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# CMA Student E - Bulletin



INTERMEDIATE



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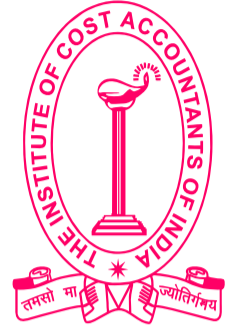


## Message from The Chairman

CMA Manas Kumar Thakur

Chairman,

Training & Education Facilities (T& EF) Committee



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



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### MESSAGE FROM THE CHAIRMAN

Dear Students,

Greetings,

***“True education must correspond to the surrounding circumstances or it is not a healthy growth”- M.K. Gandhi***

Education is not a problem, education is an opportunity and above all, education is the means to the answers to all questions.

What I believe that everyone is a genius and what is needed is to develop a passion for learning. If you do, you will never cease to grow. Success is no accident. It is hard work, perseverance, learning, studying and most of all love of what you are doing or learning to do. The great aim of education is not knowledge but action.

We have stepped in to June and I know those want to appear in the June, 2019 term of examination, are very busy in their preparation. Considering the aspects, the **Directorate of Studies is trying continuously to guide you by publication in e-form, Mock Test Papers (both questions and answers), Work Book (both questions and answers), monthly publication of E-bulletin & Webinar Sessions;** all are for your learning and practice. I hope, you are sincerely following those publications and preparing yourself.

The true purpose of education is to make minds not careers. Education is not the answer to the question, education is the power and knowledge is the wealth.

I must pay my sincere thanks to all the academicians who are always encouraging you by putting their valuable input in the monthly publications of these E-bulletins.

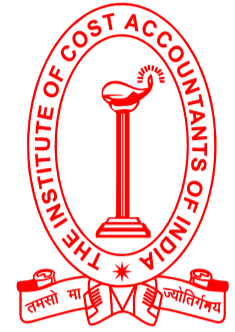
I am hopeful to see your success and afterwards your contribution in the Nation's growth. Please believe on your own strength and march forward. **“Educations purpose is to replace an empty mind with an open one”.**

Wishing you all a bright future,

CMA Manas Kumar Thakur

**Be a CMA, be a Proud Indian**

“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.

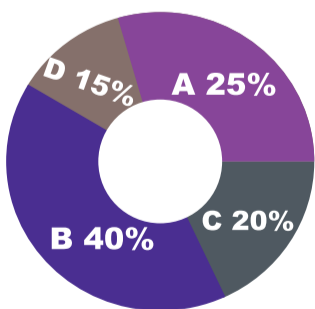
**GROUP: 1, PAPER: 5**

# FINANCIAL ACCOUNTING (FAC)



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## Your Preparation Quick Takes



### Syllabus Structure

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

**Learning Objective:**

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

**Financial Accounting (FAC)**

Dear students, you are now at the threshold of your CMA intermediate examination. I really expect that you have prepared yourselves well enough to face it. In the examination hall, the most important factor is time management. Take good care of it. Keep in mind all the important formulae and don't take unnecessary pressure. In this issue, I will not provide any study material, but some revisionary sums. Solve these carefully. Hope these will help you. Wish you good luck.

**Q.1** Modern transporter purchased a truck on Hire Purchase from Hindustan Motors for ₹56000. The truck was purchased on 01.01.2016. Payment is to be made ₹ 15000 cash as down payment and three installments of ₹15000 each at the end of each year. Rate of interest charged is 5% p.a. buyer depreciates assets @ 10% p.a. on WDV method. Due to financial difficulties Modern transporter after having paid the down cash and the first installment at the end of the first year, could not pay the second installment and Hindustan Motors took possession of the truck. Prepare Truck a/c and Seller a/c in the books of the buyer assuming the year ends on 31st December.

**Q.2** The trial balance of a business is given below:

ITEM	DR	CR	ITEM	DR	CR
Returns	25900	10900	Purchase	340000	
Disc. received		5200	Reserve		75000
Sales		612700	Wages	65800	
Commission		11500	Discount allowed	6500	
Bills receivable	60000		Sundry debtors	85800	
Carriage inward	14900		Freight	12400	
Plant & machinery	85600		Bills payable		44800
Investments	22400		Furniture	48600	
Sundry creditors		40000	Carriage outward	15200	
Salaries	15500		Opening stock	35900	
Freehold premises	105000		Cash at bank	24700	
Drawings	5300				
Capital		150000	Cash in hand	1600	
6% Bank Loan		20000	Prov. For D/D		1000
				971100	971100

Prepare Trading Account and Profit and Loss Account for the year ended 31.12.2017 and a balance sheet as on that date after taking into account the following adjustments:

1. The market price of the closing stock is ₹ 100000 which includes a profit margin of ₹ 15000.
2. Outstanding liabilities for salaries ₹4500 and for wages ₹ 9800
3. Depreciate Furniture by 15 % and Plant and Machinery by 20 %
4. Sundry Debtors include ₹ 1800 as bad which is to be written off.

5. Create a provision for bad debt @ 5 % on sundry debtors.
6. Goods distributed as free sample ₹ 500.
7. Goods lost by fire ₹ 20800 and insurance claim admitted for ₹ 16000.
8. Goods drawn for personal use ₹ 2100.
9. Commission received ₹ 1500 is yet to be earned.

Q.3 Anil and Mukesh enter into a venture to take a job for ₹240000. they provide the following information regarding the expenditure incurred by them:

	ANIL	MUKESH
Materials	68000	50000
Cement	13000	17000
Wages		27000
Architcts Fees	10000	
Licence Fees		5000
Plant		20000

Plant was valued at ₹10000 at the end of the contract and Mukesh agreed to take it at that value. Contract amount was received by Anil. Show necessary accounts.

Q.4 P Q and R are partnets sharing profits and losses in the ration 2:2:1. Their Balance Sheet as on 31.03.2018 is as follows:

BALANCE SHEET

CAPITAL:!		PLANT AND MACHINERY!	108000!
P!	120000!	FIXTURES!	24000!
Q!	48000!	STOCK!	60000!
R!	24000!	DEBTORS!	48000!
RESERVE FUND!	60000!	CASH!	60000!
CREDITORS!	48000!		
	<b>300000!</b>		<b>300000!</b>

THEY DECIDED TO DISOLVE THE FIRM. FOLLOWING ARE THE AMOUNTS REALISED FROM THE ASSETS:

PLANT AND MACHINERY 102000, FIXTURES 18000, STOCK 84000, DEBTORS 44400

CREDITORS ALLOWED A DISCOUNT OF 5 % AND REALISATION EXPENSES AMOUNTED TO ₹1500/-. A BILL OF RS.4200 DUE FOR SALES TAX WAS RECEIVED DURING THE COURSE OF REALISATION AND THIS WAS ALSO PAID.

PREPARE REALISATION ACCOUNT, CASH ACCOUNT AND CAPITAL ACCOUNTS.

Q.5 A, B, C and D are partners in a firm sharing profits and losses in the ratio of 3:3:2:2. The following is their balance sheet as on 30.06.2018.

BALANCE SHEET

LIABILITIES!	₹!	ASSETS!	₹!
CAPITAL: A!	20000!	FIXTURES!	4000!
B!	15000!	TRADE MARK!	7000!
C!		STOCK!	10000!
D!		DEBTORS!	15500!
A's Loan!	10000!	CASH!	2000!
CREDITORS!	15500!	CAPITAL: C!	16000!
		D!	6000!
	<b>60500!</b>		<b>60500!</b>

The firm was dissolved as on the aove date. B being appointed to realize the assets and pay off liabilities, he is entitled to receive 5 % as his remuneration on the amounts finally paid to other partners towards their capital. The expenses of realization were to be borne by B.

The assets realized as follows:

Debtors ₹11000, stock ₹8000, fixture ₹1000, trademarks ₹4000.

Creditors were paid off in full including a contingent liability of 2500 in respect of bills discounted materialized. Expenses of realization amounting to ₹500 were paid by the firm. As C was insolvent, ₹3700 would be recovered from his private estate. Close the books of the firm applying the rule of Garner Vs Murray.

- Q.6 Mr X purchased on 01.04.2015 a machinery from credit Ltd. On hire purchase basis. It was agreed to pay the amount as below:  
On signing the agreement ₹ 50000  
First installment on 31.03.2016 ₹ 29000  
Second installment on 31.03.2017 ₹ 14500  
Third installment on 31.03.2018 ₹ 13500.  
The above installments include interests @ 8 % pa. X Ltd paid all the installments within the due date.  
Pass the necessary journal entries in the books of credit Ltd (Hire Vendor).
- Q.7 P Q and R are partners sharing profits and losses in the ratio 2:2:1. Their Balance Sheet as on 31.03.2018 is as follows:

CAPITAL:!		PLANT AND MACHINERY!	108000!
P!	120000!	FIXTURES!	24000!
Q!	48000!	STOCK!	60000!
R!	24000!	DEBTORS!	48000!
RESERVE FUND!	60000!	CASH!	60000!
CREDITORS!	48000!		
	<b>300000!</b>		<b>300000!</b>

They decided to dissolve the firm. Following are the amounts realized from the assets:

Plant and Machinery 1,02,000, Fixture 18,000, Stock 84,000, Debtors 44,000.

Creditors allowed a discount of 5% and Realisation Expenses amounted to ₹ 1,500. A bill of ₹ 4,200 due for Sales Tax was received during the course of realization and this was also paid.

Prepare Realisation Account, Cash Account and Capital Accounts.

- Q.8 A fire occurred in the warehouse of Dev and Co on 15.05.2017 causing a destruction of a large part of stock. The firm had a fire policy of ₹ 547200 to cover the loss of stock. From the following particulars calculate the amount of claim.

	₹
Purchase for the year 2017	30,01,600
Sales for the year 2017	37,12,000
Purchase from 1.1.2017 to 15.05.2017	5,82,400
Sales from 1.1.2017 to 15.05.2017	7,68,000
Stock on 1.1.2017	4,60,800
Stock on 31.12.2017	7,74,400
Wages paid during 2017	3,20,000
Wages from 1.1.2017 to 15.05.2017	57,600
Stock salvage	89,600

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

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



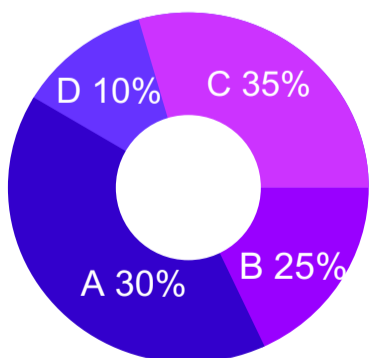


**GROUP: 1, PAPER: 6**

# LAWS & ETHICS (LNE)

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## Your Preparation Quick Takes



### Syllabus Structure

- A Commercial Laws 30%
- B Industrial Laws 25%
- C Corporate Law 35%
- D Ethics 10%

**Learning Objectives:**

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

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

**Law & Ethics**

It is hoped that you - the students prepare a time-table with time allotted for each subject and read, write, revise and recapitulate all that you keep on reading.

The first TIP is that you must read the Bear Act and the Sections and start asking questions to yourself and find your own answers.

**In this issue let us deal with Payment of Wages Act, 1936**

The Wages Act regulates the payment of wages to persons employed either directly or through a sub-contractor in : Factories, railways, industrial and other establishments specified under the Wages Act. The act is intended to be a remedy against unauthorized deductions made by employer and/or unjustified delay in payment of wages.

This Act lays down provisions with regards to the responsibility for:

- Payment of wages,
- Fixing of wage-periods,
- Time of payment of wages,
- Permissible deductions,
- Maintenance of records and Registers ; and
- Penal consequences for non-compliances of the provisions stipulated under the Payment of Wages Act.1936

Now let us study the above step by step.

It is very important to know what is **Wages** and what **wages includes** under the purview of this Act.

**Wages means** all remuneration capable of being expressed in terms of money which would be payable conditionally or otherwise, to the employed person if the terms of the contract of employment were fulfilled. The remuneration payable is called wages even though it is payable conditionally.

**Wages includes :**

- ❖ Remuneration payable under any award or settlement between parties or an order of a Court;
- ❖ Remuneration in respect of overtime work / holiday / leave period;
- ❖ Additional remuneration payable under the terms of employment (whether called a bonus or by any other name);
- ❖ Any sum payable on Termination of the employment and
- ❖ Any sum to which the person employed is entitled under any scheme framed under any law for the time being in force.

However, **Wages does not include** the following:

- Any bonus (whether under a scheme of profit sharing or otherwise) which does not form part of the remuneration payable under the terms of employment or which is not payable under any award or settlement between the parties or an order of a Court;
- The value of any house-accommodation, supply of light, water, medical attendance or other amenity or service excluded from the computation of wages by a general or special order issued by an appropriate government;
- Any Contribution to Pension or Provident Fund paid by the employer;
- Any Travelling allowance / value of any travel concession; or
- Special allowances/expenses paid to the person employed as per the nature of his employment
- Any gratuity payable on discharge.

**Widening the scope and Applicability of the Payment Wages Act, 1936** : The Government has vide notification dated August 28, 2017 revised the salary threshold for the applicability of the Payment Wages Act, 1936 from Rs. 18,000 per month to Rs. 24,000 per month. Consequently, the provisions contained under the Wages Act will now be applicable to **employees earning wages up to ₹ 24,000 per month.**

The next question that arises is - **Who is responsible for payment of wages ?**

The Employer is responsible for payment of wages. However, if a person is employed otherwise than by a contractor, the Act specifies that the following persons shall be responsible for payment of wages:-

- In case of a Factory - The person named as Manager
- In case of an Industrial establishment, the person who is responsible to the employer for the supervision and control of the establishment
- In case of the Railways, the person nominated by the administration to act on its behalf for the local area concerned.

The next question is **What is the Wage Period/s ?**

In this case, the person responsible for the payment of wages shall fix the wage periods, in other words, when wages shall be payable. However, no wage period shall exceed one month.

The next question is **What should be the Time of Payment of Wages ?**

The Act lays down the following Rules regarding time of payment of wages :

1. In an Industrial establishment or factory or the railways employing less than 1000 persons, wages must be paid before the expiry of the 7<sup>th</sup> day after the last day of the wages period in respect of which wages are payable.
2. In other factories or industrial establishments, wages must be paid before the expiry of the 10<sup>th</sup> day from the last day of the wages period in respect of which wages are payable.
3. Where the employment of the person is terminated by the employer or on behalf of the employer, the wages earned by the concerned employee shall be paid before the expiry of the 2<sup>nd</sup> working day from the day on which his employment is terminated.
4. All payment of wages must be made on a working day and not on a holiday.

**Mode of payment of wages :** Under Sec.6 All payment of wages shall be made in Currency Notes /Cash or coins or both. The wages can also be paid by cheque or by crediting into bank account. However, for that, the employer has to obtain written authorization from the concerned employed person.

**Enforcement of the Act :** Inspectors of Factories appointed under the Factories Act, are inspectors for the purpose of this Act for examining records and documents relating to payment of wages . The State Government may appoint an officer as the authority to hear and decide all claims arising out of **Deductions from wages or Delay in payment of wages.**

The next question is about **Deduction from Wages .**

**The employer is allowed to deduct the following from the salary or wages of an employee under the Payment of Wages Act.:**

- ❖ **Fines (Sec.8 lays down certain rules ):** An employee can be fined only for acts and omissions specified in a list duly approved by the State Government or the prescribed authority. The list must be exhibited in the place of work , before the fine is imposed on the employed person he must be given an opportunity of showing cause against the fine, the total amount of fine which can be imposed on a person in any one wage period must not exceed should not exceed 3% of the employee's wages, no fine can be imposed on a person who is less than 15 years old, no fine can be recovered by instalments or after the expiry of 90 days from the day on which it was imposed, all fines and the realizations thereof shall be recorded in a register.
- ❖ **Deduction for absence from the duty** from the place where the person is required to work (Sec.9);
- ❖ **Deduction for the damage to or loss of goods** expressly entrusted to the of employed person for custody (Sec.10);
- ❖ **Deduction for house accommodation** supplies by the employer;
- ❖ **Deduction for the amenities and service** supplied by the employer (Sec.11);
- ❖ **Deduction for recovery of advances** and interest, and adjustment of overpayment of wages (sec.12);

- ❖ **Deductions for recovery of loans** from any fund constituted for the welfare of labour (Sec.13);
- ❖ **Deduction for** income tax payable by the employed person;
- ❖ **Deduction on orders of a court** or other authority;
- ❖ **Deduction for subscription** and repayment of advance from any **Provident Fund**;
- ❖ **Deduction for payments to cooperative societies**;
- ❖ **Deduction of premium for LIC policy** on written authorization of the employed person; or any other investment for Post Office Saving Schemes;
- ❖ **Deductions may be made with the written authorization of the employed person.**

The total amount of deductions should not exceed 50 % of the wages of the employee in any wage period. If whole or part of the deductions is meant for the payments to co- operative societies, then the deductions cannot exceed 75%.

#### **Delay in payment of wages**

When there is delay in payment of wages or any deduction has been made from the wages, in such case, the following persons, can make application to the Authority ,(within 12 months of the date of deduction or payment of delayed wages ):

1. The person himself; or
2. Any legal practitioner; or
3. Any official of a registered trade union, duly authorized in writing;
4. Any inspector; or
5. Any other person acting with the permission of the authority.

#### **Functions of the Authority:**

1. on receipt of application, he will hear the applicant and the employer or other person responsible for delay in payment of wages.
2. On being satisfied, the authority may direct the employer to refund the excess deduction or may direct to make payment of wages together with the payment of compensation.
3. The compensation amount cannot exceed 10 times the amount deducted and cannot exceed ₹ 3000, but the same should not be less than ₹ 1500.

**Compensation is not payable in cases where authority is satisfied that:**

1. The delay was due to bona fide error / dispute as to the amount payable to the employed person;
2. The person responsible was unable to make payment due to exceptional circumstances, even though he exercised due diligence;
3. The delay was due to the failure of the employed person to apply for or accept payment.

**An appeal can be filed** against the order of the authority, within 30 days before Court of Small Causes and / or before the District Court.

There is a competent Authority to entertain and decide an application for payment of subsistence allowance. The subsistence allowance payable to an employee placed under suspension pending Departmental Enquiry is covered within the definition of wages given under Section 2(6) of the Act and, therefore, the Authority is competent to entertain and decide an application for payment of subsistence allowance.

As per Sec.22 - No Court shall entertain any suit for the recovery of wages or deduction from wages if the matter is pending or has been decided under Section 15 to 17 or could have been recovered by an application under Sec.15.

As per Sec.23 - Any contract whereby an employed person relinquishes any right conferred by this Act, shall be null and void in so far as it purports to deprive the employed person of such right.

As per Sec.25 - The person responsible for the payment of wages in a factory shall cause to be displayed in such factory, a notice containing an abstract of the Act and the rules framed under it, in English and in the language of the majority of the persons employed in it.

#### Penalty under Payment of Wages Act :

1. When person responsible for the payment of wages to an employed person contravenes any of the provisions of sections of the payment of wages act then the person would be liable to pay an amount of penalty. The penalty amount, however, varies with regard to different sections as contravened.
2. Where any person who has been convicted of any offence punishable under this Act is again guilty (**called serial offence**) of an offence involving contravention of the same provision, he would be punishable on a subsequent conviction with imprisonment for a term which shall not be less than one month but which may extend to six months and fine payable would be not less than ₹ 3,750 but which could extend to ₹ 22,500 or both.
3. When person who is required to maintain any records or register or furnish any information or return, fails to maintain the register or records or willfully refuses or neglects to furnish any information, such offence would be punishable with fine which will not be less than ₹ 1,500 but which could extend to ₹ 7,500.



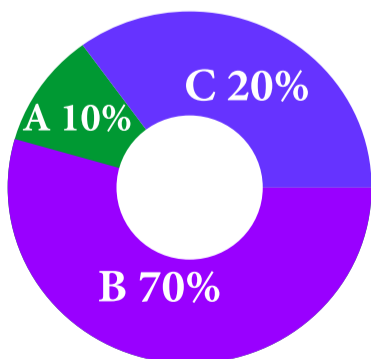


**GROUP: 1, PAPER: 7**

# DIRECT TAXATION (DTX)

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## Your Preparation Quick Takes



### Syllabus Structure

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

## Learning Objectives:

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

## Tax Deducted at Source

Sec.	Nature of payment	Person responsible to deduct tax	Recipient	Time of deduction	Rate of TDS	Maximum payment up to which tax shall not be deducted
192	Salary	Employer	Employee	At the time of payment	Average rate of tax	Basic Exemption Limit
192A	Accumulated balance of PF	Trustees or other authorized person	Employee	At the time of payment	10%	₹ 50,000
193	Interest on securities	Payer of interest on securities	Resident person	At the time of payment or crediting the payee, whichever is earlier	10%	₹ 5,000 (Subject to certain conditions)
194	Dividend u/s 2(22)(e)	Domestic Company	Resident person	At the time of payment	10%	₹2,500 (Subject to certain conditions)
194A	Interest other than interest on securities	Any person other than individual and HUF whose accounts are not required to be audited during immediately preceding previous year	Resident person	At the time of payment or crediting the payee, whichever is earlier	10%	₹5,000 (Subject to certain conditions) (₹ 10,000 in case of Bank Interest) [₹ 50,000 in case of senior citizen]
194B	Winning from lotteries, etc.	Any person paying such income	Any person	At the time of payment	30%	₹10,000
194BB	Winning from horse races	Any person paying such income	Any person	At the time of payment	30%	₹10,000
194C	Contract	Any specified person including individual and HUF whose accounts are required to be audited during immediately preceding previous year	Resident person	At the time of payment or crediting the payee, whichever is earlier	Payee is Individual or HUF: 1% Other payee: 2%	
194D	Insurance Commission	Any person			Payee is domestic co.: 10% Other resident Payee: 5%	₹15,000
194DA	Payment of Life Insurance policy (including bonus)	Any person	Resident	At the time of payment	1%	Less than ₹1,00,000
194E	Sports person Or entertainer	Any person paying specified income	Non-resident foreign citizen sportsman or sports association or entertainer	At the time of payment or crediting the payee, whichever is earlier	20%	Nil
194EE	Deposit in NSS	Post office	Any person	At the time of payment	10%	₹2,500
194F	Units of Mutual fund/UTI	Mutual fund or UTI	Unit holder u/s 80CCB	At the time of payment	20%	Nil
194G	Commission on sale of lottery tickets	Any person paying commission on sale of lottery tickets	Any person	At the time of payment or crediting the payee, whichever is earlier	5%	₹15,000
194H	Other commission	Any person other than individual and HUF whose accounts are not required to be audited during immediately preceding P.Y.	Resident person	At the time of payment or crediting the payee, whichever is earlier	5%	₹15,000
194-I	Rent	Any person other than individual and HUF whose accounts are not required to be audited during immediately preceding P.Y.	Resident person	At the time of payment or crediting the payee, whichever is earlier	Plant & Mach: 2% Other Asset: 10%	₹1,80,000
194-IA	Acquisition of immovable property other than rural agro land	Any person who is acquiring such property	Resident	At the time of payment or crediting the payee, whichever is earlier	1%	₹50,00,000
194-IB	Rent	Individual or HUF not covered u/s 194-I	Resident person	At the time of credit of rent for the last month of the previous year (or last month of tenancy) or payment thereof, whichever is earlier	5%	₹50,000 p.m.

194-IC	Joint Development Agreement	Any person	Resident	At the time of payment or crediting the payee, whichever is earlier	10%	-
194J	Professional or technical service or director fees (not covered u/s 192)	Any person other than individual and HUF whose accounts are not required to be audited during immediately preceding P.Y.	Resident person	At the time of payment or crediting the payee, whichever is earlier	10% (2% in case payee is engaged only in the business of operation of call centre)	₹30,000 No threshold limit for director fees
194LA	Compensation for compulsory acquisition of immovable property (other than agro land)	Any person responsible for such payment	Resident	At the time of payment in cash or by cheque or draft or by other mode, whichever is earlier.	10%	₹2,50,000 No TDS, if such award or agreement is exempted from levy of income-tax u/s 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013
194LB	Interest on infrastructure debt fund	Any person responsible for such payment	Non-resident	At the time of payment or crediting the payee, whichever is earlier	5%	Nil
194LBA	Distribution of income referred to in sec. 115UA [of the nature covered u/s 10(23FC) or (23FCA)]	Business Trust	Any person	At the time of payment or crediting the payee, whichever is earlier	<u>Income u/s 10(23FC)</u> If payee is resident: 10% Otherwise: 5% <u>Income u/s 10(23FCA)</u> If payee is resident: 10% Otherwise: applicable rate	Nil
194LBB	Distribution of income referred to in cl. a of exp. 1 to sec. 115UB [of the nature covered u/s 10(23FBB)]	Any person responsible for such payment	Any person		Payee is Resident: 10% Foreign Co: 40%* Other: 30%* *subject to DTAA	Nil Where the payee is a non-resident or a foreign company, no deduction shall be made for any income which is not chargeable to tax
194LBC	Income on investment in securitisation trust referred to in sec. 115TCA	Any person responsible for such payment	Any person	At the time of payment or crediting the payee, whichever is earlier	Resident Individual & HUF: 25% Other Resident: 30% Foreign Co. Or non-resident: Rates in force	Nil
194LC	Interest on approved loan	Indian Company or a business trust	Non-resident		5%	Nil
194LD	Interest on Rupee denominated bond or Govt Securities	Any person responsible for such payment	FII or Qualified Foreign Investor		5%	Nil
195	Any sum	Any person paying sum chargeable under this Act	Non-resident		Normal rate	Nil
196B	Units income	Any person responsible for payment referred in sec.115AB	An Offshore fund	At the time of payment or crediting the payee, whichever is earlier	10%	Nil
196C	Foreign currency bonds or GDR	Any person responsible for payment referred in sec.115AC	Non-resident		10%	Nil
196D	Any income	Any person responsible for payment referred in sec. 115AD(1)(a)	Foreign Institutional Investor		20%	Nil

**Note:** Lump sum lease premium or one-time upfront lease charges, which are not adjustable against periodic rent, paid or payable for acquisition of long-term leasehold rights over land or any other property are not rent within the meaning of sec. 194-I. Therefore, such payments are not liable for TDS u/s 194-I. [Circular 35/2016]



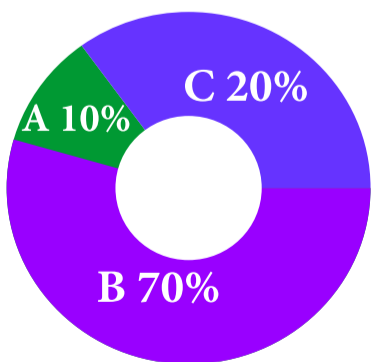
**GROUP: 1, PAPER: 8**

# **COST ACCOUNTING**

## **(CAC)**

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## Your Preparation Quick Takes



### Syllabus Structure

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



**Learning Objectives:**

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

**Cost Accounting**

Now a days the value and importance of 'Costing' need hardly be overemphasized. Although there is growing awareness about the need for cost accounting among the businessmen, there is also lack of appreciation as to how it can help them - this is due to imperfect competition and imperfect knowledge about costs vs benefits. It is hoped that with increased competition and growing realization about its need, cost accounting will increasingly find its place in the industries and its field will get considerably widened.

Cost Accounting is a quantitative method that accumulates, classifies, summarizes and interprets financial and non-financial information for three major purposes, viz. 1. Ascertainment of cost of a product or service, 2. Operational planning and control, 3. Decision-making. Optimum utilization of resource is the urgent need of the day. The role of Cost Accounting in this regard plays a vital role all over the world. Hence, theory as well as solving of practical problems is very much essential for successful preparation of the subject. It is observed from the past experience that 65% to 75% of the total questions are set from practical problems and the balance is theoretical part. Although only 25% questions are set from theoretical part, but a great emphasis should be given on theoretical part as most of the students are very much weak in theory. Always try to remember that in professional examinations, emphasis is given on testing comprehension, self expression, understanding and ability to apply knowledge in divergent situation. The conquest of these examinations mainly depends on student's perseverance, seriousness of study and continuous effort.

**Some tips based on Experiences are suggested below :-**

1. There should be a plane developed for completing the whole syllabus within the scheduled time .
2. Try to go through your Study Note and know the complete syllabus. Remember all chapters are interlinked.
3. This paper is based on mainly practical problems.
4. Analyze the trends of setting questions by taking at least ten terms.
5. Prepare yourself based on previous paper setting.
6. Clarity of concepts and self expression is essential for success in life.
7. Time schedule with specified activities is very much essential for time-management.
8. Write down all the important terms in your own words and read them regularly.
9. Try to improve your speed by regular practice and revision.
10. Always try to answer all objective type questions, which carry 100% marks.
11. Finally, try to develop a habit of reading the questions well, underlining and understanding the specific requirements.

As per study material of **Paper 8** the whole syllabus is divided into 6 chapters. The first chapter is concerned with the basic concept of cost accounting. The second chapter described the Elements of cost in details. We know that the three major elements of costs are - Material, Labour and Overheads. Here, the major elements of cost are discussed elaborately with sufficient number of examples. You should read the scope and objectives of different Cost Accounting standards in details. This will help to grasp the concept of cost accounting easily. Try to solve the problems on earnings of workers under different schemes. Here Cost allocation, Cost apportionment and Cost absorption should be understood very clearly.

The third chapter is related to **Cost Book-Keeping**, which includes integrated accounting system also. In the Cost Books, only nominal accounts, e.g., income and expenses, losses and gains etc, and to some extent, real accounts are recorded. Costing Department is concerned with income and expenditure relating to business carried on. Here transactions are entered into the basis of double entry book-keeping principle - every debit must have a corresponding credit. It is generally the responsibility of the Cost Accountant to record the costing transactions. This chapter is very easy to understand but the process is lengthy. In practice different accounts are to be opened, but it is not necessary to give much effort to complete it. Here Cost Department maintains separate ledger quite distinct from financial accounting, maintaining their books of accounts.

The **Job or Batch Costing** is one of the methods of Costing which is used when the job orders are under taken in the factory or workshop, and when contracts are taken out to build houses, construct roads, bridges , dams etc. Many companies manufacture goods against orders. The main purpose of job costing is to ascertain profit or loss on each job / batch undertaken. The chapter Contract /Job/ Batch Costing is very important for this type of examination. There are some standard norms for computation and recognition of profit or loss of incomplete contract. Students often face difficulty in recommending the amount of profit to be taken into account for incomplete contract. Make sure that you are familiar with various methods/formulae for different stage of completion and share of profit. Students are also advised to be through on the topic "Profit on incomplete contracts based on SSAP - 9". Various problems on 'exaltation clause' used to be set at this level of examination.

The next chapter, '**Operating Costing**' relates to find out operating cost per unit of output. Operating costing has derived its name from cost ascertainment by each operation. This chapter also includes 'Transport Costing', 'Hospital Costing', 'Power House Costing', 'Hotel/ Hostel Costing' etc. Composite unit finding is important for solving the problem.

The chapter '**Marginal Costing**' is very important from the students' perspective. Marginal Costing is not a particular method of cost ascertainment but a technique dealing with the nature and behavior of cost and there effects upon the profitability of an organization. Under this technique variable cost are charged to cost units and the fixed cost attributable to the relevant period is written-off in full against the contribution for that period. It aims to find out cost-volume-profit relationships of a product. Some times more than one problem may be set from this chapter. The main thrust should be to follow the working and determine the desired impact on profitability. Break-even Analysis and finding the B.E.P. is the basic part for solving problem. The students should also study the effect on profits due to various changes in Fixed Cost/ variable cost / selling price/sales- mix etc.

In **Standard Costing**, variances are analyzed in detail according to their originating causes. It provides a valuable guidance to the management in several management functions, such as in formulating policies, in determining prices, etc. The chapter relates to 'Variance Analysis' which helps the management to fix responsibility for each department and to identify the activities or areas of exceptions. Standard Costing, an accounting technique, came to be developed as a systematic method of Comparing the actual cost with the predetermined standard of cost and performance. 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 careful study and realization of the requirement in the problem can eliminate such difficulties. The main purpose of Variance analysis is to enable the management to improve the operations for effective utilization of resources so that Costs are reduced.

The last chapter deals with **Budget and Budgetary Control**. Planning and control are the important function of management. For assisting management in these two functions, the technique of Budgetary Control and Standard Costing are applied. Budget is defined as a financial and /or quantitative statement, prepared prior to a defined period of time , of the policy to be pursued during that period for the purpose of attaining a given objective. 'Budget and Budgetary control', which requires preparation of 'Flexible Budget', 'Functional Budgets' and 'Cash Budget' for taking necessary actions. Both theoretical and problem oriented questions may be set from this chapter. The students can easily understand the problems, if theory remains clear. The students are also suggested to go through the theoretical parts-like, concept of Zero based Budgeting, behavior and classification of budgets etc. very carefully. All functional budget are summarized into master budget consisting of a budgeted Profit and Loss account, a Balance Sheet and Cash Flow Statement. A common mistake is to incorrectly deduct closing stocks and opening stocks when preparing Production and Material Purchase Budget.

The efficiency of an organization depends on utilization of its material and labour. Labour cost represents the related cost of converting raw materials into finished products. Selection of the method of remuneration to the workers is the most complex problem now a days - from the view point of both the workers as well as employees. Implementation of a successful incentive scheme enhances the efficiency of the employees as well as organization also.

Here we are discussing a problem related to remuneration of workers under bonus scheme.

### Problem :

In a manufacturing concern bonus to workers are given on a slab rate based on cost saving towards labour and overhead. The following are the slab rates:

- i) Up to 10% saving 5% of the earning .
- ii) Up to 15% saving 9% of the earning
- iii) Up to 20% saving 13% of the earning
- iv) Up to 30% saving 21% of the earning
- v) Up to 40% saving 28% of the earning
- vi) Up to 40% saving 32% of the earning

The wage rates per hour of four workers , namely A, B, C and D, are, respectively , Rs. 1.00, Rs. 1.10, Rs. 1.20 and Rs. 1.40. Overhead is recovered on direct wages @ 200 % . Standard cost under wages and overhead per unit is fixed at Rs. 30. The workers have completed one unit each in 8, 7, 5.5 and 5 hrs. respectively.

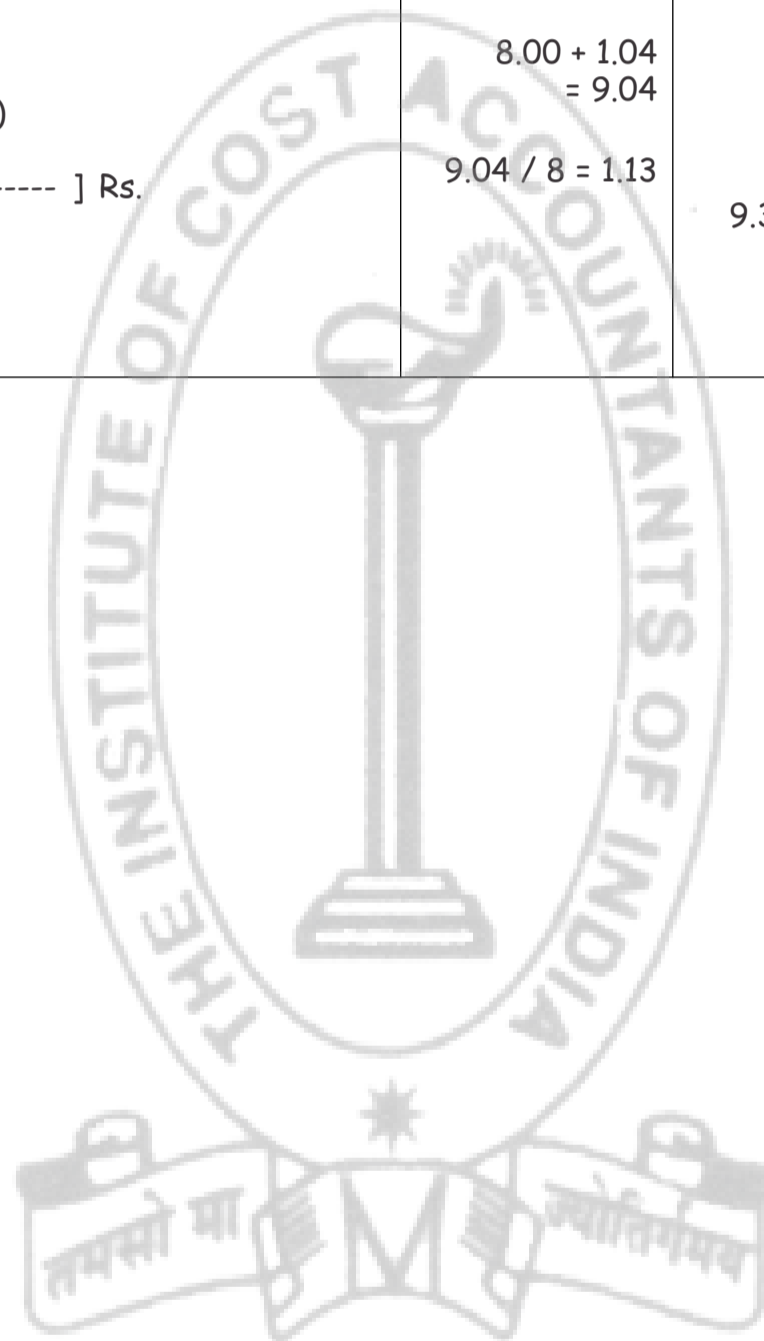
Calculate in respect of each worker :

- (a) Amount of bonus earned
- (b) Total earning

## Solution:

## Statement showing Bonus Earned, Total Earning and Earnings per hour

(c) Total earning per hour. Particulars	A	B	C	D
Time taken (hrs)	8	7	5.5	5
Hourly Rate (Rs.)	1.00	1.10	1.20	1.40
(i) Time wages = (Time Taken x Hr.)	8.00	7.70	6.60	7.00
(ii) Overhead @ 200% or D/W)	16.00	15.40	13.20	14.00
(iii) Total Cost (i + ii)	24.00	23.10	19.80	21.00
(iv) Standard Cost	30.00	30.00	30.00	30.00
(v) Savings in Cost (iv - iii)	6.00	6.90	10.20	9.00
Savings in Cost = $\left[ \frac{\text{Savings in cost}}{30} \times 100 \right]$	$\frac{6}{30} \times 100$ = 20%	$\frac{6.9}{30} \times 100$ = 23%	$\frac{10.20}{30} \times 100$ = 34 %	$\frac{9}{30} \times 100$ = 30%
\ Bonus Payable [ according to slab rate ]	13% [ $\frac{13}{100} \times 8$ ] = 1.04	21% $7.70 \times \frac{21}{100} =$ 1.62	28% $6.60 \times \frac{28}{100} =$ 1.85	21 % $7 \times \frac{21}{100}$ = 1.47
(vi) Bonus earned (Rs)	8.00 + 1.04 = 9.04	7.70 + 1.62 = 9.32	6.60 + 1.85 = 8.45	7 + 1.47 = 8.47
\ Total earnings ( Time Wages + Bonus )	9.04	9.32	8.45	8.47
Total earning per hr. $\left[ \frac{\text{Total earning}}{\text{Time taken}} \right]$ Rs.	$9.04 / 8 = 1.13$	$9.32 / 7 = 1.33$	$8.45 / 5.5 =$ 1.54	$8.47 / 5$ = 1.69





GROUP: 2, PAPER: 9, Part- i

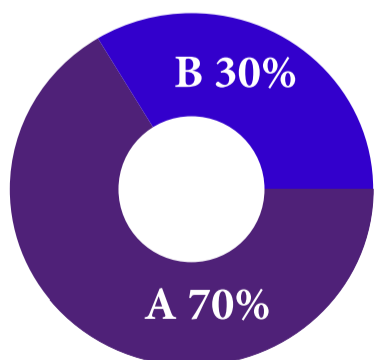
# OPERATIONS

MANAGEMENT & STRATEGIC  
MANAGEMENT (OMSM)

Operation Management

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## Your Preparation Quick Takes



### Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

**Learning Objectives:**

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

**Operations Management**

In this issue let me discuss on MCQs.

- Q1. For non-critical items which one of the following system of maintenance is most preferable?  
 (a) Preventive maintenance  
 (b) Break down maintenance  
 (c) Routine maintenance  
 (d) Break down maintenance if down time costs are less
- Q2. The objective of application of linear programming in industrial problems is  
 (a) To determine a plan for production and procurement in the time period under consideration  
 (b) To determine an optimal solution of the problem under the given constraints  
 (c) To determine the cost effective solution of the problem under scarce resources  
 (d) To determine a plan for time based solution to the problem for increasing productivity
- Q3. Which of the following is not a method for solving Assignment problem?  
 (a) Complete Enumeration method  
 (b) Hungarian method  
 (c) Simplex method  
 (d) Natural method
- Q4. This process is used when higher volumes of more standardised goods or services are needed. This process is  
 (a) Batch process  
 (b) Continuous process  
 (c) Repetitive process  
 (d) Job shop process
- Q5. Which one of the following is not a factor on which choice of a particular foreign country for a facility location does not depend?  
 (a) Export and import quotas  
 (b) Foreign exchange rate  
 (c) Labour productivity  
 (d) Economic peculiarities
- Q6. Multiple shift operation enhances  
 (a) Firm's Capacity utilisation  
 (b) Demand for firm's product  
 (c) Firm's labour turnover  
 (d) Firm's channel conflict
- Q7. The function of outputs from an operating system of an organization is  
 (a) To fulfill the objectives of the organisation  
 (b) To assist the operation of board of directors  
 (c) To facilitate measurement of performance  
 (d) To satisfy customers' wants
- Q8. Sustainable competitive advantage in the market place can be achieved through  
 (a) Line Balancing  
 (b) JIT manufacturing  
 (c) Cellular manufacturing  
 (d) Batch production

- Q9. Which one of the following is not a limitation of linear programming model?
- (a) Model can be applied only in situations where objective functions can be expressed in terms of linear expressions
  - (b) Model can be applied only when coefficients in the constraints equations must be completely known
  - (c) Model can be applied only to all real world problems which are not complex in nature
  - (d) Model cannot be applied to give a solution if management have conflicting multiple goals.
- Q10. It is a concept that guides the management of a production system through development of an attitude of mind and a constant urge to find better, cheaper, quicker, easier and safe ways of doing a job. The concept is
- (a) Productivity
  - (b) Profitability
  - (c) JIT
  - (d) Lean production
- Q11. In a linear programming model feasible solution is
- (a) The basic solution to the general L.P problem
  - (b) Any solution that also satisfies the non-negative restrictions of the general L.P problem
  - (c) A solution which optimize (maximize or minimize) the objective function of a general L.P problem
  - (d) A basic solution to the system of equations if one or more of the basic variables become equal to zero.
- Q12. A machine is technically obsolete when
- (a) Another machine can do the same job more efficiently, with reduced time and also at a lower cost
  - (b) Another machine can do the same job with more revenue with least consumption of resources
  - (c) Another machine can do the same job with more quality improvements along with more features
  - (d) Another machine can do the same job in same time but with optimal uses of primary resources
- Q13. Machine time of a machine is 22 minutes. If productivity increases by 10% the new machine time is
- (a) 12
  - (b) 5
  - (c) 19.8
  - (d) 20
- Q14. Which one of the following is Administrative Application of Linear Programming?
- (a) Application for forming financial mix strategy
  - (b) Application for scheduling production
  - (c) Application for finding optimal usage of resources
  - (d) Application for portfolio selection
- Q15. The main question in an assignment problem is
- (a) How the assignments should be made in order that the total cost involved in activities is minimized
  - (b) How the assignments should be made in order that the total resources involved in activities is optimised
  - (c) How the assignments should be made in order that the total time involved in activities is minimized
  - (d) How the assignments should be made in order that inter dependence among all activities is minimized
- Q16. Which one of the following is not a Sequencing rule for single facility?
- (a) SSRO
  - (b) DSRO
  - (c) MDD
  - (d) LFT
- Q17. It is the basis for decisions regarding capacity planning, facilities (or plant) layout, equipment and design of work systems. This is
- (a) Process Design
  - (b) Process Planning
  - (c) Process Strategy
  - (d) Process Selection
- Q18. The approach to use in analyzing a queuing problem depends
- (a) On Capacity of the servers
  - (b) On Number of servers
  - (c) On whether the potential number of customers is limited
  - (d) On queue discipline

- Q19. Each break down costs the firm an average of R2,800. For a cost of R1,400 per month, preventive maintenance can be carried out to limit the breakdowns to an average of one per month. Which of the following is appropriate for the firm if expected breakdown/month is 1.5?
- (a) Breakdown maintenance policy is suitable to firm
  - (b) Preventive maintenance policy is suitable to firm
  - (c) Routine maintenance policy is suitable to firm
  - (d) Firm is indifferent to breakdown or preventive maintenance
- Q20. For a TV manufacturing company there are two failures of picture tube during 1,98,000 tube hours of testing. For a year of 365 days with 4 hours of average use of TV by a customer per day the mean time between failures is
- (a) 67.8 tube year per failure
  - (b) 135.62 tube year per failure
  - (c) 542.47 tube year per failure
  - (d) 101.71
- Q21. A public sector industry is started in a remote place. With respect to this information which one of the following is correct?
- (a) Industry follows transportation
  - (b) Industry & transportation come in together
  - (c) Transportation follows industry
  - (d) Transportation increases mobility of industry
- Q22. A company maintains stock at a maximum level of 1402 units. Its minimum usage is 50 units and it faces a minimum delivery period of 6 weeks. If reorder quantity is 102 units the reorder level is
- (a) 1804
  - (b) 1300
  - (c) 1600
  - (d) 1804
- Q23. Quality of conformance is
- (a) The degree to which quality of design is achieved in manufacturing
  - (b) The degree to which quality of product is achieved through customers' preferences
  - (c) The degree to which quality of human resources is achieved through training
  - (d) The degree to which quality of assets is achieved through technological innovation
- Q24. Which one of the following is not an objective of Operations Management?
- (a) To satisfy customers by providing right thing at the right place at the right time
  - (b) To satisfy customers by providing right thing at the right price at the right time
  - (c) To satisfy customers by providing right thing at the right price at right quality
  - (d) To satisfy customers by providing right thing with right design with desired features
- Q25. Operations management is concerned essentially with the utilization of resources. Utilisation of resources means
- (a) Obtaining maximum effect from resources
  - (b) Minimising loss of resources,
  - (c) Minimising underutilisation or waste of resources
  - (d) All the above
- Q26. As per this Plant layout Principle there should be a harmonious fusion of all the relevant factors so that the final layout looks well integrated and compact. This principle is
- (a) Principle of Sequence
  - (b) Principle of Minimum Travel
  - (c) Principle of Compactness
  - (d) Principle of Flexibility
- Q27. The most obvious reason for product design is
- (a) To offer new products to sustain in the market
  - (b) To offer new products to fulfill changing preferences of customers
  - (c) To offer new products to remain competitive in the market
  - (d) To offer new products to cope with changing regulations in the market

- Q28. Which one of the following is not a factor on which Scheduling depends?
- (a) Production Method
  - (b) Production Quantity
  - (c) Production Capacity
  - (d) Production Site
- Q29. In this type of queuing model each server has a different queue. The model is
- (a) Multiple, parallel facilities with multiple queues
  - (b) Multiple, parallel facilities with single queue
  - (c) Service facilities in a series
  - (d) Single service facility
- Q30. In linear programming problem for a set of  $m$  simultaneous equations in  $n$  unknowns ( $n > m$ ), a solution obtained by setting  $(n-m)$  of the variables equal to zero and solving the remaining  $m$  equations in  $m$  unknowns is called
- (a) Basic Feasible Solution
  - (b) Basic Solution
  - (c) Optimal Feasible Solution
  - (d) Feasible Solution
- Q31. Which one of the following is the benefit of keeping standby machines?
- (a) Requirement of Additional space
  - (b) Interest on additional capital
  - (c) Availability of Additional Depreciation
  - (d) Protection against a complete shutdown
- Q32. Preventive maintenance policy is justified only when
- (a) The average downtime and its cost is equal to the average time taken to carry out breakdown repairs
  - (b) The average downtime and its cost is greater than the average time taken to carry out breakdown repairs
  - (c) The average downtime and its cost is less than the average time taken to carry out breakdown repairs
  - (d) The average downtime  $t$  is less than the average time taken to carry out breakdown repairs
- Q33. On which of the following areas ISO 9003 is applicable?
- (a) Procurement
  - (b) Production
  - (c) Installation
  - (d) Servicing
- Q34. To truly reap the benefits of TQM
- (a) Quality of production of organisation must change
  - (b) Productivity of organisation must change
  - (c) Culture of organisation must change
  - (d) Environment of organisation must change
- Q35. In maintenance problem
- (a) Cost of premature replacement must be greater than cost of breakdown
  - (b) Cost of premature replacement must be balanced with cost of breakdown
  - (c) Cost of premature replacement must be less than cost of breakdown
  - (d) Cost of premature replacement has no relation with cost of breakdown
- Q36. In some situations, shortening the original critical path of a project can lead to
- (a) A different series of activities becoming the critical path
  - (b) At least two new critical paths
  - (c) Decrease the most likely time of all activities
  - (d) Decrease the duration of activities on non-critical paths
- Q37. Which one of the following is not a factor in determining Economic Lot Size for manufacturing?
- (a) Production Schedule
  - (b) Usage rate
  - (c) Manufacturing Cost
  - (d) Cost of Deterioration



- Q38. A network graph consists of
- A number of points or nodes, each of which is connected to one or more of the other nodes by routes or edges
  - A number of points or nodes, each of which is separated from one or more of the other nodes by activity arrows
  - A simple rectangular grid, divided by series of parallel horizontal and vertical lines that divide the horizontal scale units of time.
  - A map of requirements tracing the work from a departure points to the final completion objective.

- Q39. Negative float signifies
- Reduction in target time to finish the work in time
  - Adjustment of target time to finish the work before schedule
  - Reduction in target time to crash the critical path
  - Adjustment of target time to maintain the most likely time of activities

- Q40. Which one of the following is not a factor for determination of effective capacity?
- Scheduling
  - Labour turnover
  - Union attitudes
  - EOQ

- Q41. Match items in column A with that in column B

Column A	Column B
(a) Horizontal line of the Gantt chart	i) Are where more than one Activity ends and from where more than one Activity starts.
(b) Dummy Activities	ii) Represent the difference between the maximum time available to finish the activity and the time required to complete it.
(c) Merge and Burst Events	iii) Consume no time or resource & are represented by dashed arrows
(d) Floats	iv) Is that fraction from total float of an activity which can be used for rescheduling the activity without affecting the succeeding activity.
(e) Free Float	v) Represents the time taken to complete an activity

- Q42. Match items in column A with that in column B

Column A	Column B
(a) Scheduling	i) arises due to continuous improvements in the methods and techniques of production
(b) Independent float	ii) provides the firm's management with a means of developing, implementing and maintaining a sustainable competitive advantage in the market place.
(c) Technological obsolescence	iii) is done with a view to engage every machine and operator of the system for the maximum possible time
(d) Strategic Gain	iv) involves developing a model of real phenomenon and then performing experiments on the model evolved.
(e) Simulation	v) can be used in allocating the resources elsewhere and increasing the time of some noncritical activities.

Q43. Match items in column A with that in column B

Column A	Column B
a) Lean Operation	i) is a technique for planning scheduling & controlling of projects whose activities not subjected to any uncertainty and the performance times are fixed.
b) PERT	ii) considers the organisation in terms of supply chain of value streams that extends from suppliers of raw materials, through transformation to the final customer.
c) Line Balancing	iii) is raised through involvement of modern integrated and automatic machinery and semi processed materials
d) Productivity	iv) is arranging a production line so that there is an even flow of production from one work station to the next
e) CPM	v) is a technique for planning scheduling & controlling of projects whose activities are subject to uncertainty in the performance time.

Q44. Match items in column A with that in column B

Column A	Column B
a) Degenerate	i) Process Strategy
b) Bottleneck	ii) Job allocation
c) Repetitive Focus	iii) Line Balancing
d) Improved Matrix	iv) Linear Programming
e) Cycle time	v) Layout

Q45. Match items in column A with that in column B

Column A	Column B
a) Man hour output	i) Production control
b) Channels	ii) Productivity
c) Subcontracting	iii) Product life cycle
e) Block control	v) Waiting line

Ans:

Q1	d	Chapter 7/7.1	Q21	c	Chapter 2/2.4
Q2	a	Chapter 4/4.11	Q22	c	Chapter 2/2.10
Q3	d	Chapter 4/4.33	Q23	a	Chapter 3/3.1
Q4	c	Chapter 3/3.5	Q24	b	Chapter 1/1.1
Q5	c	Chapter 2/2.4	Q25	d	Chapter 1/1.1
Q6	a	Chapter 2/2.3	Q26	c	Chapter 2/2.5
Q7	d	Chapter 1/1.1	Q27	c	Chapter 3/3.1
Q8	b	Chapter 4/4.9	Q28	d	Chapter 4/4.4
Q9	c	Chapter 4/4.11	Q29	a	Chapter 4/4.5
Q10	a	Chapter 5/5.1	Q30	b	Chapter 4/4.11
Q11	b	Chapter 4/4.11	Q31	d	Chapter 7/7.3
Q12	a	Chapter 7/7.4	Q32	c	Chapter 7/7.3
Q13	d	Chapter 5/5.1	Q33	b	Chapter 5/5.3
Q14	c	Chapter 4/4.11	Q34	c	Chapter 5/5.2
Q15	a	Chapter 4/4.3	Q35	b	Chapter 7/7.3
Q16	d	Chapter 4/4.4	Q36	a	Chapter 6/6.3
Q17	b	Chapter 3/3.3	Q37	a	Chapter 2/2.10
Q18	c	Chapter 4/4.5	Q38	a	Chapter 6/6.1
Q19	d	Chapter 7/7.4	Q39	a	Chapter 6/6.1
Q20	a	Chapter 7/7.4	Q40	d	Chapter 2/2.2

Q41	a)/v, b)/iii, c)/i, d)/ii, e)/iv
Q42	a)/iii, b)/v, c)/i, d)/ii, e)/iv
Q43	a)/ii, b)/v, c)/iv, d)/iii, e)/i
Q44	a)/iv, b)/v, c)/i, d)/ii, e)/iii
Q45	a)/ii, b)/v, c)/iv, d)/iii, e)/i

**Suggestions:**

This lesson is prepared purely from teachings imparted by the Guide book issued by Institute. For each answer respective chapter with section is mentioned. The study guide on Operations Management issued by Institute is to be studied thoroughly. Emphasis is to be given on all chapters all sections to attempt the Group A part of the exam question. Attempts are made here to have some ideas. For supplementary readings one can refer Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson, Productions and Operations management by R.B. Khanna & Quantitative Techniques in Management by N. D. Vora



GROUP: 2, PAPER: 9, Part- ii

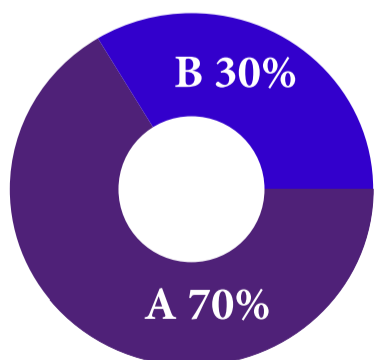
# OPERATIONS

MANAGEMENT & STRATEGIC  
MANAGEMENT (OMSM)

Strategic Management

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## Your Preparation Quick Takes



### Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

**Learning Objectives:**

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

## Strategic Management

**Strategy:**

Strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives.

Strategy may be defined as the direction and scope of a organisation over the long term, which achieves advantage for the organisation through the configuration of resources within a changing environment and to fulfil stakeholder expectations.

**Features of Strategy:**

- Strategy is important to foresight, the uncertain events of firms/industries.
- Strategy deals with long term developments rather than routine operations. For example innovations or new products, new methods of productions, or new markets to be developed in future.
- Strategy is created to deal behavior of customers and competitors.
- Strategy is a well defined roadmap of an organization. It defines the overall mission, vision and direction of an organization.

The **objective of a strategy** is to maximize an organization's strengths and to minimize the strengths of the competitors.

**The characteristics of a strategic decision:**

- Strategy is likely to be concerned with long-term direction of an organisation.
- Strategic decisions are normally about trying to achieve some advantage for the organisation over competition.
- Strategy is likely to be concerned with the scope of the organisation's activities.
- Strategy can be seen as matching the resources and activities to the environment in which it operates.
- Strategy can be seen as stretching an organisation's resources and competences to create new opportunities or to capitalise on them.
- Strategies may require major resource changes for an organisation.
- Strategic decisions likely to affect operational decisions.
- The strategy of an organisation is affected not only by environmental factors and resource availability but also by the values and expectations of those who have power in and around the organisation.

**The consequences of the characteristics of strategy:**

- Strategic Decisions are likely to be complex in nature
- Likely to be made in situations of uncertainty
- Likely to demand an integrated approach
- Manage change relationships and networks outside the organisation
- Strategic Decisions will very often involve change in organisations

**Relationship between strategy and competitive advantage:**

A company achieves competitive advantage when it provides buyers with superior value compared to rival sellers or offers the same value at a lower cost to the firm. The advantage is sustainable if it persists despite the best efforts of competitors to match or surpass this advantage. A company's strategy is its action plan for outperforming its competitors and achieving superior profitability. In effect, it represents a managerial commitment to an integrated array of considered choices about how to compete.

These include choices about:

- How to attract and please customers?
- How to compete against rivals?
- How to position the company in the market place?
- How best to respond to changing economic and market conditions?

- (v) How to capitalize on attractive opportunities to grow the business?
- (vi) How to achieve the company's performance targets?

### Strategic Management:

Strategic management is defined by William F. Glueck as "a stream of decisions and actions which leads to the development of an effective strategy or strategies to help achieve objectives."

The strategic development routes:

- (i) **Intended strategy**: -an expression of interest of desired strategic direction deliberately formulated or planned by managers.
- (ii) **Realised strategy**- the strategy actually being followed by an organisation in practice.
- (iii) **Unrealised strategy**: the strategy that does not come about in practice or only partially so.
- (iv) **Imposed strategy**: there may be situations in which managers face what they see as the imposition of strategy by agencies or forces external to the organisation.
- (v) **Emergent strategy**: unplanned responses to unforeseen circumstances. They arise from autonomous action by individual managers deep within the organisation.

### Importance of Strategic Management:

- (i) Discover organisation strengths and weaknesses,
- (ii) Identify the available opportunities and possible threats,
- (iii) Discover the objectives and goals in line with organisations strengths and available opportunities,
- (iv) Implement changes to overcome weaknesses and manage the threats,
- (v) Provide vision/mission or direction to future of organisations,
- (vi) Build a dynamic and strong organisation,
- (v) Help to achieve growing and stable organisation.

### A strategic vision:

A strategic vision describes management's aspirations for the future and delineates the company's strategic course and long term direction. Well conceived visions are

Distinctive and specific to a particular organisation; they avoid generic, feel-good statements.

A number of organisations have summed up their visions in a brief phrase for e.g.

- Nike: 'To bring innovation and inspiration to ever athlete in the world.'
- Scotland Yard: 'to make London the safest major city in the world'

### Strategic vision specifies primarily three elements:

1. Forming a mission statement that defines what business the company presently is in? And "who we are and where we are now?"
2. Using this mission statement as base to define long term path by indicating choices about "Where we are going?"
3. Finally, communicating above strategic vision in clear and committed term.

### Strategic Vision has important purposes, such as:

1. Clearly provide the direction that company wants to follow
2. Identify the need of changing from existing direction or products, if stated in vision statement.
3. Create passionate environment in the organisation to steer the company with great excitement in selected direction.
4. Create creativity in every member of company to prepare company for future.
5. Promote entrepreneurship.

### The benefits of having a Vision:

According to Parikh and Neubauer (1993), a well construed vision can provide the following benefits:

- Good visions are inspiring and exhilarating.
- Vision represents a discontinuity, a step function and a jump ahead so that the company knows what it is to be.
- Good vision helps in the creation of a common identity and a shared sense of purpose.
- Good visions are competitive, original and unique. They make sense in the market place as they are practical.
- Good visions foster risk taking and experimentation.
- Good visions foster long term thinking
- Good visions represent integrity: they are truly genuine and can be used to the benefit of the people.

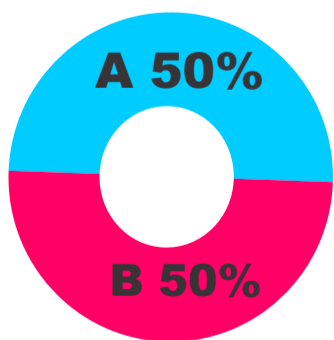


**GROUP: 2, PAPER:10**

# **COST & MANAGEMENT ACCOUNTING AND FINANCIAL MANAGEMENT(CMFM)**

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## Your Preparation Quick Takes



### Syllabus Structure

A Cost & Management Accounting 50%

B Financial Management 50%

**Learning Objectives:**

The paper Cost & Management Accounting and Financial Management (Group II; Paper 10) is a unique blend of theoretical elaborations and practical illustrations. The aim of this paper is to equip the students with a working level knowledge regarding the two disciplines and prepare a ground for a few advanced level papers like Strategic Financial Management (Final Group 3: Paper 14), Strategic Cost Management decision Making (Final Group 3: 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.

**Chapter 2: Decision Making Tools****Illustration 2**

Calculate PV ratio and FC based on the following information:

	Year 1	Year 2
Sales (₹)	2,00,000	3,00,000
Profit (₹)	80,000	1,40,000

**Solution:**

PV ratio = Change in profit/ change in sales

$$= 60000/100000 * 100 = 60\%$$

Contribution from sales of ₹ 2,00,000 = 2,00,000\*60% = ₹ 1,20,000

$$\text{Fixed cost} = C - P = 1,20,000 - 80,000 = ₹ 40,000$$

**Illustration 3**

Calculate PV ratio and FC based on the following information:

	First Half	Second Half
Sales (₹)	2,00,000	2,50,000
Profit (₹)	60,000	80,000

**Solution:**

PV ratio = Change in profit/change in sales

$$= 20000/50000 * 100 = 40\%$$

Contribution from sales of ₹ 2,00,000 = 2,00,000\*40% = ₹ 80,000

$$\text{Fixed cost for first half} = C - P = 80,000 - 60,000 = ₹ 20,000$$

$$\text{Total fixed cost for the year} = 20,000 + 20,000 = ₹ 40,000$$

**Decision Making by the Management**

Decision making lies at the core of the management process in every organization. However, the decisions that we are concerned about here are the decisions involving financial resources and which are mostly strategic in nature. The important decision areas are:

- Production planning involving limiting factor
- Make or buy decision
- Shut down or continue decision
- Export vs. Home Market
- Diversification of production
- Choosing profitable sales or product mix
- Fixation of selling price
- Alternative levels of production



- Maintaining desired level of profit
- Alternative courses of action
- Profit planning

The above list is not exhaustive but indicative only. In some cases, decisions on multiple areas may have to be taken. Moreover, in addition to Marginal Costing, a few concepts like relevant cost analysis, differential cost analysis etc. will also be important. Now, let us discuss each of the above decision areas in detail.

### 1. Production Planning Involving Limiting Factor

For a multi-product firm, decisions on the products it produces often involve determining their relative profitability. This helps the firm in achieving the best out of its resources.

A multi-product firm ranks its products in the following ways.

(a) When selling price per unit are similar:

Particulars	Product A	Product B	Product C
SPPU	20	20	20
VCPU	12	8	15
CPU	8	12	5
Rank	II	I	III

(b) When selling price per unit are not similar:

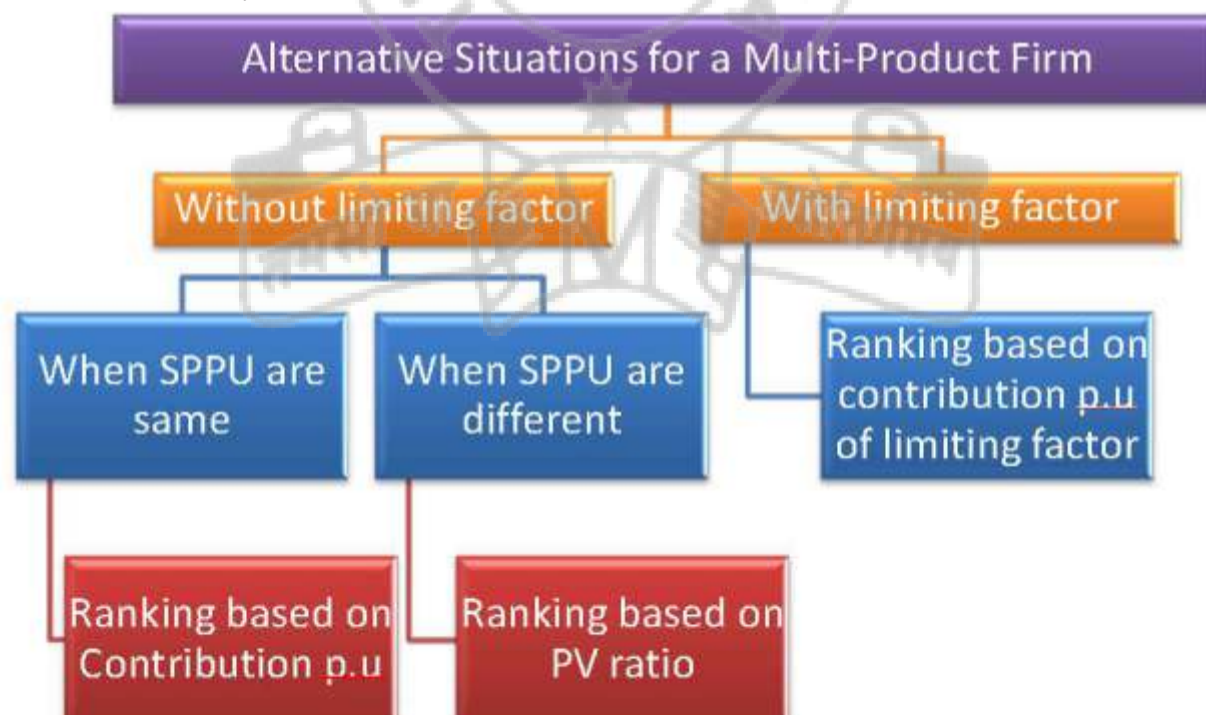
Particulars	Product A	Product B	Product C
SPPU	30	20	24
VCPU	18	8	12
CPU	12	12	12
P/V Ratio	40%	60%	50%
Rank	III	I	II

If the company has unlimited amount of resources, it will rank the products as stated above and go on producing them following the ranking to the extent there is available market demand.

However, if there is any **constraint with regard to any resource**, then the objective of the company will be to optimize the resource i.e. to maximize the profit subject to the resource constraint as different products consume different amount of resource.

Thus, here the resource with limited supply becomes the limiting factor for company's production decision. Hence in such cases, contribution per unit of the limiting factor will be the basis of ranking.

The decision rule, thus can be summarized as follows:



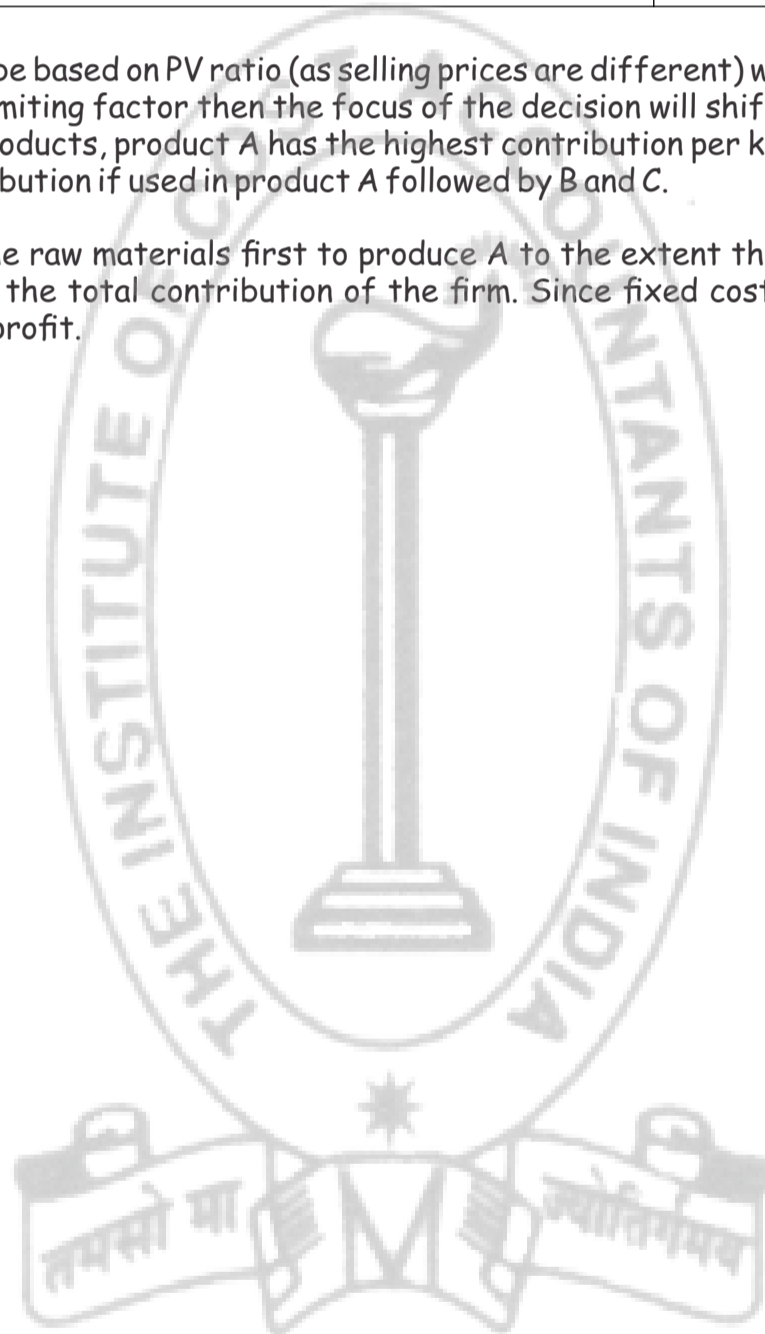
Let us consider the following example

Suppose raw material (in kg) is the limiting factor. The other relevant information regarding three products of a firm using the same raw material is given below.

Particulars	A	B	C
SPPU (₹)	30	25	28
VCPU (₹)	18	10	14
CPU (₹)	12	15	14
P/V Ratio	40%	60%	50%
Rank based on PV ratio (when there is no limiting factor)	III	I	II
Raw material usage per unit (in kg)	2	3	5
Contribution per kg of raw material (₹)	6	5	2.80
Ranking	I	II	III

In the above situation ranking may initially be based on PV ratio (as selling prices are different) when there is no limiting factor. However, if it appears that the raw material is the limiting factor then the focus of the decision will shift towards maximising the profit by using the raw material. Here, among the three products, product A has the highest contribution per kg of raw material. In other words, one kg of raw material will bring the highest contribution if used in product A followed by B and C.

Thus, the company should decide to use the raw materials first to produce A to the extent the market is ready to accept and then to produce B and lastly C. This will maximise the total contribution of the firm. Since fixed cost is assumed to be constant, maximising contribution will mean maximisation of the profit.



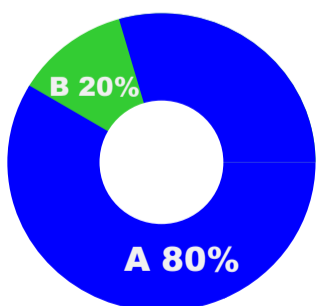


**GROUP: 2, PAPER:11**

# INDIRECT TAXATION (ITX)

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## Your Preparation Quick Takes



**Syllabus Structure**  
A GST 80%  
B Customs Laws 20%

**Learning objectives:**

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

**Indirect Taxation****Introduction:**

The concept of Tax Deduction at Source (TDS) was there in the erstwhile VAT Laws. GST Law also mandates Tax Deduction at Source (TDS) vide Section 51 of the CGST/SGST Act 2017, Section 20 of the IGST Act, 2017 and Section 21 of the UTGST Act, 2017. GST Council in its 28th meeting held on 21.07.2018 recommended the introduction of TDS from 01.10.2018. Following would be the deductions of tax in GST under section 51 of the CGST Act, 2017.

- A department or establishment of the Central Government or State Government; or
- Local authority; or
- Governmental agencies; or
- An authority or a board or any other body,- (i) set up by an Act of Parliament or a State Legislature; or (ii) established by any Government, with fifty-one per cent. or more participation by way of equity or control, to carry out any function; or
- A society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860 (21 of 1860); or
- Public sector undertakings.

The procedures of TDS along with related legal provisions are discussed herein below for the understanding of the stakeholders including the Drawing and Disbursement Officers (DDOs) who are required to deduct tax in accordance with the provisions of the GST Laws.

**Relevant provisions of TDS in GST and effective date:**

Provisions of Law: GST Laws provide for tax deduction at source (TDS) by the specified category of persons (herein after referred to as 'the deductor') from the payment made or credited to the supplier of taxable goods or services or both (herein after referred to as 'the deductee') at a prescribed rate. Effective date: Notification No. 33/2017 - Central Tax dated 15.09.2017 was issued by the CBIC to enable registration of tax

deductors. However, Government suspended the applicability of TDS till 30.09.2018. Now, it has been decided that the TDS provision would be made operative with effect from 01.10.2018. Notification No. 50/2018- Central Tax dated 13.09.2018 has already been issued in this regard by CBIC. Similar notifications have been issued by respective State Governments.

**Concept of Supply in GST:**

Supply in GST covers both supply of goods as well as supply of services by vendors/suppliers to the Government Departments, local authorities and other recipients. Examples of supply of goods to Government/local authorities: Procurement of stationery items, toilet articles, towels, furniture, air-conditioning machines, electrical goods, books and periodicals & medicines, etc. Examples of supply of services to Government/local authorities: Procurement of security services, car rental services, generator rental services, rental services like office building/land taken on rent, maintenance services, rental of machinery, etc. There may be supplies which are composite in nature i.e. taxable supplies of goods and services or both which are naturally bundled and supplied in conjunction with each other in the ordinary course of business [Section 2(30) refers].

Examples of Composite supplies to Government/local authorities: Works Contract services such as road, bridge, building development / renovation / repairing / maintenance services Section 7 of the CGST/SGST Acts 2017: "....."supply" includes - (a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;....." 8 involving supplies of both goods and services. Taxable Supply means supply of goods or services or both which is-leviable to tax under GST [Section 2(108) refers] Exempt supply means supply of any goods or services or both- which attracts nil rate of tax or which may be wholly exempt from tax under section 11 of the CGST / SGST Acts or under section 6 of the IGST Act, and includes non-taxable supply. [Section 2(47) refers]

When tax deduction is required to be made in GST: Tax is required to be deducted from the payment made / credited to a supplier, if the total value of supply under a contract in respect of supply of taxable goods or services or both, exceeds

₹2,50,000/- (Rupees two lakh and fifty thousand). This value shall exclude the taxes leviable under GST (i.e. 'Central tax', 'State tax', 'UT tax', 'Integrated tax' & Cess).

Conditions for & amount of deduction: Tax deduction is required if all the following conditions are satisfied

- Total value of taxable supply > ₹2.5 Lakh under a single contract. This value shall exclude taxes & cess leviable under GST.
- If the contract is made for both taxable supply and exempted supply, deduction will be made if the total value of taxable supply in the contract > ₹2.5 Lakh. This value shall exclude 9 taxes & cess leviable under GST.
- Where the location of the supplier and the place of supply are in the same State/UT, it is an intra-State supply and TDS @ 1% each under CGST Act and SGST/UTGST Act is to be deducted if the deductor is registered in that State or Union territory without legislature.
- Where the location of the supplier is in State A and the place of supply is in State or Union territory without legislature - B, it is an inter-State supply and TDS @ 2% under IGST Act is to be deducted if the deductor is registered in State or Union territory without legislature - B.
- Where the location of the supplier is in State A and the place of supply is in State or Union territory without legislature B, it is an inter-State supply and TDS @ 2% under IGST Act is to be deducted if the deductor is registered in State A.
- When advance is paid to a supplier on or after 01.10.2018 to a supplier for supply of taxable goods or services or both.





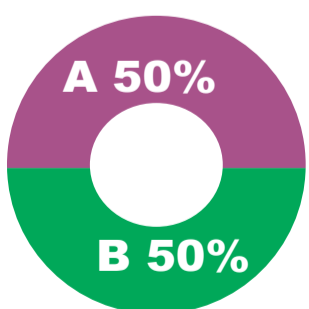
**GROUP: 2, PAPER:12**

# COMPANY

**ACCOUNTS & AUDIT (CAA)**

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## Your Preparation Quick Takes



### Syllabus Structure

A Accounts of Joint Stock Companies 50%

B Auditing 50%

**Learning Objectives:**

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

**Accounting for Lease**

Today let us discuss about Accounting for Leases (AS 19).

**What is Lease?**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

**What is risk associated with lease?**

Risk includes the possibilities of losses from idle capacity or technological obsolescence and of variations in return because of changing economic conditions.

**What is reward associated with lease?**

Reward may be represented by the expectation of profitable operation over the asset's economic life and of gain from appreciation in value or realization of residual value.

**What are the types of lease?**

Lease are of two types-

- Financial Lease - That transfers substantially all the risks and rewards incidental to ownership
- Operating Lease - That does not transfer substantially all the risks and rewards incidental to ownership

**What are the main parties involved in lease?**

Lease involve two parties-

Lessor - The person who owns the asset agrees to allow the lessee to use it for a specified period of time in return for periodic rent payments.

Lessee - The person who use the asset taken as lease from lessor for specified period in return for periodic rent payments

**Accounting for Financial Lease:**

In the books of lessor the lessor recognizes lease as receivable at an amount equal to net investment in the lease and corresponding credit to sale of asset.

Net investment = Gross Investment - Unearned Finance Income

Gross Investment = Minimum Lease Payment from lessor point of view + Unguaranteed Residual Value

Unearned Finance Income = Gross Investment - Present Value of Gross Investment

The lessor should recognise the finance income based on a pattern reflecting constant periodic return on the net investment outstanding.

**In the books of Lessee**

- Leased asset as well as liability for lease should be recognised at the lower of :
  - Fair value of the leased asset in the inception of lease
  - Present value of minimum lease payment form the lessee point of view
- Lease payment is to apportioned between finance charge and principal amount
- In the books of lessee depreciation is to charge on finance lease asset as per AS 16 under straight line method

Initial direct cost for financial lease is to include in asset under lease

**Accounting for Operating Lease-****In the books of lessor-**

- Record leased out asset as fixed asset in the balance sheet
- Charge depreciation as per AS 6
- Recognise lease income in profit and loss account using straight line method
- Other cost of operating lease should be recognised as expenses in the year in which they are incurred
- Initial direct cost of lease may be expensed immediately or deferred

**In the books of Lessee-**

-Lease payment should be recognised as an expense in the profit and loss account on a straight line basis over the lease term

**Sale and Lease back:**

A sale and lease back transaction involves the sale of an asset by vendor and leasing of an asset back to the vendor

If lease back is finance lease:

Any profit or loss of sale proceeds over the carrying amount should not be immediately recognised as profit or loss in the financial statement of a seller lessee. It should be deferred and amortized over lease term in proportion to the depreciation of leased asset.

**Not Applicability**

The above pronouncement of AS 19 is not applicable to

- 1) Lease of natural resources such as oil, gas, timber, metal and mineral rights
- 2) Licensing agreement for motion picture prints, video recording, manuscripts, patents and other rights
- 3) Lease agreement to use lands

**What is the corresponding Indian Accounting Standard (Ind AS)?**

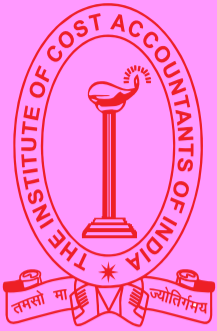
Ind AS 17 prescribes for lessors and lessees, the appropriate accounting policies and disclosures in relation to leases.

Students are requested to go on practicing sums on such standards

Enjoy the ensuing rain and examination.







## Game Changing



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### Defining Characteristics of JRD: Emulation for Entrepreneurs

#### The one who failed to recognize Dilip Kumar .....

This incident is stated to have happened in the sixties when Dilip Kumar was ruling high as the biggest star of Indian film industry. Purportedly, Dilip Kumar himself narrated this incident. Once, the star was travelling by plane. The passenger sitting next to him was elderly, dressed in a very simple bush shirt and pant; and his apparel projected a middle class. He appeared well educated.

Passengers on the aircraft kept snatching glances at their renowned hero Dilip Kumar. Yet, the gentleman, next to him, appeared unconcerned. He read his newspapers, sipped his tea, and then lost in his thoughts without taking any note of the celebrity sitting so close to him.

Dilip Kumar was puzzled, "Who is this commoner who fails to recognize a star like him?". He became uneasy. Trying to strike a conversation, he smiled, and introduced himself 'I am Dilip Kumar'. The courteous man smiled back and said hello.

Dilip Kumar brought the subject to films and asked, "Do you watch films?" The man replied, "Oh, very few. I did see one many years ago". Dilip Kumar casually mentioned that he himself worked in films. The gentleman responded, "Oh, that's wonderful?" There was no further response.

When the flight landed and it was time to part, Dilip Kumar held out his hand, "It was good to travel with you. May I know your name?" The man shook hand and smiled, "Thank you. I am J.R.D. Tata". The humble Dilip Kumar was struck with the learning - No matter how big you are, there is always someone bigger. Do remain humble!

#### JRD Tata

Jehangir Ratanji Dadabhoy Tata, or JRD Tata as he is famously known, was a man of the ages. Born into the illustrious and industrious Tata family, he grew up imbibing two polarised cultures - one from his sophisticated French mother and the second from his Parsi father. Born in 1904, Jehangir spent the first few years of his life in France, even serving a year in the

Spahis regiment during the First World War. His father, Ratanji Dadabhoy Tata, had decided to move the family to London at this point. But shortly after moving, JRD's mother passed away and the family returned to India.

In between his many travels, JRD grew up to be a restless seeker of adventure and strived for excellence in every aspect of his life. His name 'Jehangir' - meaning conqueror of the world - was rightfully given as he conquered the business world in India when he took over the reins from his father in 1938, at just 34. It was under his leadership that the Tata assets climbed from ₹ 62 crore in 1939 to more than ₹ 10,000 crore in 1990.

#### Defining Characteristics

Here follow some of JRD's defining characteristics that can serve as a guide to entrepreneurs everywhere. The box items exhibit quotable quotes of JRD.

#### Daring to Dream Big

JRD Tata may be remembered for his fool-proof business strategy and unbelievable turnovers, but his true legacy as an entrepreneur started with thinking outside the box. At a time when the World Wars were in play and the world was advancing in mechanics and technology, JRD decided to put his love for flying into action and turned his attention to the then less-popular aviation industry. He not only became India's first licensed pilot but also founded India's first commercial airline in 1932 - Tata Airlines (now known as Air India).

"Nothing worthwhile is ever achieved without deep thought and hard work."

Hailed as the 'Father of the Aviation Industry', JRD's success lies in the fact that he decided to dive into an industry, the potential of which was gravely underplayed in the Indian market, and create history among the skies. Like every entrepreneur, he came up with a unique idea and made it a global success through sheer force of commitment.

### A Humanitarian Leader

As one of the senior Tata executives, Darbari Seth, once said, "Mr Tata was able to harness a team of individualistic executives, capitalising upon their strengths, downplaying their differences and deficiencies; all by the sheer weight of his leadership."

To lead men, you have to lead them with affection."

JRD always emphasised the need for everyone to work as one team to achieve success for the company as a whole. And, despite being applauded for his many contributions in raising the stakes and numbers, he always humbly credited his team first. This is the key characteristic of being a successful entrepreneur - knowing how to work as one team to its maximum potential and giving credit where it's due.

### Taking risks to the Maximum

JRD created business history at a time where India was straight-jacked by an economic limbo, even forty years into its Independence from British rule. Being able to secure and promote an industrial revolution, so to speak, as the pinnacle of a new kind of entrepreneurship was a serious risk that JRD was taking.

"Making steel may be compared to making a chappati. To make a good chappati, even a golden pin will not work unless the dough is good"

India had not yet recovered from its economic 'drain of wealth' and every effort was being pooled in to recover our natural assets. Not only did JRD dive head-long into a pile of 'could-be', he managed to take the situation by its head and turn it into a multi-crore success. Although the Tata Group had been flourishing at the time of his ascent, he was the first to preclude it into the array of success it currently enjoys by bringing a whole new set of ideas to the table.

### Striving for Excellence

JRD constantly co-related perfection with excellence and stated that it was only in the quest for the former that the latter would be a natural consequence. To this end, he followed a business mantra of 'Humata, Hukhta, Hvarshta', which translates to 'good thoughts, good words and good deeds'. His success motto was fairly simple - to be committed to a single idea and to do everything in one's power to make sure that it reaches its maximum potential.

"If you want excellence, you must aim at perfection. It has its drawbacks, but being finicky is essential"

According to JRD, quality had to match innovation. He intensely disliked the laid-back Indian attitude, and much of his fabled short temper was triggered by the carelessness of others. He stressed: 'If you want excellence, you must aim at perfection. I know that aiming at perfection has its drawbacks.

It makes you go into detail that you can avoid. It takes a lot of energy out of you but that's the only way you finally actually achieve excellence. So in that sense, being finicky is essential. A company, which uses the name Tata, shares a tradition. The symbol 'T' has to be a symbol of quality.'

### Thinking of the Bigger Picture

JRD was a man of the future. He was the first to incorporate a functioning HR Department in his company. He also altered the selection process to be on the basis of merit instead of dynasty. He also introduced the concept of 'paid leaves' that was soon to become vastly active in the workforce.

"No success or achievement in material terms is worthwhile unless it serves the needs or interests of the country and its people and is achieved by fair and honest means."

JRD also pioneered for the eight-hour day, before even the United States or Britain had formally incorporated it into their legislation. A philanthropist by nature, JRD has always claimed that he wanted India to be a 'happy country'. To this extent, he wished to offer her the chance to meet other nations on an equal footing on all levels, starting with taking a lead in the world of business.

### Professionalism

JRD's respect for his managers bound the group. The Tata Group companies are run by professionals who firmly believe in the trusteeship concept laid down by J N Tata as also by Mahatma Gandhi.

"Uncommon thinkers Reuse what common thinkers Refuse."

Every senior Tata director from the 1930s onwards held a degree from a foreign university. Tata willingly financed bright young boys who wanted to go abroad for further education. JRD was also a vital bridge between the scientific establishment and the government through his founding of the Tata Institute of Fundamental Research, and as the longest serving member of the Atomic Energy Commission.

Tata's personal interest in technology, combined with India's isolation in the 1950s and 1960s, spurred several group companies, particularly Tata Steel and Tata Chemicals, to innovate in their fields. At Tata Steel, a Research and Control Laboratory had been opened in 1937, and its researchers developed an extensive variety of special steels for applications as varied as parachute harnesses and razor blades.

### Quick Take

JRD's joy of achievement extended beyond the ambit of business to the present day triple bottom-line encompassing Profits, People and the Planet. The defining characteristics of JRD are certainly emulation for every Entrepreneur.

### Resources:

1. Live life a little dangerously - JRD Tata; Sanjana Ray; 29th Jul 2016; yourstory.com /2016/07/ entrepreneurship-lessons-jrd-tata
2. Tata Central Archives

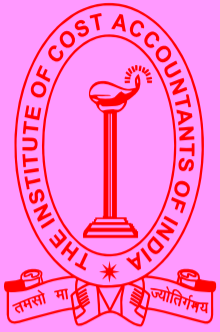


# Examination TIME TABLE

**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**

(Statutory body under an Act of Parliament)

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



# PRACTICAL

## Advice

### ABOUT YOUR STUDIES - INTERMEDIATE COURSE

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

START

01

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

**Solve Exercises  
given in Study Note**

02

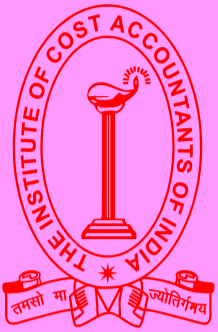
03

**Assess Yourself**

**Appear For Examination**

04

FINISHED



# SUBMISSION



## Updation of E-Mail Address/Mobile:

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

Dear Students,

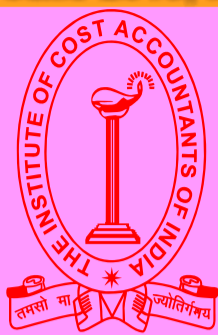
We are very much delighted to receive responses from all of you; for whom our effort is!

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

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

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Send your Feedback to:  
e-mail: [studies.ebulletin@icmai.in](mailto:studies.ebulletin@icmai.in)  
website: <http://www.icmai.in>



## Message from Directorate of Studies

Dear Students,

We have stepped into June, 2019 and June, 2019 term of examination will start. We from the Directorate of Studies know your expectations from us and accordingly we are trying to deliver some meaningful tips through the publications of monthly E-bulletins. Other than this we are trying to help you through, Mock Test Papers (MTPs), Work Book, and we have conducted Webinar sessions. Before stepping in to the examination hall, please go through the PPTs on 'Achieve your GOAL'; uploaded by the Directorate of Studies and which will help you to know about certain Do's and Don'ts in the examination.

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

**"True education must correspond to the surrounding circumstances or it is not a healthy growth."**

Let us observe his memory by following his message:

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

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

**Please refer the links mentioned below :**

For Mock Test Papers (MTP) : [https://icmai.in/studentswebsite/mtp2016\\_j19\\_Inter.php](https://icmai.in/studentswebsite/mtp2016_j19_Inter.php)

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

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

Live/Recorded Webinar Link : [https://eicmai.in/Webinar\\_Portal/Students/StudentLogin.aspx](https://eicmai.in/Webinar_Portal/Students/StudentLogin.aspx)

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

**GOOD LUCK & Best wishes as always.**

**Be Prepared and Get Success;**

**Disclaimer:**

Although due care and diligence have been taken in preparation and uploading this E-bulletin, the Institute shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents of this E-bulletin.



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

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December Exam  
31<sup>st</sup> July  
of the same Calendar Year

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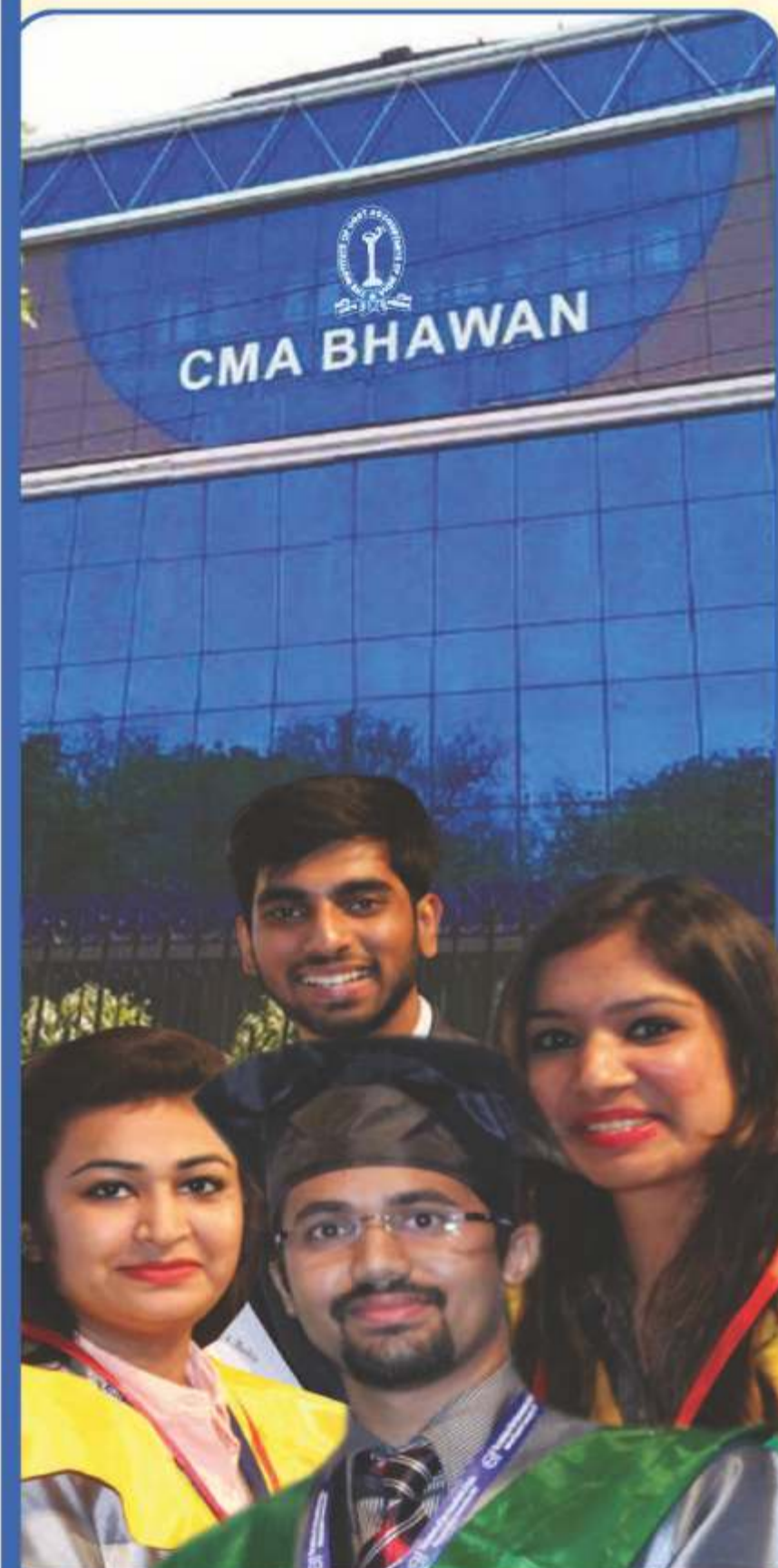
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