
(+) 375	Usage V (F)
6,225	SCAP

* $SC \text{ per unit} \times AP = SCAP$

$$\text{Or, } AP = SCAP / SC \text{ per unit} = Rs.6,225 / Re.1.50 \times 10 \\ = \mathbf{415 \text{ units}}$$

* $SR \text{ of Material per unit} \times AQ \text{ used} = SC \text{ of AQ used}$

$$\text{So, } \mathbf{AQ \text{ used}} = SC \text{ of AQ used} / SR \text{ of Material per unit} \\ = Rs.5,850 / Re.1.50$$

$$= \mathbf{3,900 \text{ units}} \text{ of material}$$

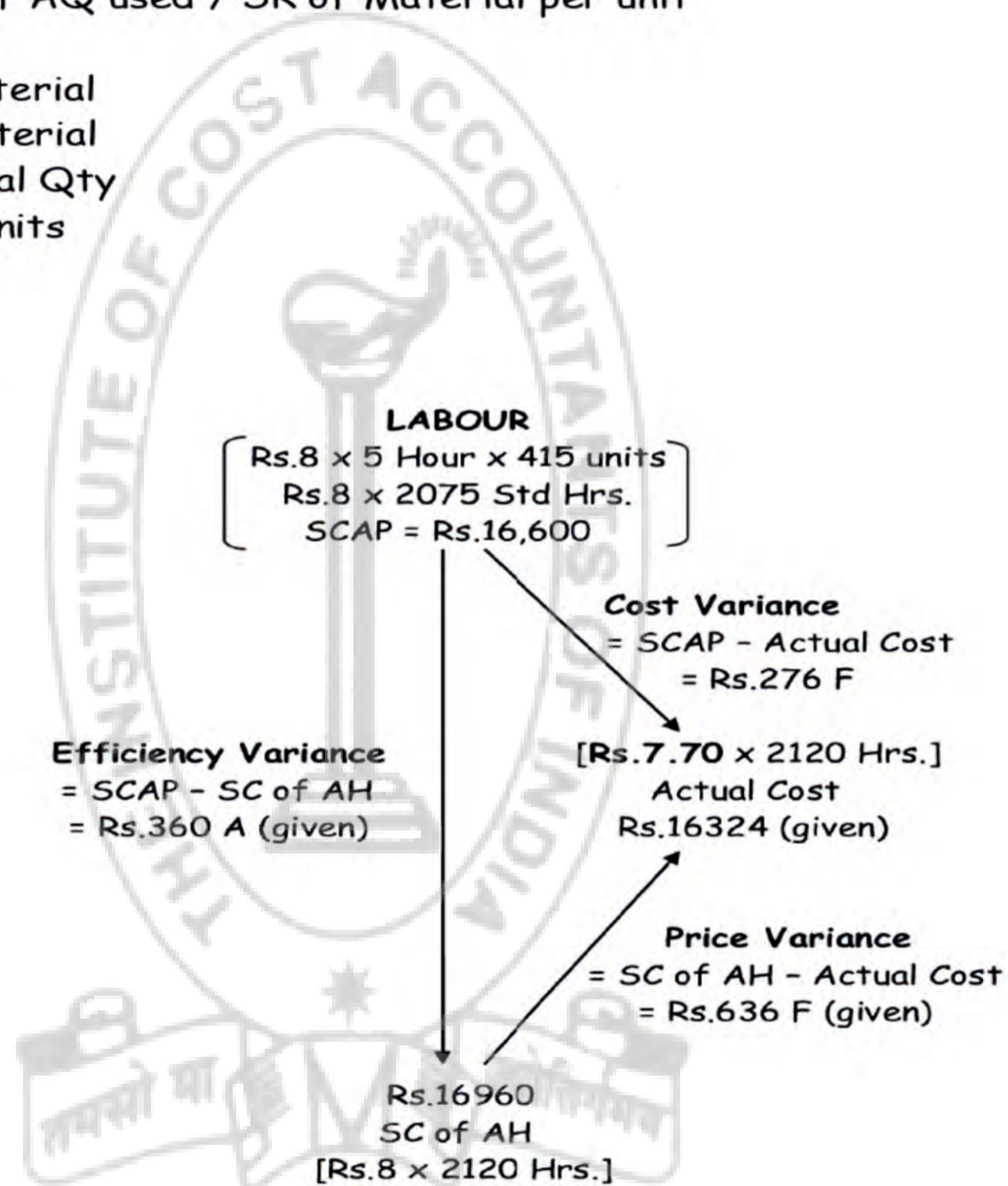
* Actual Price of Material

$$= \text{Actual Cost} / \text{Actual Qty}$$

$$= Rs.6,435 / 3,900 \text{ units}$$

$$= \mathbf{Re.1.65}$$

Working Note - 2



* We find,

Rs.16,324	Actual Cost
(+) 636	Wage Rate V (F)
16,960	SC of AH

* $SR \text{ per Hour} \times \text{Actual Hour} = SC \text{ of AH}$

$$\text{or, } \mathbf{Actual Hour} = SC \text{ of AH} / SR \text{ per Hour}$$

$$= Rs.16,960 / Rs.8$$

$$= \mathbf{2,120 \text{ Hour}}$$

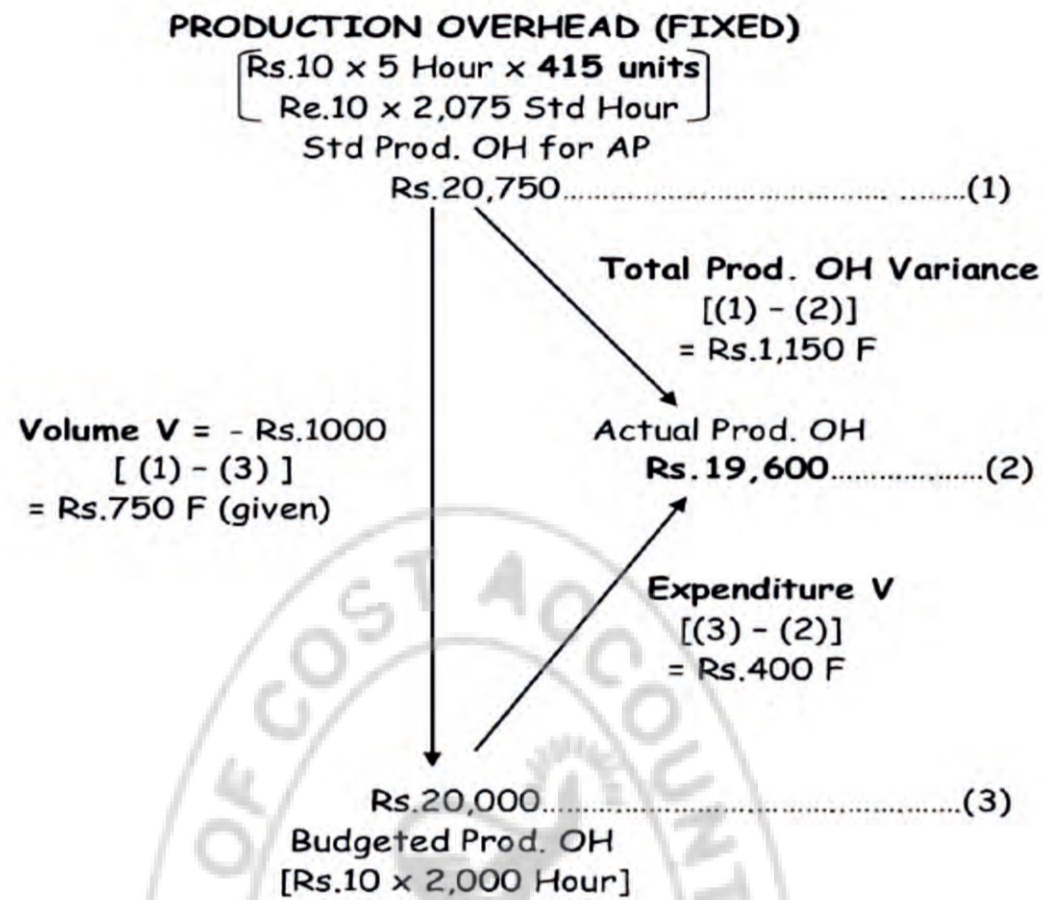
* $\text{Actual Rate per Hour} \times \text{Actual Hour} = \text{Actual Cost}$

$$\text{So, } \mathbf{Actual Rate per Hour} = \text{Actual Cost} / \text{Actual Hour}$$

$$= Rs.16,324 / 2,120 \text{ Hr.}$$

$$= \mathbf{Rs.7.70}$$

Working Note - 3



We find,

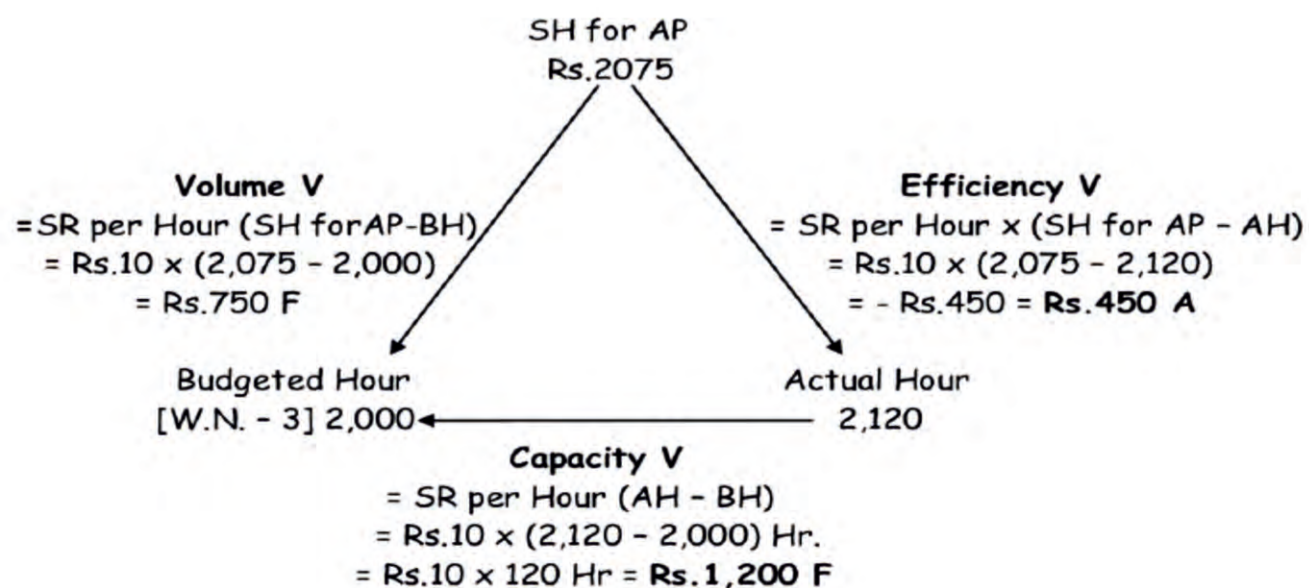
Rs.20,750	Std. Prod. OH for AP
(-) 750	Volume V (F)
20,000	Budgeted Prod. OH

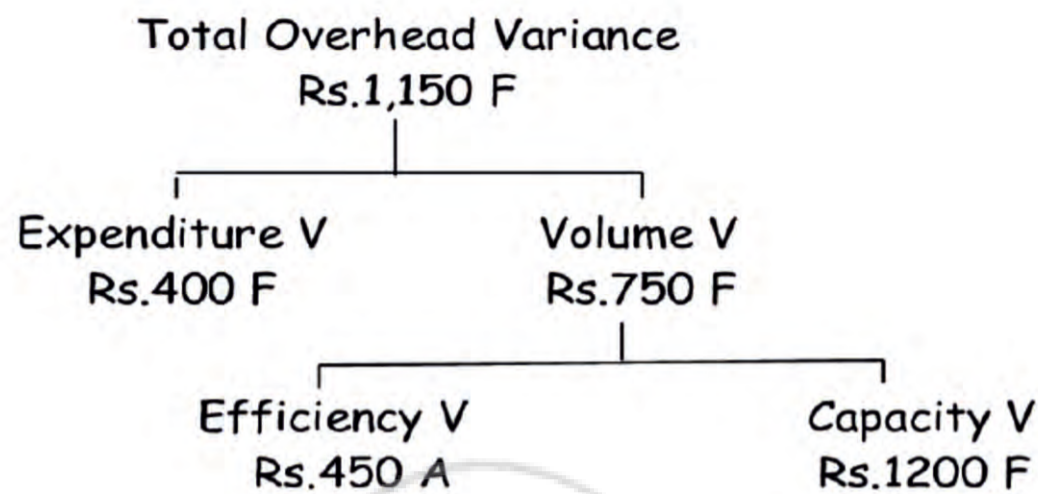
* Std Prod. OH rate per Hour x Budgeted Hour
 = Budgeted Prod. OH
 or, **Budgeted Hour**
 = Budgeted Prod. OH / Std Prod OH rate per Hour
 = Rs.20,000 / Rs.10 = **2,000 Hour**

We find,

Rs.20,000	Budgeted Prod. OH
(-) 400	Expenditure V (F)
19,600	Actual Prod. OH

Working Note - 4



RECONCILIATION FOR FIXED PRODUCTION OVERHEADSSolution through diagrams

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

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

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

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

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

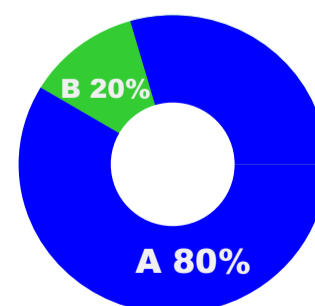


GROUP: II, PAPER:11

INDIRECT TAXATION (ITX)

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

Your Preparation Quick Takes



Syllabus Structure

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

Learning objectives:

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

GST MCQs

45

1. IGST is payable when the supply is

- a) Interstate c) Intra-state
b) Intra- UT d) All of the above

2. Maximum rate of CGST prescribed by law for intrastate supply made is.....

- a) 18% c) 20%
b) 40% d) 28%+cess

3. Which of the following taxes have been subsumed in GST?

- a) Central sales tax b) Central excise duty
c) VAT d) All of the above

4. GST is levied on supply of all goods and service except.....

- a) Alcoholic liquor for human consumption b) Tobacco
c) Health care service d) All of the above

5. The functions of goods and services network (GSTN) include....

- a) Facilitating registration
b) Forwarding the return to central and state authorities
c) Computation and settlement of GST
d) All of the above

6. Aggregate turnover does not include-

- (a) Inward supplies on which tax is payable on reverse charge basis
(b) Exempt supplies
(c) Export of goods or services or both
(d) Inter-State supplies of persons having the same PAN number

7. Which of the following are benefits of GST?

- 1) Creation of unified national market
- 2) Boost to 'Make in India' initiative
- 3) Reduction of compliance burden on taxpayers
- 4) Buoyancy to the Government Revenue
- 5) Elimination of multiple taxes and double taxation **Select the correct answer from the options given below**
 - a. 1, 3, 4 & 5
 - b. 2, 3, 4 & 5
 - c. 1, 2, 4 and 5
 - d. 1, 2, 3, 4 and 5

8 . Which of the following is/are included in definition of "Goods" as defined under section 2(52) of the CGST Act, 2017-

- I. Money
- II. Actionable claim
- III. Security
- IV. Growing crops

Select the correct answer from the options given below

- a. IV only
- b. II & III
- c. II & IV
- d. I & II

9 . A _____ supply comprising of two or more supplies shall be treated as the supply of that particular supply that attracts highest rate of tax.

- | | |
|---------------------|----------------------|
| a) Composite | b) Mixed |
| c) Both (a) and (b) | d) None of the above |

10 . GST is a comprehensive tax regime covering

- | | |
|----------------------------|--------------------------------|
| a) Goods | b) Services |
| c) Both goods and services | d) Goods, services and imports |

11. What are the taxes levied on an intra-State supply?

- | | |
|-------------------|----------|
| (a) CGST | (b) SGST |
| (c) CGST and SGST | (d) IGST |

12 . Who will notify the rate of tax to be levied under CGST Act?

- (a) Central Government
- (b) State Government

- (c) GST Council
- (d) Central Government as per the recommendations of the GST Council

13. Which of the following taxes will be levied on imports?

- (a) CGST (b) SGST
- (c) IGST (d) CGST and SGST

14. Which of the following is not included in aggregate turnover?

- a) Exempt supplies of goods or services or both
- b) Export of goods or services or both
- c) Inter-State supply of goods or services or both
- d) Value of inward supplies on which tax is paid under reverse charge

15. The IGST Act, 2017 extends to the

- a. Whole of India except the state of Jammu & Kashmir
- b. Whole of India
- c. Whole of India except the state of Jammu & Kashmir & Pondicherry
- d. None of the above

16. What is time of supply of goods, in case of forward charge?

- (a) Date of issue of invoice
- (b) Due date of issue of invoice
- (c) Date of receipt of consideration by the supplier
- (d) Earlier of (a) & (b)

17. What is time of supply of goods, in case of supplier opting for composition levy under Section 10 of the CGST Act, 2017?

- (a) Date of issue of invoice
- (b) Date of receipt of consideration by the supplier
- (c) Latter of (a) & (b)
- (d) Earlier of (a) & (b)

18. What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?

- (a) Date of issue of voucher
- (b) Date of redemption of voucher
- (c) Earlier of (a) & (b)
- (d) (a) & (b) whichever is later

19. What is the time of supply of vouchers when the supply with respect to the voucher is not identifiable?

- (a) Date of issue of voucher

(b) Date of redemption of voucher

(c) Earlier of (a) & (b)

(d) (a) & (b) whichever is later

20 . What is the time of supply of service if the invoice is issued within 30 days from the date of provision of service?

a) Date of issue of invoice

b) Date on which the supplier receives payment

c) Date of provision of service

d) Earlier of (a) & (b)

21 . What is the time of supply of service where services are received from an associated enterprise located outside India?

a) Date of entry of services in the books of account of recipient of service

b) Date of payment

c) Earlier of (a) & (b)

d) Date of entry of services in the books of the supplier of service

22 . Time of supply means

a. The point in time when GST is actually paid by the supplier of goods or services

b. The point in time when GST is actually paid after taking input credit by the supplier of goods or services

c. The point in time when goods have been deemed to be supplied or services have been deemed to be provided

d. The point in time when GST return is filed by the supplier of goods or services

23 . What is the time of supply of services where the supplier is liable to pay tax under forward charge and the invoice is not issued within prescribed period under section 31(2)?

a. Date of issue of invoice

b. Date of completion of provision of services

c. Date of receipt of payment

d. Date of completion of provision of service or date of receipt of payment; whichever is earlier.

24 . What is the time of supply of import of service?

a. Date of entry of services in the books of account of recipient of service

b. Date of payment

c. 61st day from the date of invoice

d. Earlier of (a) & (b)

e. Earlier of (b) & (c)

25 . Which of the following shall not be included in value of supply?

a) GST

b) Interest

c) Late fee

d) Commission

26 . The value of supply should include:

- a) Any non-GST taxes, duties, cesses, fees charged separately by supplier
- b) Interest, late fee or penalty for delayed payment of any consideration for any supply
- c) Subsidies directly linked to the price except subsidies provided by the Central and State Governments
- d) All of the above

27 . Value of supply under section 15(1) is:

- a) Wholesale price
- b) Market value
- c) Maximum retail price
- d) Transaction value

28 . Which of the following forms part of transaction value?

- 1) GST compensation cess
 - 2) Payments made to third parties by the recipient on behalf of the supplier in relation to the supply
 - 3) Entertainment tax levied by local authority
 - 4) Commission paid to an agent and recovered from the recipient
 - 5) Inspection charges at recipient's site
 - 6) Charges for delay in payment waived off by supplier
- State the correct answer from the options given below
- a. 1, 2, 3, 4 & 5
 - b. 2, 3, 4, 5 & 6
 - c. 2, 3, 4 & 5
 - d. All of the above

29 . When can the transaction value be rejected for computation of value of supply

- (a) When the buyer and seller are related and price is not the sole consideration
- (b) When the buyer and seller are related or price is not the sole consideration
- (c) It can never be rejected
- (d) When the goods are sold at very low margins

30 . What deductions are allowed from the transaction value

- (a) Discounts offered to customers, subject to conditions
- (b) Packing Charges, subject to conditions
- (c) Amount paid by customer on behalf of the supplier, subject to conditions

(d) Freight charges incurred by the supplier for CIF terms of supply, subject to conditions

31 . Rule 30 of the CGST Rules inter alia provides value of supply of goods or services or both

based on cost shall be.....% of cost of production or manufacture or the cost of acquisition of such goods or

the cost of provision of such services

(a) 100

(b) 10

(c) 110

(d) 120

32 . Aggregate turnover includes:

a) Taxable supplies of goods or service or both

b) Exempt supplies of goods

c) Exports

d) All of the above

33 . Which of the following persons are not liable for registration?

a) Any person engaged exclusively in supplying services wholly exempt from tax

b) Casual Taxable Person

c) Both (a) and (b)

d) None of the above

34 . Within how many days a person should apply for registration?

a. Within 60 days from the date he becomes liable for registration.

b. Within 30 days from the date he becomes liable for registration.

c. No Time Limit

d. Within 90 days from the date he becomes liable for registration.

35 . A person having _____ business verticals in a State _____ obtain a separate registration for each business vertical.

a. Single, shall

b. Multiple, shall

c. Multiple, may

d. Single, may

36 . What is the validity of the registration certificate?

a. One year

- b. No validity
- c. Valid till it is cancelled.
- d. Five years.

37 . The registration certificate granted to Non-resident taxable person is valid for days from the effective date of registration.

- a. 30
- b. 60
- c. 90
- d. 120

38 . If an entity has multiple branches within the same state, it requires

- a) Registration for each branch separately
- b) Single registration for all the branches
- c) Multiple registration or single registration at the option of the Assessee
- d) Registration for each branch separately if the turnover of each branch exceeds INR 20 Lakhs

39 . Which of the following persons are not liable for registration?

- a) Any person engaged exclusively in supplying goods or services wholly exempt from tax
- b) Causal taxable person
- c) Non-resident taxable person
- d) None of the above

40 . An agriculturist is not required to take registration if he supplies

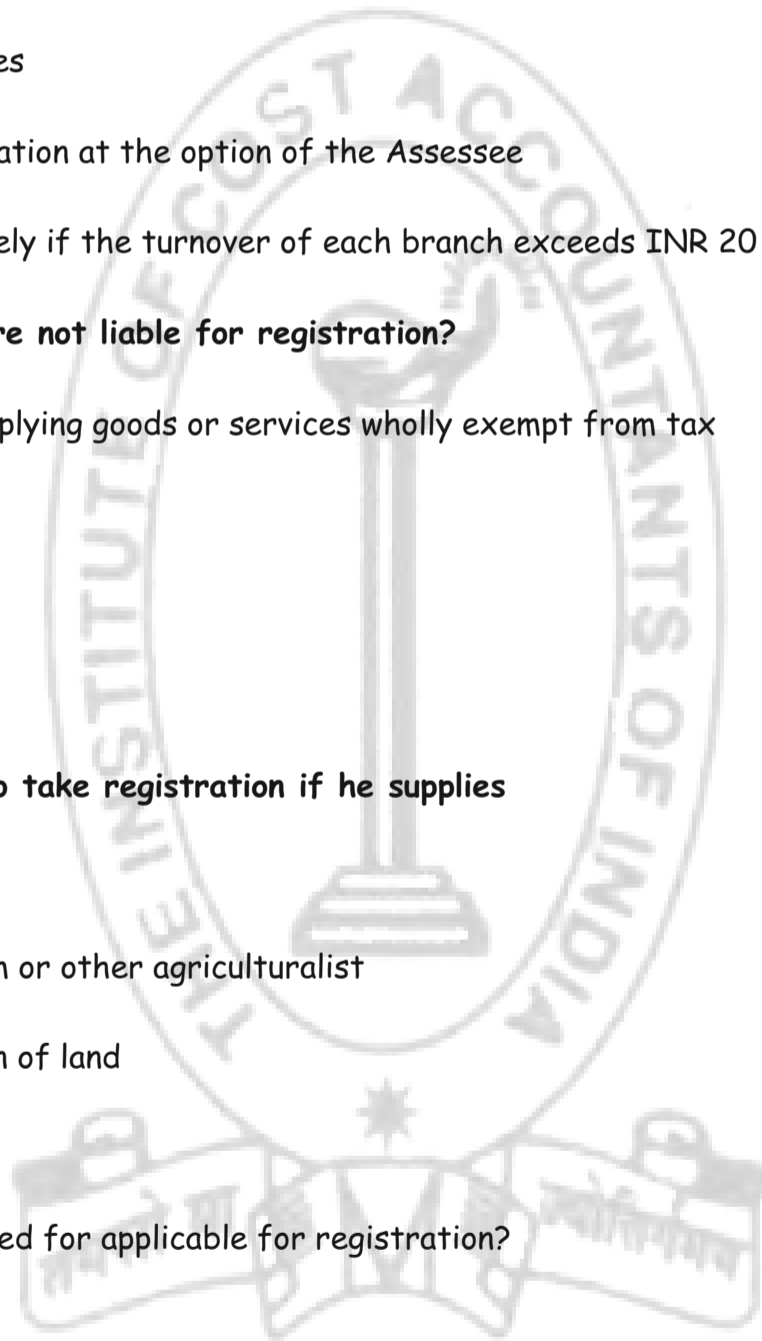
- a) Any agricultural produce
- b) Any agricultural produce grown by him or other agriculturist
- c) Agricultural produce out of cultivation of land
- d) All the above

41. Which of the following forms are used for registration?

- a) Form GSTR-1
- b) Form GSTR-2
- c) Form GST REG-01
- d) Form GST REG-02

42 . Which of the following statement are correct?

- a) Voluntary registration not possible under GST
- b) Voluntarily registered person is not liable to comply with all the provisions of the GST



- c) A person may get himself registered voluntarily and shall comply with all the provisions of GST
- d) None of the above

43 . An E-commerce operator should get itself registered

- a) Irrespective of the threshold limit
- b) If his aggregate turnover exceeds the threshold limit of INR 20,00,000
- c) If he is liable to collect tax at source and his aggregate turnover exceeds the threshold limit
- d) If he is liable to collect tax at source

44 . There will be deemed approval of registration if no action is taken on application

- a) Within a period of 3 working days from the date of submission of the application
- b) Within a period of 7 working days from the date of submission of the application
- c) Within a period of 10 working days from the date of submission of the application
- d) Within a period of 14 working days from the date of submission of the application

45 . A certificate of registration shall be issued by the proper officer in form

- a) GST REG-02
- b) GST REG-03
- c) GST REG-04
- d) GST REG-06

46 . Which of the following requires amendment in the registration certificate?

- a) Change of name of the registered person
- b) Change in constitution of the registered person
- c) Switching over from composition scheme to normal scheme or vice versa
- d) All of the above

47 . A voluntarily registered person's registration can be cancelled if the person does not start business within

- a) 3 months from the date of registration
- b) 6 months from the date of registration
- c) 9 months from the date of registration
- d) 1 months from the date of registration

48 . Registration can be cancelled by the proper officer if the person registered under composition scheme has not furnished return for

- a) 3 consecutive tax periods
- b) 6 consecutive tax periods

- c) For a consecutive period of 6 months
d) For a consecutive period of 1 year

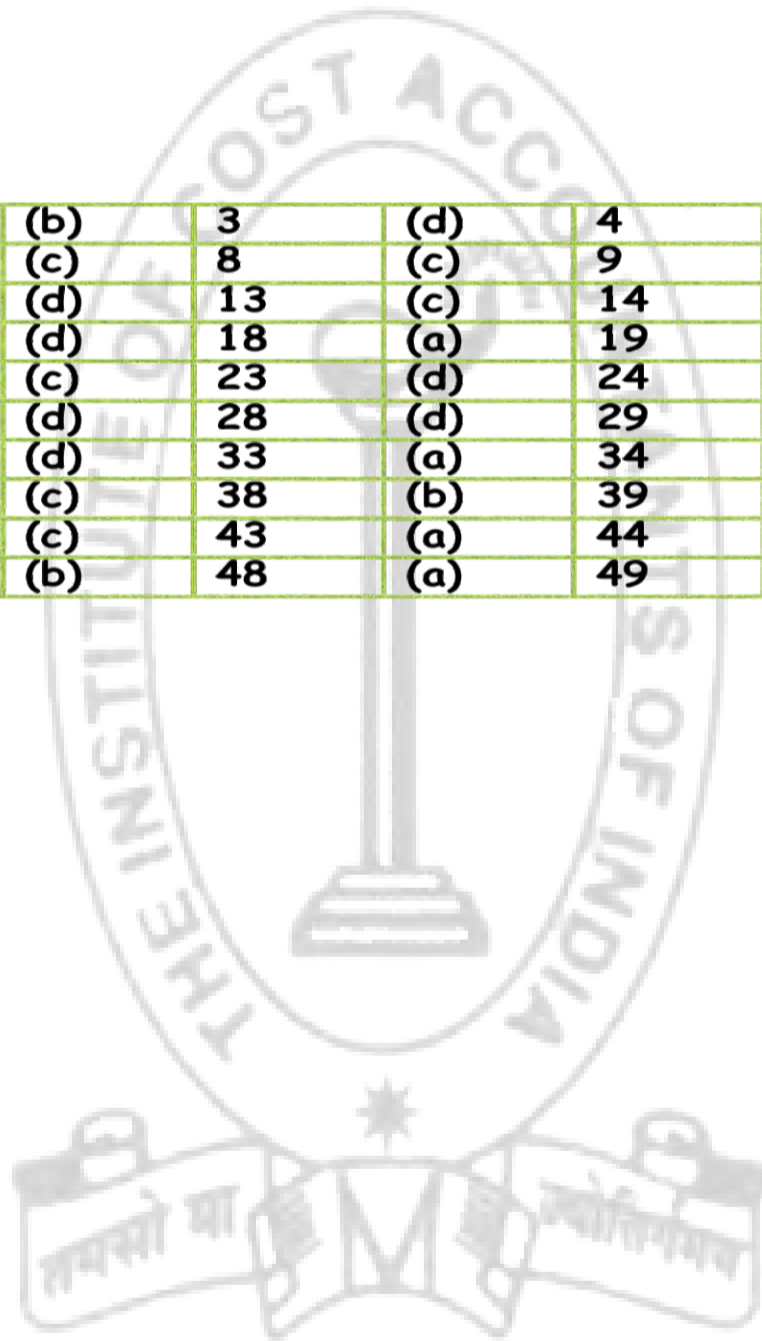
49 . Any registered person, whose registration is cancelled by the proper officer on his own motion may apply to such officer for revocation of cancellation of the registration in the prescribed manner within___from the date of service of the cancellation order.

- a. 180 days
b. 120 days
c. 90 days
d. 30 days

50 . The proper officers may cancel suo motu the registered where a person paying tax has not furnished returns for

- a. 3 consecutive tax periods
b. 4 consecutive tax periods
c. 2 consecutive tax periods
d. 5 consecutive tax periods

1	(a)	2	(b)	3	(d)	4	(a)	5	(d)
6	(a)	7	(c)	8	(c)	9	(b)	10	(c)
11	(c)	12	(d)	13	(c)	14	(d)	15	(b)
16	(d)	17	(d)	18	(a)	19	(b)	20	(d)
21	(c)	22	(c)	23	(d)	24	(e)	25	(a)
26	(d)	27	(d)	28	(d)	29	(b)	30	(a)
31	(c)	32	(d)	33	(a)	34	(b)	35	(c)
36	(c)	37	(c)	38	(b)	39	(a)	40	(c)
41	(c)	42	(c)	43	(a)	44	(a)	45	(d)
46	(d)	47	(b)	48	(a)	49	(d)	50	(a)

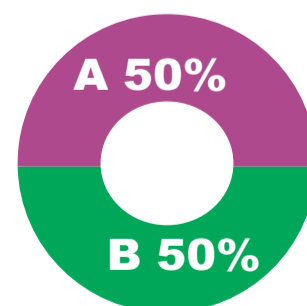




GROUP: II, PAPER:12
COMPANY
ACCOUNTS & AUDIT (CAA)

Dr. Malay Kr. Nayak
Associate Professor,
Dept. Of Commerce,
M.B.B.College, Tripura
He can be reached at:
malay_nayak@ymail.com

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

Today we are to discuss something about double accounts system

1. What types of accounts are maintained by Electricity Company?

Ans:- These undertakings require a huge amount of capital when is mostly fixed sunk i.e once invested in fixed assets cannot ordinarily be got back. As a greater part of this capital is raised from the public. Hence, such concerns are morally bound to give full information to the public in order to show how the amount of capital was utilized in acquiring fixed assets as distinct from floating assets and current liabilities. This object is achieved by presenting the balance sheet in the way it is prepared by the trading concern but the splitting it into two parts viz Capital accounts and the general balance sheet. This way of presenting the balance sheet in two parts is called the double accounts system. Under this system separate accounts in respect of capital and revenue receipts and payments are prepared in order to show clearly the capital receipts and the manner in which the amount thereof has been invested.

2. What are the special features of double accounts system?

Ans:- The following are the special features of double accounts system:

- This is a special form of final Accounts in greater detail, accompanied by a number of statistical statements.
- The undertakings which adopt this system of presenting their final accounts require large amount of fixed capital and it is permanently invested in fixed assets.
- The balance sheet is prepared and presented in two parts i.e., capital account and general balance sheet, capital accounts (also called Receipts and Expenditure on capital Accounts) displays on the debit or expenditure side capital expenditure incurred on the acquisition of fixed assets and on the credit or receipts side, receipts on capital accounts such as shares, debentures, premium on shares and debentures, fixed loan.

Balance sheet

Capital Accounts Sundry creditors	Rs	Capital Accounts Stores in hand Cash at bank Cash in hand Securities Special items	Rs
Net revenue Accounts Depreciation fund Special items			

3. What are the contains of capital account?

Ans:- Capital accounts also called receipts expenditure on capital account displays on the debit or expenditure side capital expenditure incurred on the acquisition of fixed assets and on the credit or receipt side, receipts on capital accounts such as share, debentures, premium of shares and debentures, fixed loans, and call received in advance. The capital accounts is prepared in a columnar form with three columns on either side of the accounts. On the receipts side, the first column represents capital receipts at the end of the last financial year. The second represents the capital receipts during the current financial year and the third represent the total of one and two. Similarly the first column on the expenditure side represents the capital expenditure incurred on each item as at the end of the last financial year, The second during the current year and the third the total of one and two. The difference between the two side of this account is carried to the general balance sheet to the appropriate side.

4. How do you compute reasonable return under the electricity act?

Ans:- In order to prevent an electricity undertaking to earn too high profit, a reasonable return has been allowed, Reasonable return means the sum of the following:

- A yield at the standard rate (bank rate plus two per cent) on the capital base.
- Income derived from investment other than those include in the capital base.
- An amount equal to
 - $\frac{1}{2}$ % on the loans advanced by the state electricity board.
 - $\frac{1}{2}$ % on the amount borrowed from approved financial institution.
 - $\frac{1}{2}$ % on the amount realized by the issue of debenture.
 - $\frac{1}{2}$ % on the balance of development reserve.

5. Distinguish between single account system and double accounts system.

Ans;- The following are the main distinction between the single account system and the double account system:

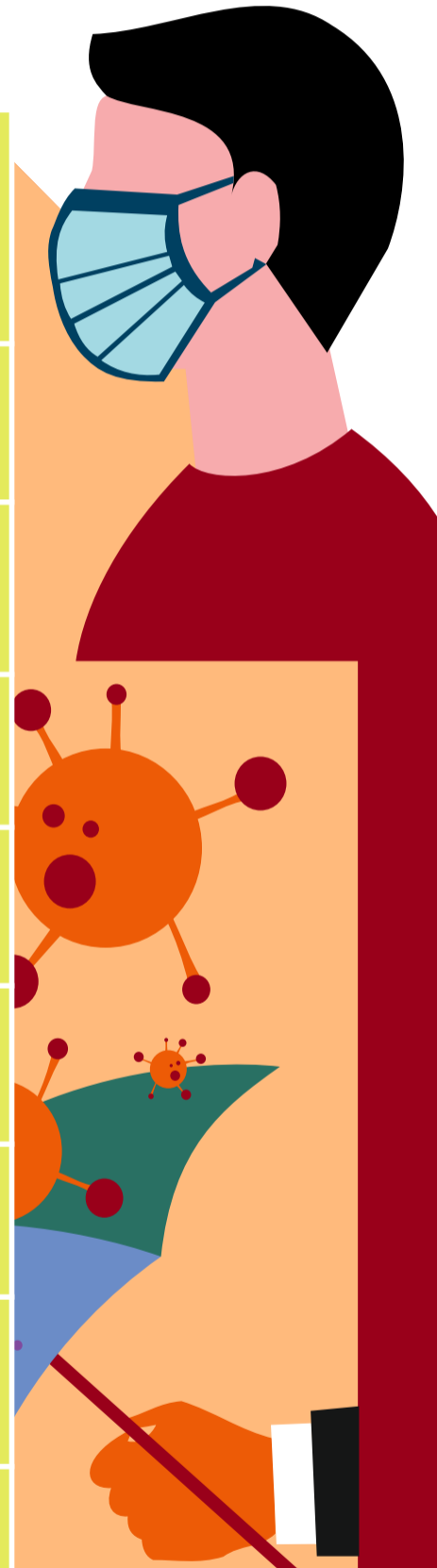
- 1) Under single accounts system only one balance sheet is presented in its usual form of a statement of assets and liabilities but under double accounts system the balance sheet is prepared and presented in two parts , capital account and general balance sheet.
- 2) The main purpose of preparing the balance sheet under single account system is to show the financial position of a concern on a particular date but in case of double account system
The main purpose is to show the amount of capital raised and how the same has been spent on the acquisition of fixed assets.
- 3) under single account system assets are shown in the balance sheet after deduction of depreciation from the concerned assets but under double account system assets are shown at their original value in the capital account and depreciation fund created for charging depreciation is shown on the liabilities side of the general balance sheet.
- 4) profit and loss account and profit and loss appropriation account under single account system take the form of revenue accounts and new revenue accounts of double accounts system.



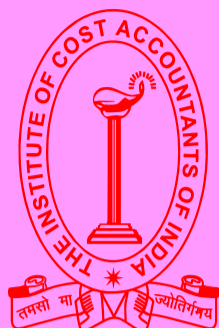


Examination TIME TABLE

Day & Date	Intermediate Examination Syllabus-2016 Time 10.00 a.m. to 1.00 p.m. / 2.30 p.m. to 5.30 p.m
27th June,2022 (Monday)	Financial Accounting (Paper 05) (Group - I)
28th June,2022 (Tuesday)	Operations Management & Strategic Management (Paper 09) (Group - II)
29th June,2022 (Wednesday)	Laws & Ethics (Paper 06) (Group - I)
30th June,2022 (Thursday)	Cost & Management Accounting and Financial Management (Paper 10) (Group - II)
1st July,2022 (Friday)	Direct Taxation (Paper 07) (Group - I)
2nd July, 2022 (Saturday)	Indirect Taxation (Paper 11) (Group -II)
3rd July, 2022 (Sunday)	Cost Accounting (Paper 08) (Group - I)
4th July, 2022 (Monday)	Company Accounts & Audit (Paper 12) (Group - II)



STAY HOME STAY SAFE



PRACTICAL Advice

ABOUT YOUR STUDIES - INTERMEDIATE COURSE

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

START

01

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

**Solve Exercises
given in Study Note**

02

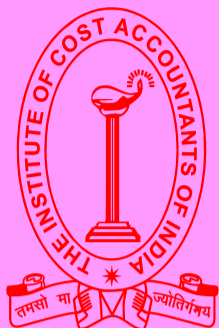
03

Assess Yourself

Appear For Examination

04

FINISHED



SUBMISSIONS



Updation of E-Mail Address/Mobile:

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

Dear Students,

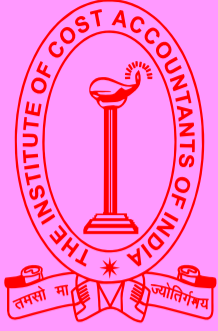
We are very much delighted to receive responses from all of you; for whom our effort is!

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

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

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Send your Feedback to:
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Message from Directorate of Studies

Dear Students,

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

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

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

let you all observe the message cited above.

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

Please refer the link mentioned below:

<https://icmai.in/studentswebsite/index.php>

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Be prepared and be successful

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Headquarters:

CMA Bhawan, 12 Sudder Street, Kolkata - 700016

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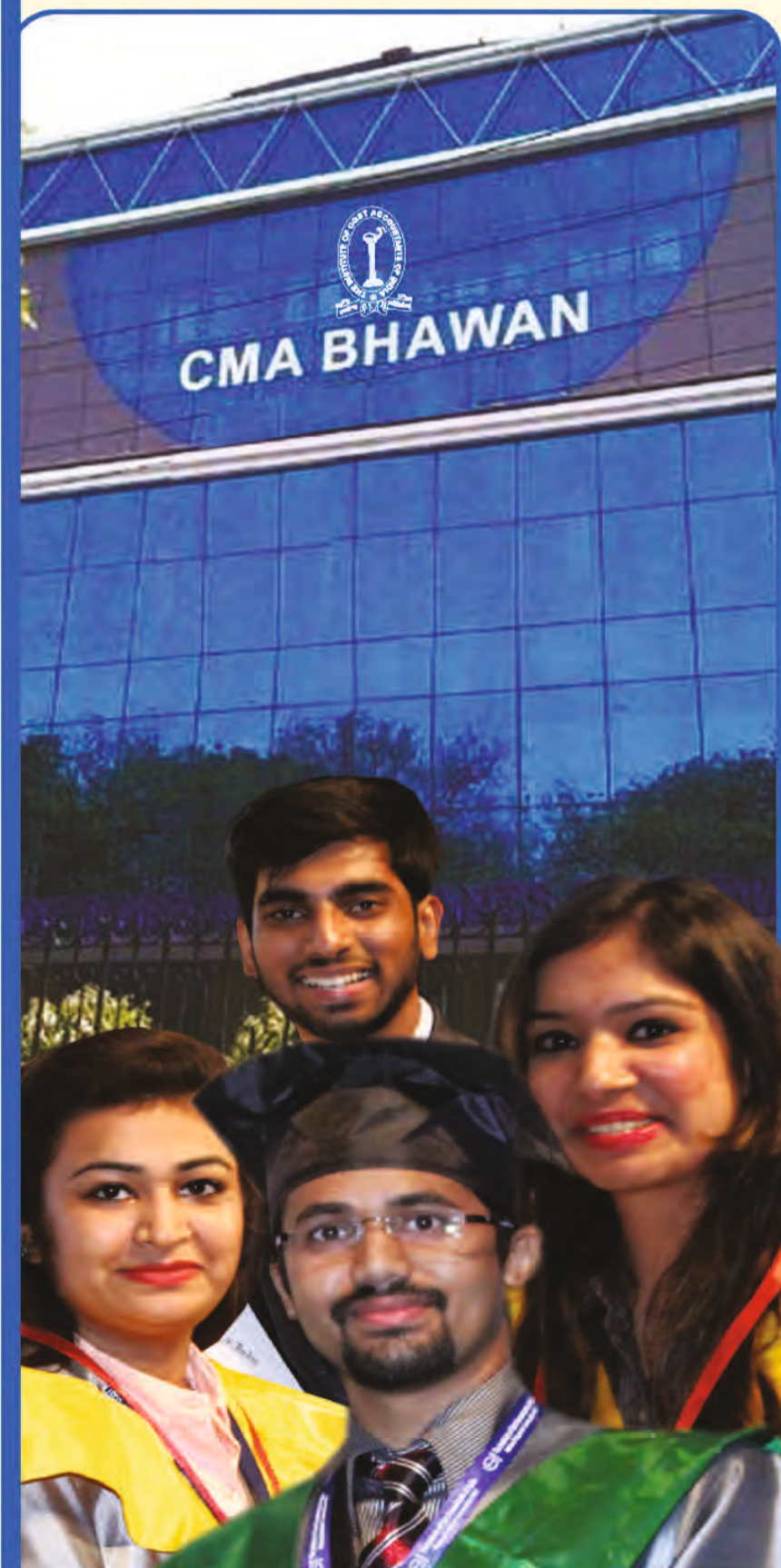
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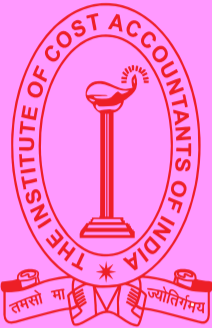
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Few Snapshots



60th National Cost Convention - 2022



Glimpses of National Students Convocation 2022 on 29 April 2022 at Kolkata



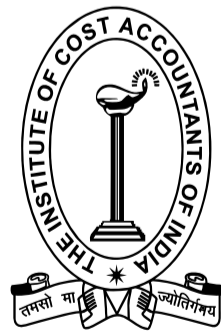
Glimpses of National Students Convocation 2022 on 29 April 2022 at Kolkata



CMA P Raju Iyer, President of the Institute with Swami Shukadevananda, Secretary, RKM Vivekananda College [Autonomous], Chennai & Other Officials of the College during the Board of Studies meeting held on 19th March 2022 at College Campus in Chennai.



Inauguration of CMA Classes & Mentoring of Students for CMA Curriculum, Value Added Courses such as GST, Forensic Audit, Internal Audit Members Present - CMA P Raju Iyer, President Along with [L to R] CMA Rakesh Shankar, Dr. S. Padmavathi, Principal of Shri Shankarlal Shasun Jain College for Women, Dr. S Rukmani, Vice Principal, Dr. C. Vimaladevi, Ms. Deepa Shridhar, Co-ordinator - CMA Support Centre



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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Headquarters: CMA Bhawan, 12, Sudder Street, Kolkata - 700 016

Phone: +91-33-2252-1031/34/35/1602/1492/1619/7373/7143

Delhi office: CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi - 110 003

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