

2019

May
VOL: 4, NO.: 5,

TOLL FREE 18003450092 / 1800110910

CMA Student E - Bulletin



INTERMEDIATE



FOLLOW US ON



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

www.icmai.in

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

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

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

Ph: 091-11-24666100

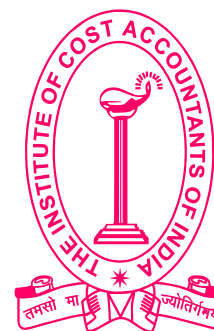
Behind every successful business decision, there is always a CMA



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)



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
CMA BHAWAN, 12, SUDDER STREET, KOLKATA-700 016, India
Mobile : 79802 72019 / 98740 81422
E-mail : tmanasda@yahoo.com • Website : www.icmai.in

MESSAGE FROM THE CHAIRMAN

Dear Students,

Greetings,

"If we want to reach real peace in this world, we should start educating children" - Mahatma Gandhi.

Happiness is when what you think, what you say, and what you do are in harmony. The weak can never forgive. Forgiveness is an attribute of the strong.

"Successful and unsuccessful people do not vary greatly in their abilities. They vary in their desires to reach their potential". No one can be perfect all the time, and progress is the only way that you can improve. Try and progress with your work and keep going even if you make mistakes. Failures and mistake often stop people from carrying on. However, mistakes offer you lessons and opportunities to improve, so keep going.

You may lack motivation for a certain topic because there are some things you may not understand. However, don't focus on what you can't do, take a look at what you are capable of. Start off with what you can do and you'll learn more as you go!

Sometimes being a student can be hard, and you may not know where to start or you might lack inspiration. Once you start feeling more motivated, you'll be surprised at what you might learn. Considering those 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, monthly publication of E-bulletin, Webinar Sessions all are for your learning and practice.

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

I request you all to keep your dreams alive. Understand to achieve anything requires faith and belief in yourself, vision, hard work, determination, and dedication. Remember all things are possible for those who believe.

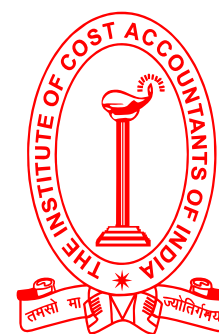
"The past cannot be changed. The future is yet in your power".

Wishing you the Best of Luck,

CMA Manas Kumar Thakur

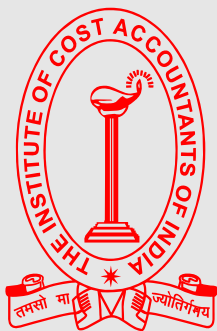
Be a CMA, be a Proud Indian

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



CONTENTS

Message from the Chairman -	i
Knowledge Update -	1
Group : I Paper 5: Financial Accounting (FAC) -	2
Group: I Paper 6: Laws & Ethics (LNE) -	5
Group: I Paper 7: Direct Taxation (DTX) -	9
Group: I Paper 8: - Cost Accounting (CAC)-	13
Group: II Paper: 9, Part - i: Operations Management & Strategic Management Operations Management (OMSM)-	17
Group: II Paper: 9, Part - ii: Operations Management & Strategic Management Strategic Management (OMSM) -	23
Group: II Paper: 10: Cost & Management Accounting and Financial Management (CMFM) -	27
Group: II Paper 11: Indirect Taxation (ITX) -	30
Group: II Paper 12: Company Accounts & Audit (CAA) -	32
Game changing -	35
Examination Time Table -	37
Practical Advice -	38
Submissions -	39
Message from the Directorate of Studies -	40



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.

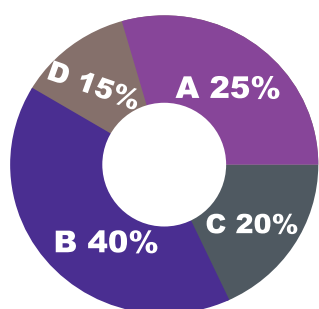
GROUP: 1, PAPER: 5

FINANCIAL ACCOUNTING (FAC)



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

Your Preparation Quick Takes



Syllabus Structure

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

Learning Objective:

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

Insurance Claim-Loss of Profit**Introduction:**

The term loss of profit may sound uncanny because of two subsequent words 'loss' and 'profit'. Actually it is not loss. It is a case of earning less profit due to temporary dislocation. This may be compared with the sickness of a human being also. For such sickness the man becomes ill and weak and performs less as against the normal until he is keeping fit. During this period he incurs some additional expenses for recovery. At the same time he stops spending some regular expenses as well.

The effect of outbreak of fire on a firm not only causes the destruction of properties but also disorganizes the business to a stage of dislocation. During the dislocation period, there is a loss of profit which the business would have earned during the period, had there been no accident of fire.

When the business is dislocated, the profit-earning capacity is also reduced. This reduced capacity continues till the destroyed portion is restored as before. During the period, i.e. from the date of fire to the date of restoration, there may be no profit or very low profit. Profit reduces because of the reduced production capacity and in turn sales is affected.

As long as the abnormal state continues, a businessman experiences reduction in sales, non-recovery of fixed expenses, sharp decline of earnings etc. Consequence of fire accident is thus a loss of profit which the firm would have otherwise earned. This loss of profit is not covered by ordinary fire policy insuring existing items.

The loss of profit can be insured against by "Loss of Profit" or "Consequential Loss" policy. The insurer rarely admits a claim for consequential loss without admission of liability for loss of assets by fire. Therefore, Insurance Company generally insists on taking a policy for Loss of Profit on condition that the assets of the business concern are also insured.

The loss of profit policy normally covers the following items:

- (1) Loss of Net Profits
- (2) Standing Charges
- (3) Any increased cost of working

SOME IMPORTANT TERMS USED IN THIS CHAPTER:**1. Indemnity Period:**

Indemnity period means the period which commences on the date of damage by fire and ends on the date when normality is restored. The indemnity period is generally stipulated in the insurance policy. This period is selected by the insured himself.

The policy is taken generally for a period of one year and can be renewed annually, whereas the indemnity period commences on the day on which the accident takes place and runs up to a period of twelve or more months. It is necessary that the policy must be in force at the time of fire accident.

2. Standard Turnover:

It is the turnover during the period in the twelve months immediately preceding the date of the hazard which corresponds with the indemnity period.

3. Short Sales:

The term "Short Sales" refers to the loss of sales due to the dislocation of business. That is, short sale is the difference between standard turnover and actual turnover during the period of fire.

4. Standing Charges:

Standing charges refer to those fixed expenses which are incurred irrespective of the reduction in turnover. Examples of standing charges are salaries to permanent staff, rent, rates, taxes, insurance premium, interest on bank overdraft, debentures etc. Only those standing charges, which are insured, can be claimed.

5. Increased Cost of Working:

The insured may have to incur some additional or special expenses in order to keep the business, during the post-fire period and to avoid reduction in sales. Expenses in excess of what is essentially required may be unreasonable expenditure.

6. Rate of Gross Profit:

The term "Gross Profit" has got a different meaning when it is calculated for loss of profit policy and is different from the normal rate of Gross Profit as described under "Loss of Stock". The rate of Gross Profit is calculated by adding Net Profit and standing charges.

7. Average Clause:

Average clause is applicable in respect of loss of profit insurance. If there is an increase in the turnover of business, the sum insured should also be proportionately increased. If not, it amounts to under-insurance. Under-insurance may also occur if all the standing charges are not covered by the policy.

8. Annual Turnover:

It is the value of sales and services during the twelve months immediately preceding the hazard, subject to adjustment for any change in the volume of sales.

As we have followed some steps in loss of profit policy the following steps may be followed here:

1. Ascertain the short sale (i.e. excess of standard turnover over actual turnover) during the period of dislocation.
2. Find out the rate of Gross Profit.
3. Calculate the Loss of Profit by applying the rate of Gross Profit on short sales.
4. Calculate the amount of admissible expenses as follows:
The least of the following will be taken as admissible additional expenses:

- a. Actual expenses incurred
- b. Gross profit on additional sales
- c. Additional expenses x (GP on additional turnover/GP on annual turnover +uninsured standing charges)
Or Additional expenses x (NP +insured standing charges/NP+ all standing charges)

- 5. Any savings in expenses are deducted (from step 3+Step 4).
- 6. The result of Step 5 is the amount of gross claim.
- 7. Finally, the amount calculated will be adjusted, by applying average clause, if necessary. The figure so calculated will be the amount of claim for loss of profit to be lodged with the insurance company.

Illustration 1:

Calculate from the following the amount of permissible increased working expenses:

Netprofit	Rs. 10000
Short sales	Rs. 8000
Rate of GP	15%
Increased working expenses	Rs. 500
Insured standing charges	Rs. 4000
Uninsured standing charges	Rs. 2000
Short sale avoided through increased cost of workings	Rs. 3000

Solution:

The amount of increased cost of workings will be the lower of the three limits:

- 1. Additional expenses x (NP +insured standing charges/NP+ all standing charges)
 $(10000+4000) / (10000+6000) \times 500 = 437.5$
- 2. Short sales avoided due to additional expenses x GP%
 $3000 \times 15 / 100 = 450$
- 3. Actual Additional expenses = Rs. 500.

Therefore the incresed cost of working allowed will be Rs. 437.5/-

Illustration 2:

The following are the details relating to a Company for the year ended 2018:

	Rs.
Total variable expenses	350000
Total fixed expenses	120000
Non operating income	60000
Net profit	90000

The Company took a decision to arrange for a Loss of Profits Insurance for the year 2019. It is expected that the turnover might increase by 15% and all the fixed standing expenses will remain constant. Ascertain the extent to which the Company should finalize the amount to be insured under Loss of Profits Policy.

Solution:
Trading and profit and loss a/c for the year ended 2018

To variable expenses	350000	By sales (bal fig)	500000
To fixed expenses	120000	By non operating income	60000

To net profit	90000		
	560000		560000

Illustration 3:

A fire broke out in a Company on 1st April 2018 and short sales remained for a period of six months: total sales during this period amounted to Rs 80,000, while in previous year from 1st April 2018 to 30th September 2018 were of Rs 2, 00,000.

Sales have increased by 10% in 2019 in the period from 1st January 2018 to 1st April 2019. Find out the short sales during this period of six months of 2019

Solution:

Rs.	
Sales during 6 months: 2018	200000
Add increase expected @ 10 %	20000
	220000
Less: sales of this period of 2019	80000
Short sales	140000

In the next issue we will solve a comprehensive sum.

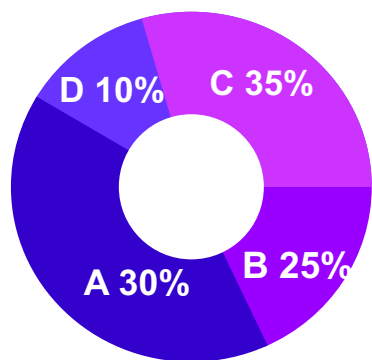
GROUP: 1, PAPER: 6

LAWS & ETHICS (LNE)



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

Your Preparation Quick Takes



Syllabus Structure

A Commercial Laws 30%

B Industrial Laws 25%

C Corporate 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 Minimum Wages Act, 1948

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

What is this Act ? This Act sets a framework of declaring the minimum wages payable for occupations in the formal as well as the informal sectors.

How do you distinguish between the Formal Sector and the Informal Sector?

Formal sectors represent all assured occupations with specific working hours and regular wages. These sections of workers are those who are employed by the government, the public sector or private sector enterprises. These organizations are legalized and licensed and are liable to pay taxes. It includes banks and other corporate entities. The formal sector provides incentives such as bonuses, paid leave and fixed working hours including maternity leave.

Informal or unorganized sectors are those where the employees or the workers do not have regular working hours and wages and do not earn enough to pay taxes on their income. This sector focuses on production of goods and services and they too generate employment and income on a small scale. Examples of workers in the Informal Sector are - domestic workers, home-based workers, street vendors selling wares on the street to generate and earn their daily bread, the roaming rag/waste-pickers on the streets etc. The workers in the informal sector do not enjoy incentives such as bonuses, paid leave and fixed working etc.

What does the Act provide ? It provides for safeguard of the interests of workers. It provides for fixation of minimum wages primarily in the unorganized sector and in specific occupations covered under Scheduled Employments.

Examples of Scheduled Employments are :-

- ❖ Shops and establishments covered under the Shops & Establishments Act.
- ❖ Agriculture, Automobile Industry

- ❖ Brick Kiln Industry,
- ❖ Cement, Chemicals establishments
- ❖ Confectionery, Dairy products, Food preservation
- ❖ Establishments engaged in Construction, maintenance of Roads and buildings
- ❖ Dal and Flour mills,
- ❖ Transport Corporations, Foundries, Ice cream factories and Cold storages,
- ❖ Establishments engaged in Laundry, Cleaning and Dyeing
- ❖ Establishments engaged in Plastic, Rubber, PVC, Cable Industries
- ❖ Pottery industry, Printing Press, Public Transport,
- ❖ Establishments engaged in Ready made garments, Radio assembling,
- ❖ Establishments engaged in textile industry, textile printing, Handloom,
- ❖ Establishments engaged in Wood working, Saw mills,
- ❖ Establishments engaged in Private unrecognized Teaching
- ❖ Establishments engaged in Hospital and Nursing Home activities; etc.

The Employers are bound by the Act to pay their workers the minimum wages as notified from time to time.

The Central Government and the State Governments - fix, revise, review and enforce the payment of minimum wages without any discrimination.

Hours of Work and Overtime: Working hours and overtime payment for working longer hours or working on holidays and/or off-days is regulated by the Act. It may be noted that if a worker works for lesser hours than the normal working hours on a day, not due to the fault of the worker, the employer has to pay the **minimum wages** because the employer actually could not provide adequate work to the worker.

Minimum rate of wages means any minimum rate of wages fixed or revised by the appropriate Government in respect of scheduled employments under section 3.

It may consist of-

- (i) a **basic rate of wages** and a **special allowance** at a rate to be adjusted, at such intervals and in such manner as the **Appropriate Government** may direct, to accord as nearly as practicable with the variation in the **cost of living index** number applicable to such workers (hereinafter referred to as the "cost of living allowance"); or
- (ii) a basic rate of wages with or without the cost of living

allowance, and the cash value of the concessions in respect of supplies of essential commodities at concessional rates, where so authorized; or

- (iii) an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any.
- (iv) The cost of living allowance and the cash value of the concessions in respect of supplies of essential commodities at concessional rates shall be computed by the **Competent Authority** at such intervals and in accordance with such directions as may be specified or given by the appropriate Government.

Current Minimum Wages :

The Central Government has fixed the National Floor level Minimum Wages.

Several State Governments have fixed higher minimum wages than those prescribed by the Central Government.

The workers engaged in Scheduled Employments have been placed under certain categories like - Highly Skilled, Skilled, Semi-skilled and Unskilled.

Any employer paying less than the minimum rates of wages can be punished with imprisonment or fine.

So now, let us understand what Wages means :

"Wages" means all remuneration, capable of being expressed in terms of money, which would, if the terms of the contract of employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment, and includes house rent allowance

but does not include :

- (i) the value of - any house- accommodation, supply of light, water, medical attendance, or
- (ii) any other amenity or any service excluded by general or special order of the appropriate Government;
- (iii) any contribution paid by the employer to any Pension Fund or Provident Fund or under any scheme of social insurance;
- (iv) any travelling allowance or the value of any traveling concession;
- (v) any sum paid to the person employed to defray special expenses entailed on him by the nature of his employment; or
- (vi) any gratuity payable on discharge;

The Appropriate Government may review at such intervals as it may think fit, (such intervals not exceeding five years), the minimum rates of wages so fixed and revise the minimum rates, if necessary:

In fixing or revising minimum rates of wages :

- (a) different minimum rates of wages may be fixed for-
 - (i) different scheduled employments;
 - (ii) different classes of work in the same scheduled employment;
 - (iii) adults, adolescents, children and apprentices;
 - (iv) different localities;

"Employee" means any person who is employed for hire or reward to do any work, skilled or unskilled, manual or clerical, in a scheduled employment in respect of which minimum rates of wages have been fixed; and

includes an out-worker to whom any articles or materials are given out by another person to be made up, cleaned, washed, altered, ornamented, finished, repaired, adapted or otherwise processed for sale for the purposes of the trade or business of that other person where the process is to be carried out either in the home of the out-worker or in some other premises not being premises under the control and management of that other person; and

also includes an employee declared to be an employee by the **Appropriate Government**; but does not include any member of the Armed Forces.

"Appropriate Government" means,- (i) in relation to any scheduled employment carried on by or under the authority of the **Central Government**, or a railway administration, or in relation to a mine, oilfield or major port, or any corporation established by a Central Act, the Central Government, and

(ii) in relation to any other scheduled employment, the **State Government**;

The following definitions are important :

- ❖ **"adolescent"** means a person who has completed his fourteenth year of age but has not completed his eighteenth year;
- ❖ **"adult"** means a person who has completed his eighteenth year of age
- ❖ **"Child"** means a person who has not completed his fourteenth year of age
- ❖ **"Competent Authority"** means the authority appointed by the appropriate Government by notification in its Official Gazette to ascertain from time to time the cost of living index number applicable to the employees employed in the scheduled employments specified in such notification;
- ❖ **"Cost of living index number"**, in relation to employees in any scheduled employment in respect of which minimum rates of wages have been fixed, means the index number ascertained and declared by the competent authority by notification in the Official Gazette to be the cost of living index number applicable to employees in such employment;
- ❖ **"Employer"** means any person who employs, whether directly or through another person, or whether on behalf of himself or any other person, one or more employees in any scheduled employment in respect of which minimum rates of wages have been fixed under this Act, and
- ❖ **includes, except in subsection (3) of section 26,-**
 - (i) in a factory where there is carried on any scheduled employment in respect of which minimum rates of wages have been fixed under this Act, any person named under [6] [clause (f) of sub-section (1) of section 7 of the Factories Act, 1948 (63 of 1948)], as manager of the factory;
 - (ii) in any scheduled employment under the control of any Government in India in respect of which minimum rates of wages have been fixed under this Act, the person or authority appointed by such Government for the

supervision and control of employees or where no person or authority is so appointed, the head of the department;

- (iii) in any scheduled employment under any local authority in respect of which minimum rates of wages have been fixed under this Act, the person appointed by such authority for the supervision and control of employees or where no person is so appointed, the chief executive officer of the local authority;
- (iv) in any other case where there is carried on any scheduled employment in respect of which minimum rates of wages have been fixed under this Act, any person responsible to the owner for the supervision and control of the employees or for the payment of wages;

Minimum rates of wages may be fixed by any one or more of the following wage periods, namely:-

- (i) by the hour,
- (ii) by the day,
- (iii) by the month, or
- (iv) by such other larger wage period as may be prescribed;

and where such rates are fixed by the day or by the month the manner of calculating wages for a month or for a day, as the case may be, may be indicated.

In an establishment in which more than 1000 persons are employed, minimum wages shall be paid before the expiry of the 10th day.

Wages in kind.

- (1) Minimum wages payable under this Act shall be paid in cash.
- (2) Where it has been the custom to pay wages wholly or partly in kind, and the appropriate Government is of the opinion that it is necessary in the circumstances of the case, it (the Appropriate Government) may by notification in the Official Gazette, authorize the payment of minimum wages either wholly or partly in kind.
- (3) If the appropriate Government is of the opinion that provision should be made for the supply of essential commodities at concession rates, the appropriate Government may, by notification in the Official Gazette, - authorize the provision of such supplies at concession rates.
- (4) The cash value of wages in kind and of concession in respect of supplies of essential commodities at concession rates authorized under sub-sections (2) and (3) shall be estimated in the prescribed manner.

Deductions from wages can be due to the following reasons viz. :

Fines, for absence from duty, damage or loss of goods due to neglect directly attributable to the employee, loss of money directly attributable to the employee directly attributable to the employee, house accommodation provided by the employer, amenities and services supplied by the employer, recovery/adjustment of advance against wages, income tax deductions, deductions under Court order, payment to co-operative

societies, recovery of loan advanced by the employer, deduction of insurance premium, recovery of excess wages paid, if any, payment of contributions to National Defence Fund or the Prime Minister's National Relief Fund etc., house building loans etc. However, the **total amount of deductions from wages shall not exceed** - 75 % of such wages where such deductions are wholly or partly for payments to Consumer Co-operative Stores run by Co-operative Societies; and 50% of such wages in any other case.

Section 13: Fixing hours for a normal working day, etc.

Section 13(1) In regard to any scheduled employment minimum rates of wages in respect of which have been fixed under this Act, the appropriate Government may -

- (a) fix the number of hours of work which shall constitute a normal working day, inclusive of one or more specified intervals. In case of adults - 9 hours inclusive of the intervals of rest if any, but total hours of work shall not spread over more than 12 hours on any day, in case of a child 4.5 hours on any day; To set the weekly day of rest, the employee has to work for a continuous period for not less than 6 days in a week.

When a worker works for more than 9 hours on any day or more than 48 hours a week, he shall be entitled to wages at 1.5 times of the ordinary wages in case of employment in Agriculture.

- (b) provide for a day of rest in every period of seven days which shall be allowed to all employees or to any specified class of employees and for the payment of remuneration in respect of such day of rest;
- (c) provide for payment for work on a day of rest at a rate not less than the overtime rate.

Section 13(2) The provisions of sub-section (1) shall, in relation to the following classes of employees, apply only to such extent and subject to such conditions as may be prescribed:

- (a) employees engaged on urgent work, or in any emergency which could not have been foreseen or prevented;
- (b) employees engaged in work in the nature of preparatory or complementary work which must necessarily be carried on outside the limits laid down for the general working in the employment concerned;
- © employees whose employment is essentially intermittent;
- (d) employees engaged in any work which for technical reasons has to be completed before the duty is over;
- (e) employees engaged in a work which could not be carried on except at times dependent on the irregular action of natural forces.

Section 13(3) For the purposes of clause (c) of sub-section (2) employment of an employee is essentially intermittent when it is declared to be so by the appropriate Government on the ground that the ' daily hours of duty of the employee, or if there be no daily hours of duty as such for the employee, the hours of duty, normally include periods of inaction during which the employee may be on duty but is not called upon to display either physical activity or sustained attention.

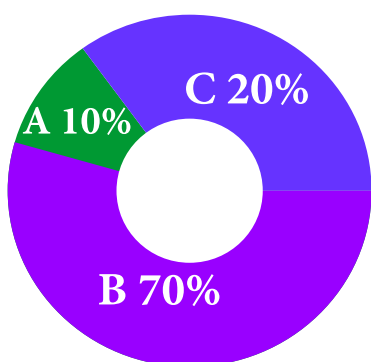


GROUP: 1, PAPER: 7

DIRECT TAXATION (DTX)

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

Your Preparation Quick Takes



Syllabus Structure

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

SET OFF AND CARRY FORWARD

or computation of Gross Total Income (GTI), income from various sources is computed under the five heads of income. If all the sources and heads are having positive income (i.e. profit) then the same can simply be added to compute GTI. However, if certain source(s) or certain head(s) have negative income (i.e. loss) then such loss needs to be adjusted with income of another source(s) or head(s). Set off means adjustment of loss from one source or one head against income from another source or another head.

If a negative income is not fully set off in the current year, then the unabsorbed loss shall be carried forward to subsequent years subject to certain restrictions and conditions [e.g. Income from other sources (other than losses from activity of owning and maintaining horse races) cannot be carried forward.]

Set off of Loss

Head or Source of Income	Intra Head Adjustment u/s 70	Intra Head Adjustment u/s 71	Carry Forward
Income from House Property	With any income under the same head	With any income under other head subject to cap of ₹ 2,00,000/-	Yes
Profit & Gains of Business or Profession (Speculative)	With Speculative income only	No Adjustment	Yes
Profit & Gains of Business or Profession (Non-Speculative)	Any income under the head	With any income under other head except salary	Yes
Unabsorbed Depreciation	Any income under the head	With any income under other head except salary	Yes
Unabsorbed expenditure u/s 35AD	Specified business	No Adjustment	Yes
Long Term Capital Loss	With Long Term Capital Gain	No Adjustment	Yes
Short Term Capital Loss	Any Capital Gain	No Adjustment	Yes
Owning and Maintaining Race Horse	Income from such activity	No Adjustment	Yes
Other loss under the head Income from Other Sources	With any income under the same head	With any income under other head	No

Taxpoint

- No loss can be set off against winning from lotteries, crossword puzzles, races, card games, gambling or betting, etc. [Sec. 58(4) & 115BB]
- Wherever reference is given for unabsorbed depreciation, it includes reference to unabsorbed capital expenditure on scientific research and unabsorbed capital expenditure on promotion of family planning among employees

Example 1: Computation of Income under the head "Capital gains" of Mr. X for the A.Y. 2019-20

Particulars	Case A	Case B
Short term capital gain	80,000	(90,000)
Long term capital gain	(40,000)	1,00,000
Income under the head "Capital gains"	80,000	10,000

Example 2: Computation of "Profits & gains of business or profession" of X for the A.Y. 2019-20.

Particulars	Case A	Case B
Speculation business	80,000	(90,000)
Non speculation business	(40,000)	1,00,000
Profits & gains of business or profession	40,000	1,00,000

Example 3: Computation of "Income from other sources" of Mr. X for the A.Y. 2019-20

Particulars	Case A	Case B
Activity of owning and maintaining race-horses	80,000	(90,000)
Rent from land	(20,000)	1,30,000
Income from other sources	60,000	1,30,000

Example 4: Computation of "Income from other sources" of Mr. X for the A.Y. 2019-20

Particulars	Case A	Case B
Activity of owning and maintaining race-horses	10,000	(90,000)
Lottery income	20,000	1,30,000
Losses on letting out furniture not related to business	(40,000)	(50,000)
Income from other sources	20,000	1,30,000

Carry Forward of Loss

In case where the income of an assessment year is insufficient to set off the losses of the year then such losses (which could not be set off) can be carried forward to subsequent assessment year(s) for set off against income of such subsequent year(s). However, all losses cannot be carried forward, e.g. losses under the head 'Income from other sources' (other than loss from 'Activity of owning and maintaining race-horses') cannot be carried forward. Following rules are applicable for carry forward and set off of loss in subsequent assessment years:

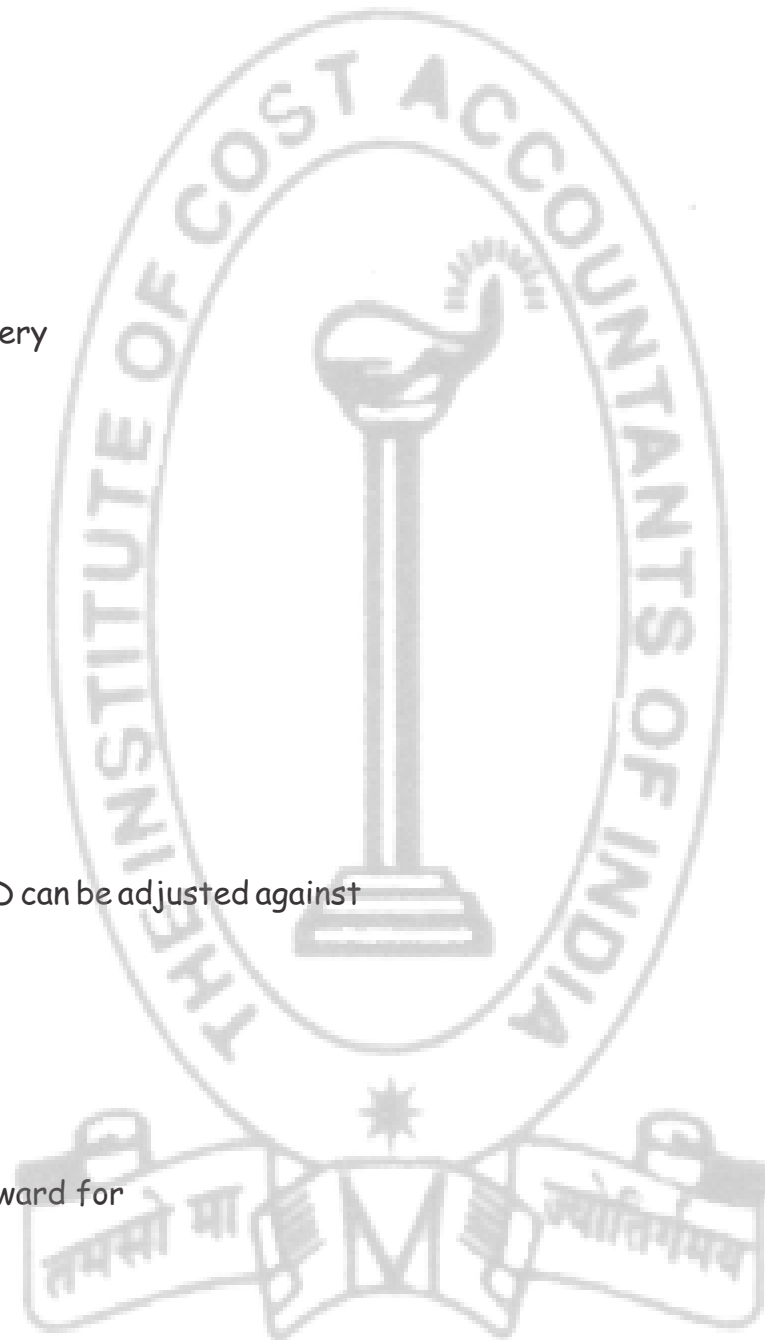
Sec.	Type of loss to be carried forward & set off	Income against which carried forward loss can be set off in next year(s)	For how many years loss can be carried forward	Is it necessary to submit return of loss in time
71B	House property loss	Income under the head "Income from house property"	8 years	No
72	Non-speculation business loss (other than depreciation etc.)	Any income under the head 'Profits & gains of business or profession' (whether from speculation or otherwise)	8 years	Yes
32(2)	Unabsorbed depreciation, capital expenditure on scientific research and family planning	Any income other than Income under the head Salaries and winning from lotteries, etc.	Indefinite years	No
73	Speculation business loss	Income from speculation transaction.	4 years	Yes
73A	Loss of specified business covered u/s 35AD	Income from any specified business.	Indefinite years	Yes

74	Short term Capital Loss	Income under the head "Capital gains"	8 years	Yes
74	Long term Capital Loss	Long term capital gain	8 years	Yes
74A	Loss from activity of owing and maintaining race horses	Income from the activity of owing and maintaining race horses	4 years	Yes

MULTIPLE CHOICE QUESTIONS

Choose the correct alternative

- Unabsorbed business losses cannot be carried for more than
 - 7 assessment years
 - 8 assessment years**
 - 10 assessment years
 - 12 assessment years
- Long term capital loss can be adjusted against
 - Any income excluding winning from lottery
 - Any capital gains
 - Any long term capital gain**
 - Any speculative business income
- Loss from Derivative trading is
 - Short-term Capital Loss
 - Speculative business loss
 - Non-speculative business loss**
 - Loss u/h 'Income from Other Sources'
- Loss from specified business covered u/s 35AD can be adjusted against
 - Any other business income
 - Any income other than salary
 - Income from other specified business**
 - Cannot be adjusted
- Unabsorbed depreciation can be carried forward for
 - Any number of years**
 - 8 years
 - 4 years
 - 7 years





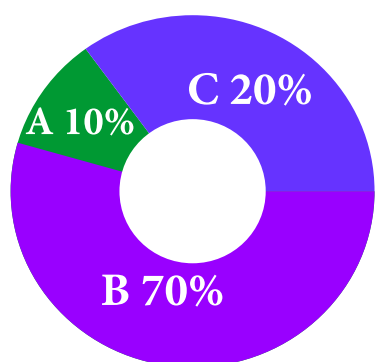
GROUP: 1, PAPER: 8

COST ACCOUNTING

(CAC)

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

Your Preparation Quick Takes



Syllabus Structure

- A 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

Today the value and importance of Cost Accounting need hardly be over emphasized. So optimum utilization of resources is very much essential to meet need of the day. In this context Cost Accountant can play vital role. Hence, theory as well as solving the practical problems are very much essential for securing good marks in the exam. You please go through the theoretical part for easy understanding the topic and then try to solve the problems that are in exercise. Start from Chapter one and try to complete the other chapters serially as this will enable you to understand better the succeeding chapters. Always try to remember that in professional examinations, emphasis is given on testing comprehension, self expression, understanding and ability to apply knowledge in divergent situation. Success of these examinations considerably depends on style of preparation which should have perseverance, regularity of efforts, detailed practice, vision and objectivity.

I have suggested the following suggestion based on my long time teaching experiences.

1. Students are suggested to develop a plan for completing the syllabus within specified time.
2. You should go through your Study Note and know the syllabus properly.
3. Analyze the trends of setting questions.
4. This paper is based on mainly solving the practical problems.
5. For successful result clarity of concepts and self expression is essential.
6. Try to improve your speed by practice and revision for able to attempt all questions in limited time.
7. Finally, try to develop a habit of reading the questions well, underlining and understanding the specific requirements.

Here the entire syllabus is divided into **six main chapters**. In first chapter the basic concept of cost accounting are discussed, beside its other two branches viz, financial accounting and management accounting. The second chapter described the Elements of cost in details. The three major elements of costs are - Material, Labour and Overheads. The major elements of costs are discussed elaborately and analyzed element-wise with suitable number of examples. It is known that Material is the major part of total cost of a product, hence it is very much urgent to control cost of material. You should read the scope and objectives of different Cost Accounting Standards in details. It will help to understand the scope and grasp the concept of cost accounting easily. Try to solve the problems on earnings of

workers under different schemes. Cost allocation, Cost apportionment and cost absorption should be understood very clearly.

The next chapter is Cost book-keeping; including integrated accounting system is not at all difficult. In this system, different accounts are to be opened, but it is not necessary to give much effort to complete its solution. It's a lengthy process. Here, separate ledgers are maintained by the cost sections.

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

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

The chapter Marginal Costing aims to find out cost-volume-profit relationships. And it is very important from the students' perspective. It aims to find out Cost-volume-profit relationships. Some times more than one problem may be expected from this chapter. The main objective should be to understand the wordings of the problem and to determine the desired impact on profitability. Break-even Analysis and finding the B.E.P. is the basis part for solving problem. You should also study the effect on profits due to various changes in Fixed Cost/ Variable Cost/ Selling Price / Sales Mix and the effect of the above on Break-Even-Point as well as Margin of Safety.

The chapter 'Variance Analysis' is an analysis which relates to creating responsibilities and identifying the activities or areas of exceptions. The main purpose of variance analysis is to enable the management to improve the operation for effective utilization of resources and to increase the efficiency by reducing costs. Some students are afraid of this important chapter only because of different formulae for different analysis. Only careful study and realization of the requirement in the problem can eliminate such difficulties. The main objective of this analysis is to improve the operation by effective utilization of resources for reducing its product cost.

The next chapter is related to 'Budget and Budgetary Control'. The term budget can be expressed as a predetermined plan of action in details. Budgetary control requires preparation of 'Flexible Budget', Functional Budget, 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 budgets are summarized into master budget consisting of a Budgeted Profit and Loss Account, a Balance Sheet and Cash Flow Statement.

Like direct Cost, sometimes service cost are used for decisional purpose. In such a case, the decision has to be taken on the basis of unit service cost, when the total units remain constant under different alternatives, but if units are subject to fluctuation from alternative to alternative, decision will be on the basis of the total service cost. Solution of the following problem will clarify the matter.

Problem

Shankar has been promised a contract to run a tourist car on a 20 km. long route for the chief executive of a multinational firm. He buys a car costing Rs. 1,50,000. The annual cost of Insurance and taxes are Rs. 4500 and Rs. 900. Respectively. He has to pay Rs. 500 per month for a garage where he keeps the car when it is not in use. The annual repair cost is estimated at Rs. 4000. The car is estimated to have a life of 10 years, at the end of which scrap value is likely to be Rs. 50000. He hires a driver who is to be paid Rs. 300 per month plus 10 % of taking as commission. Other incidental expenses are estimated at Rs. 200 per month.

Petrol and oil will cost Rs. 100 per 100 kms. The car will make four round trips each day. Assuming that a profit of 15% on takings is desired and that the car will be on the road for 25 days on an average per month. What should he charge per round trip?

Solution

Statement showing Operating Cost of the Tourist car owned by Shanker per month.

		Amount)
(A) Variable expenses		
Petrol and oil cost @ Rs. 100 per 100 kms. ($\frac{\text{Rs. 100}}{100} \times 4000 \text{ kms}$)	Rs.	Rs.
		4000
(B) Standing charges :		
Insurance ($\frac{\text{Rs. 4500}}{12 \text{ months}}$)	375	
Taxes ($\frac{\text{Rs. 900}}{12 \text{ months}}$)	75	
Garage rent	500	
Repair cost ($\frac{\text{Rs. 4000}}{12 \text{ months}}$)	334	
Depreciation (Working - b)	833	
Driver fixed salary	300	
Incidental expenses	200	
Total standing charge of the month	2617	
(C) Total operating cost excluding driver's commission		7499
Add : Driver commission @ 10% of the taking (Working - c)		1324
(D) Total operating cost of the tourist car		8823
Add : Profit of Shankar @ 15% on taking (working - c)		100
(E) Total taking of the month		8923
(F) Total no. of round trips in a month (4 round trips each day) 4		
X 25 days		
(G) Charge per trip (E/F)		88.23

Workings : (a) Total km run = 20 km x 2 times x 4 trips x 25 days = 4000 km.
(b) Depreciation of the car per month

$$\frac{(\text{Cost price} - \text{Scrap value})}{\text{Life of the car}} = \frac{\text{Rs. } 150000 - 50000}{10 \text{ years} \times 12} = \text{Rs. } 833$$

1. (c) Calculation of drivers' commission and profit are made in the following manner :

Gross taking	Commission	Profit	Net taking
Rs. 100	Rs. 10	Rs. 15	Rs. 75
	Rs. X	Rs. Y	Rs. 6617

$$X = \frac{(6617 \times 10)}{75} = \text{Rs. } 882, \quad Y = \frac{6617 \times 15}{75} = \text{Rs. } 1323$$





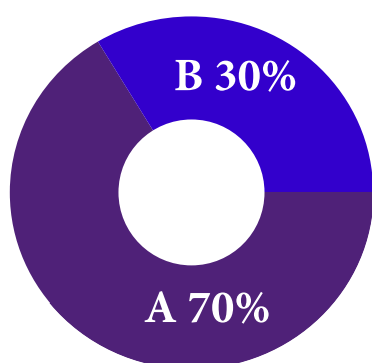
GROUP: 2, PAPER: 9, Part- i

OPERATIONS

MANAGEMENT & STRATEGIC
MANAGEMENT (OMSM)
Operation Management

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

Your Preparation Quick Takes



Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

Learning Objectives:

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

Operations Management

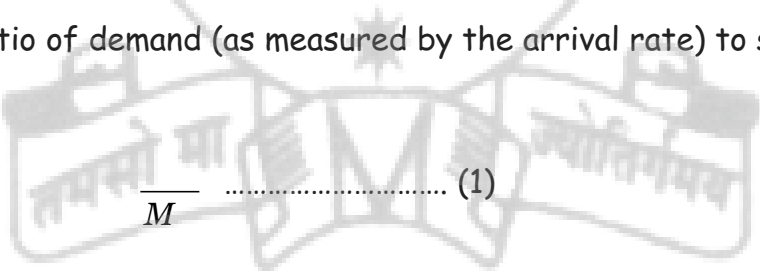
In this issue let me extend our discussions on Production Planning and Control with numerical illustration on Management of Waiting Lines. As already told many queuing models are available to choose from. The following is the list of symbols, already discussed in last issue used in doing analysis with queuing models:

queuing models:

Symbol	Represents	Diagrammatic Representation
λ	Customer arrival rate	
μ	Service rate per server	
L_q	The average number of customers waiting for service	<div>Line + Service = System</div> <div>Customers (3) (1) (4)</div> <div>$L_q + r = L_s$</div>
L_s	The average number of customers in the system (waiting and/or being served)	
r	Average number of customers being served	
ρ	The system utilization	
W_q	The average time customers wait in line	<div>Line + Service = System</div> <div>Customers (3) (1) (4)</div> <div>$W_q + \text{Service time} = W_s$</div>
W_s	The average time customers spend in the system (waiting in line and service time)	
M	No of servers	
L_{max}	The maximum expected number waiting in line	
L_q'	Expected length of non-empty queues	$\frac{1}{1-\rho}$

Basic relationship--

(a) System utilisation: This reflects the ratio of demand (as measured by the arrival rate) to supply or capacity (as measured by the product of the number of servers,)



(b) Average number of customers being served: $r = \frac{\lambda}{M}$ (2)

© For a stable system average number of customers in line or in the system is equal to the average customer arrival rate multiplied by the average time in line or in the system. That is

$L_s = \lambda * W_s$ & $L_q = \lambda * W_q$ (3)

(d) The average time customers are waiting in line $W_q = \frac{L_q}{\lambda}$ (4)

(e) The average time customers are in the system $W_s = \frac{L_s}{\lambda}$ (5)

Illustration1: Customers arrive at a bakery at an average rate of 15 per hour on weekday mornings. The arrival distribution can be described by a Poisson distribution with a mean of 18. Each staff can serve a customer in an average of three minutes. This time can be described by an exponential distribution with a mean of 3 minutes.

- (a) What are the arrival and service rates?
- (b) Compute the average number of customers being served at any time
- © Suppose it has been determined that the average number of customers waiting in line is 9. Compute the average number of customers in the system (i.e. waiting in line or being served), the average time customers wait in line and the average time in the system
- (d) Determine the system utilisation for M = 1,2 and 3 servers

Ans:
(a) As per question
= Customer arrival rate = 15 customers per hour.
Each staff can serve a customer in an average of 3 minutes.
In 3 minutes-----1 customer
In 1 minute-----1/3 customer
In 60 minute, i.e. in 1 hour-----60/3 = 20 customers =

(b) Average number of customers being served at any time = $r = \frac{15}{20} = 0.75$

(c)The average number of customers in the system $L_s = W_q + W_s$

Where $W_s = W_q + \frac{1}{r}$ & $W_q = \frac{L_q}{r}$ from equations (4) & (5) above

By question the average number of customers waiting for service (waiting in line) = 9

So $W_q = \frac{L_q}{r} = \frac{9}{15}$

Then $W_s = W_q + \frac{1}{r} = \frac{9}{15} + \frac{1}{20} = 0.65$

So $L_s = W_q + W_s = 9 + 0.65 = 9.65$

(d) From equation (1) we could write $\frac{1}{M} = \frac{15}{1 \times 20} = 0.75$ for 1 server. Similarly for 2 and 3 servers 0.375 & 0.25 respectively

The simplest model involves a system that has one server. The queue discipline is first come first served and it is assumed that the customer arrival rate can be approximated by a Poisson distribution and service time by negative exponential distribution. There is no limit on length of queue. The following table lists the formulas for the single server model which should be used in conjunction with the formulas already discussed above:

Performance Measure	Equation
Average number in line i.e. waiting to be served	$L_q = \frac{\lambda^2}{\mu(\mu - \lambda)}$ 6
Probability of zero units in the system	$P_0 = 1 - \frac{\lambda}{\mu}$(7)
Probability of n units in the system	$P_n = P_0 \frac{\lambda^n}{n!}$(8)
Probability of less than n units in the system	$P_n = 1 - \frac{\lambda^n}{n!}$(9)

If the arrivals are independent with the average arrival rate equal to λ per period of time, then according to the Poisson probability distribution, the probability that n customers will arrive in the system during a given time interval T is given by the following

$P_{ncustomersreachduringperiodT} = e^{-\lambda T} \frac{(\lambda T)^n}{n!}$ (10) where $m = \lambda T$

Similarly when the time taken to serve different customers are independent, the probability that no more than T periods would be required to serve a customer is given by exponential distribution as follows:

$P_{nomorethanTtimeperiodneededtoserviceacustomer} = 1 - e^{-\lambda T}$ (11)

$P_{acustomershallwaitfortminutesinthequeue} = e^{-\lambda t}$ (12)

$P_{acustomershallbeinthesystemformorethantminutes} = e^{-\lambda t}$ (13)

Illustration2: On an average, 6 customers reach a barber's shop every hour. Determine the probability that exactly 2 customers will reach in a 30 minutes period, assuming that the arrivals follow Poisson distribution

Ans: By question = Customer arrival rate = 6 customers/hour. So in a 30 minute (0.5 hour) period $m = 6 * 0.5 = 3$ customers

So by formula (10) $P = e^{-m} \frac{m^n}{n!} = 2.7183^{-3} \frac{3^2}{2!} = 0.224$

Illustration 3: The manager of a bank observes that on an average, 18 customers are served by a cashier in an hour. Assuming that the service time has an exponential distribution what is the probability that (a) a customer shall be free within 3 minutes (b) a customer shall be serviced in more than 12 minutes?

Ans:

(a) By question = Service rate per server = 18 customers/hour, $T = 3$ minutes = 0.05 hour

So $P = 3 \cdot 1 \cdot e^{-18 \cdot 0.05} = 0.593$

(b) By question = Service rate per server = 18 customers/hour, $T = 12$ minutes = 0.2 hour

So $P = 12 \cdot e^{-18 \cdot 0.2} = 0.027$

Illustration 4: A tailor specializes in ladies' dresses. The number of customers approaching the tailor appear to be Poisson distributed with a mean of 6 customers per hour. The tailor attends the customers on a first come first served basis and the customers wait if the need be. The tailor can attend the customers at an average rate of 10 customers per hour with the service time exponentially distributed. Required:

- Find the probability of the number of arrivals (0 through 5) during (i) a 15 minute interval and (ii) a 30 minute interval
- The utilisation parameter
- The probability that the queuing system is idle
- The average time that the tailor is free on a 10 hour working day
- The probability associated with the number of customers (0 through 5) in the queuing system
- What is the expected number of customers in the tailor shop?
- What is the expected number of customers waiting for tailor's services?
- What is the average length of queues that have at least one customer?
- How much time should a customer expect to spend in the queue?
- What is the expected time a customer would spend in the tailor's shop?
- Assuming that $n > 0$ (i.e. customers are in the system) what is the probability that the waiting time (excluding the service time) of a customer in the queue shall be more than 10 minutes?
- Assuming that the customers are in the system, what is the probability that a customer shall be in the shop for more than 15 minutes?

Ans:

(a) By question = Customer arrival rate = 6 customers/hour. So in a 15 minute (0.25 hour) period $m = 6 * 0.25 = 1.5$ customers. Similarly in a 30 minute (0.5 hour) period $m = 6 * 0.5 = 3$ customers.

So by formula (10) $P = e^{-m} \frac{m^n}{n!}$ the probabilities are:

n	T 1/4 hr	T = 1/2 hr
0	0.2231	0.0498
1	0.3347	0.1494
2	0.2510	0.2240
3	0.1255	0.2240
4	0.0471	0.1680
5	0.0141	0.1008

(b) From equation (1) we could write $\frac{6}{M} = \frac{6}{1 \cdot 10} = 0.6$

© From equation (7) we could write $P_0 = 1 - \frac{6}{10} = 0.4$

(d) Average time that the tailor is free on a 10 hour working day $= P_0 \cdot 10 = 4 \text{ hrs}$

(e) From equation (8) we could write $P_n = P_0 \cdot \frac{6^n}{n!}$ So the requisite probabilities are

n	$P_n = \frac{\lambda^n}{n!} e^{-\lambda}$
0	0.4
1	0.24
2	0.144
3	0.0864
4	0.05184
5	0.031104

f) The average number of customers in the system (waiting and/or being served) $L_s = \frac{\lambda}{1 - \frac{\lambda}{\mu}} = \frac{0.6}{1 - 0.6} = 1.5$

(g) The expected number of customers waiting for tailor's services $L_q = \frac{\lambda^2}{1 - \frac{\lambda}{\mu}} = \frac{0.36}{1 - 0.6} = 0.9$

(h) Average length of queues that have at least one customer = Expected length of non-empty queues = $L_q' = \frac{1}{1 - \frac{\lambda}{\mu}} = \frac{1}{1 - 0.6} = 2.5$

I The average time customers wait in line = $W_q = \frac{L_q}{\lambda} = \frac{0.9}{0.6} = 1.5$ minutes = 0.15hr

(j) The average time customers spend in the system (waiting in line and service time) = $W_s = W_q + \frac{1}{\mu} = 0.15 + \frac{1}{10} = 0.25$ hr

(k) Probability that a customer shall wait for more than 10 minutes in the queue = $P_t = 10 \cdot e^{-\frac{t}{W_q}} = 0.6 \cdot e^{-\frac{10}{1.5}} = 0.000732$

(l) Probability that a customer shall be in the shop for more than 15 minutes = $e^{-\frac{t}{W_s}} = e^{-\frac{15}{0.25}} = 0.368$

Illustration 5: Arrivals at a telephone booth are considered to be Poisson, with an average time of 12 minutes between one arrival and the next. The length of a phone call is assumed to be distributed exponentially, with mean 3 minutes. Find (a) The probability that an arrival finds that four persons are waiting for their turn; (b) The average number of persons waiting and making telephone calls; (c) The average length of the queue that is formed from time to time.

Ans: The average inter arrival time being 10 minutes, the average arrival rate = $60/12 = 5$ customers /hour = λ .
The length of a phone call is assumed to be distributed exponentially with mean 3 minutes, the service time = $60/3 = 20$ customers/hour = μ

Therefore $\rho = \frac{\lambda}{\mu} = \frac{5}{20} = 0.25$

(a) Probability of n units in the system = $P_n = P_0 \cdot \rho^n$

Now from (7) we can write $P_0 = 1 - \rho$ So $P_0 = 1 - 0.25 = 0.75$

So $P_n = P_0 \cdot \rho^n = 0.75 \cdot \left(\frac{5}{20}\right)^5 = 0.000732$

(b) The average number of customers in the system (waiting and/or being served) $L_s = \frac{\rho}{1 - \rho} = \frac{0.25}{0.75} = 0.33$

© Expected length of non-empty queues $L_q = \frac{\rho^2}{1 - \rho} = \frac{0.0625}{0.75} = 0.0833$

Illustration 6: The Taj service station has a central store where service mechanics arrive to take spare parts for the jobs they work upon. The mechanics wait in queue if necessary and are served on a first come first served basis. The store is manned by one attendant who can attend 10 mechanics in an hour on an average. The arrival rate of the mechanics averages 6 per hour. Assuming that the pattern of mechanics' arrivals is Poisson distribution and the servicing time is exponentially distributed, determine W_s, W_q & L_q where the symbols carry their usual meaning.

Ans: The average arrival time $\lambda = 6$, and the service time = $\mu = 10$

So, $\rho = \frac{\lambda}{\mu} = \frac{6}{10} = 0.6$

So, $W_s = W_q + \frac{1}{\mu} = \frac{L_s}{\lambda} = \frac{1}{10} + \frac{1}{6} = 0.25$ hour

$W_q = \frac{L_q}{\lambda} = \frac{0.36}{6} = 0.06$ hour

$L_q = \frac{\rho^2}{1 - \rho} = \frac{0.36}{0.4} = 0.90$

Illustration 7: Customers arrive at the first class ticket counter of a theatre at a rate of 12 per hour. There is one clerk serving the customers at a rate of 30 per hour. (a) What is the probability that there is no customer in counter? (b) What is the probability that there are more than 2 customers in the counter? (c) What is the probability that there is no customer waiting to

be served? (d) What is the probability that a customer is being served and nobody is waiting?

Ans:

By question $\lambda = 12/\text{hour}$, $30/\text{hour}$ So, $\rho = \frac{12}{30} = 0.4$

(a) Probability of zero units in the system $P_0 = 1 - \rho = 1 - 0.4 = 0.6$

(b) The probability that there are more than 2 customers in counter $= 1 - P_0 - P_1 - P_2$

We know that Probability of n units in the system $P_n = P_0 \rho^n$, In this case $n = 0, 1, 2$

$$P_1 = P_0 \rho = 0.6 * 0.4 = 0.24$$

$$P_2 = P_0 \rho^2 = 0.6 * 0.4^2 = 0.096$$

So probability that there are more than 2 customers in counter $= 1 - 0.6 - 0.24 - 0.096 = 0.064$

(c) A case of no customer waiting to be served happens only either there will be no customer $P(0)$ or One customer being served (As there is only one serving clerk) $P(1)$

So required probability $P(0) + P(1) = 0.6 + 0.24 = 0.84$

(d) Customer is being served and nobody is waiting- In this case there will be only 1 customer in the system.

We know that Probability of n units in the system $P_n = P_0 \rho^n$. So $P(1) = 0.24$

Illustration 8: Assume at a bank teller window the customers arrive in their cars at the average rate of 20/hour according to a Poisson distribution. Assume also that the bank teller spends an average of 2 minutes per customer to complete a service and the service time is exponentially distributed. Customers who arrive from an infinite population are served on a first come first served basis and there is no limit to possible queue length. (a) What is the expected waiting time in the system per customer? (b) What is the mean number of customers waiting in the system? (c) What is the probability of zero customers in the system? (d) What value is the utilisation factor?

Ans:

By question $\lambda = 20/\text{hour}$, $\frac{60}{2} = 30/\text{hour}$ so, $\rho = \frac{20}{30} = 0.67$

(a) The average time customers are in the system $W_s = W_q + \frac{1}{\mu} = \frac{L_s}{\lambda} + \frac{1}{\mu} = \frac{1}{30} + \frac{1}{20} = 0.1 \text{ hour}$.

(b) The average number of customers waiting in the system $= L_q = \frac{\rho^2}{1 - \rho} = \frac{0.67^2}{1 - 0.67} = \frac{0.4489}{0.33} = 1.33$

(c) Probability of zero units in the system $P_0 = 1 - \rho = 1 - 0.67 = 0.33$

(d) Utilisation factor $= \rho = \frac{20}{30} = 0.67$

Suggestions:

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



GROUP: 2, PAPER: 9, Part- ii

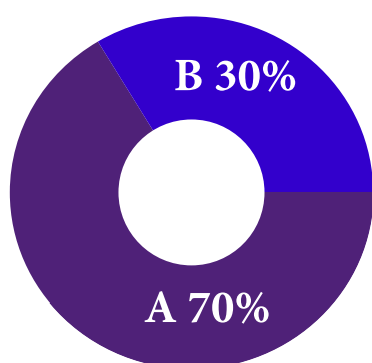
OPERATIONS

MANAGEMENT & STRATEGIC
MANAGEMENT (OMSM)

Strategic Management

CMA (Dr.) Sumita Chakraborty
Additional Director,
Research & Studies
She can be reached at:
research.hod@icmai.in
studies.addldir1@icmai.in

Your Preparation Quick Takes



Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

Learning Objectives:

The course will follow in general terms the strategy development process from audit to formulation of strategic plans, their implementation and evaluation.

Students will be introduced to strategic management in a way so that their understanding can be better.

The ultimate aim of the course is to develop students as future managers who will add value by 'strategically managing' the organisation's resources and capabilities.

Strategic Management**Choosing the correct answer:**

- Business Process Re-engineering is:
 - Eliminating loss-making process;
 - Redesigning operational processes;
 - Redesigning the product and services;
 - Recruiting the process engineers.
- Risk Management Strategies are:
 - Avoid Risk, Reduce Risk, Retain Risk, Combine Risk
 - Transfer Risk, Share Risk and Hedge Risk
 - Both (A) and (B)
 - None of the above.
- The reason for failure of Strategic Management may be ascribed to:
 - Over-estimation of resource competence
 - Failure to obtain senior management commitment
 - Failure to obtain employee commitment
 - All of the above.
- 'Niche' is similar to the:
 - Growth strategy
 - Milking strategy
 - Flanking strategy
 - Survival strategy.
- Price fixation for the first time takes place when:
 - a company develops or acquires a new product;
 - introducing existing product into a new geographic area or a new distribution channel;
 - a service, the company bids for a new contract work;
 - all of the above.
- The BCG growth matrix is based on the two dimensions:
 - Market Size and Market Share
 - Market Size and Profit Margins
 - Market Size and Competitive Intensity
 - d.None of the above.
- For an entrepreneur:
 - Vision is before the mission
 - Mission is before the vision
 - Both are developed simultaneously
 - Vision or mission are un-important issue
 - Profitability is most crucial.
- Directional Policy Matrix is the same as:
 - the BCG model;
 - the 9-cell GE matrix;
 - the Life cycle portfolio analysis;

- D. the PIMS matrix;
 - E. the 3 X 3 competitive positioning matrix.
9. New entrants to an industry are more likely when:
- A. It is difficult to gain access to distribution channels
 - B. Economies of scale in the industry are high
 - C. Product differentiation in the industry is low
 - D. Capital requirement in the industry are high.
10. Offensive strategy is a strategy:
- A. For small companies that consider offensive attacks in the market;
 - B. For those companies that search for new inventory opportunities to create competitive advantage.
 - C. For the market leader who should attack the competitor by introducing new products that makes existing ones obsolete;
 - D. For those companies who are strong in the market but not leaders and might capture a market share from the leader.
11. Outsourcing is the :
- A. Spinning off of a value-creating activity to create a new firm
 - B. Selling of a value-creating activity to other firms
 - C. Purchase of a value-creating activity from an external supplier
 - D. Use of computers to obtain value-creating data from the Internet.
12. Risk Management Strategies are:
- A. Avoid Risk, Reduce Risk, Retain Risk, Combine Risk
 - B. Transfer Risk, Share Risk and Hedge Risk
 - C. Both (A) and (B)
 - D. None of the above.

Answer:

- 1. (B) Redesigning operational processes.
- 2. (C) Both (A) and (B) 51. Business Process.
- 3. (D) All of the above.
- 4. (C) Flanking strategy.
- 5. (D) all of the above.
- 6. (D) None of the above. BCG Growth Matrix is based on two dimensions - Market Growth Rate and Relative Market Share.
- 7. (A) Vision is before the mission.
- 8. (B) the 9-cell GE matrix.
- 9. (C) New Entrants to an industry are more likely when product differentiation in the industry is low.
- 10. (D) For those companies who are strong in the market but not leaders and might capture a market share from the leader.
- 11. (C) Outsourcing is the purchase of a value-creating activity from external supplier.
- 12. (C) Both (A) and (B).

True or False (State with Reason):

- 1. "Beanchmarking" is the simulation of cost reduction schemes that help to build commitment and improvement of actions.
- 2. "Strategic Management" is concerned with the formulation of possible courses of actions, their evaluation and the choice between them.
- 3. Dogs' are products with a low share, negative growth and negative cash flow.
- 4. Synergy' signifies a condition where the whole is greater than the sum of its parts.
- 5. Divestment' is pulling out from certain product market areas.

Answer:

- 1. False — Benchmarking is the search for industries best practices that leads to superior performance.
- 2. False — The appropriate term is 'Strategic choice', instead of 'Strategic management'. Strategic management concern itself with corporate values, managerial capabilities and organizational responsibilities and systems in a way that links strategic and operational decision making leading to an effective strategy or strategies. But the given statement is indicative of choice of strategy.
- 3. False — The correct statement is: 'Dodos' are products with a low share, negative growth and negating cash flow.
- 4. True.
- 5. True.

3. Discuss Mc Kinsey's 7-S Framework**Answer:**

The McKinsey Company, a well known management consultancy firm in the United States, towards the end of 1970s was asked to find a solution to this knotty issue. The researchers Peters and Waterman found after examining America's best run companies that the problem in strategy lay in its implementation and structure was only one lever in the hands of management. The other levers were systems, staff, style, skills and super ordinate goals.

A strategy is usually successful when the other S's in the 7-S framework fit into or support the strategy.

Strategy: A set of decisions and actions aimed at gaining a sustainable competitive advantage.

Structure: The organisation chart and associated information that shows who reports to whom and how tasks are both divided and integrated.

Systems: The flow of activities involved in the daily operation of a business, including its core processes and its support systems.

Style: How managers collectively spend their time and attention and how they use symbolic behaviour. How management acts is more important than what management says.

Staff: How companies develop employees and shape basic values.

Shared Values: Commonly held beliefs, mindsets and assumptions that shape how an organisation behaves— its corporate culture.

Skills: An organisation's dominant capabilities and competencies.

4. State in brief about the three most important Characteristics of Strategic Business Unit (SBU).

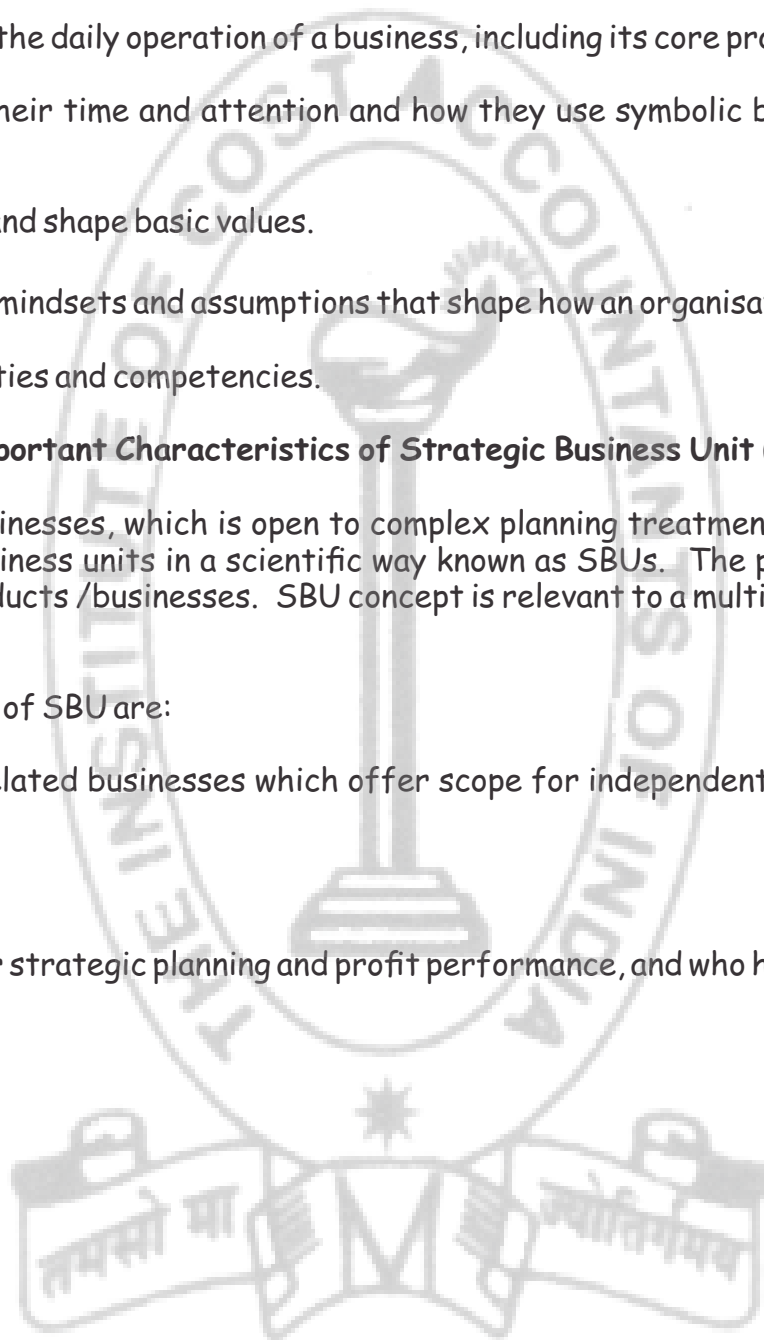
Answer: SBU is a grouping of related businesses, which is open to complex planning treatment. Multi-business enterprise groups its various businesses into a few distinct business units in a scientific way known as SBUs. The purpose is to provide effective strategic planning treatment to each one of its products /businesses. SBU concept is relevant to a multi-product, multi-business enterprises like Unilever Limited.

The three most important Characteristics of SBU are:

It is a single business or a collection of related businesses which offer scope for independent planning and which might feasibly stand alone from the rest of the organisation.

It has its own set of competitors.

It has a manager who has responsibility for strategic planning and profit performance, and who has control of profit-influencing factors.



GROUP: 2, PAPER:10

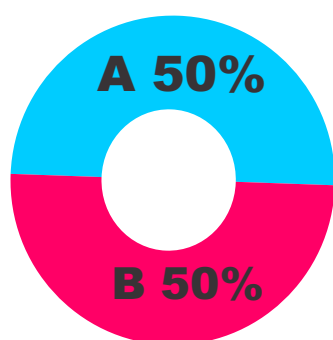
COST & MANAGEMENT

ACCOUNTING AND FINANCIAL MANAGEMENT(CMFM)



Dr. Swapan Sarkar,
Assistant Professor
Department of Commerce,
University of Calcutta
He can be reached at:
swapansarkar22@gmail.com

Your Preparation Quick Takes



Syllabus Structure

A Cost & Management Accounting 50%

B Financial Management 50%

Learning Objectives:

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

Chapter 2: Decision Making Tools

Decision making is at the core of Management Accounting. Management Accounting processes various data available from financial accounting or cost accounting and compiles them suitably to present before the management and thereby facilitates decision making. In this process Management Accounting uses various tools including marginal costing, differential cost analysis, relevant costing etc. In the following issues we shall discuss about these tools of decision making and try to consider their applications in the real life business decisions.

Marginal Costing▪ Absorption Costing vs. Marginal Costing:

Traditionally cost per unit of a product is calculated under Absorption Costing where both variable as well as fixed costs are included in per unit cost.

For example: Say for any product, Direct Material = Rs. 40000; Direct Labour = Rs. 20000 and Other Direct Expenses = Rs. 20000. Fixed indirect expenses (including Rent, Annual Depreciation, Electricity Charges) = Rs. 40000 and Units produced = 40000 units.

Here, Total Variable cost
= Rs. (40000+20000+20000) = Rs. 80000;

Total fixed costs = Rs. 40000

So, Total cost = VC + FC = Rs. 120000

So, Cost per unit = Rs. 120000 / 40000 = Rs. 3.00

In the above situation, both fixed costs as well as variable costs have been charged to the cost per unit. Traditionally the cost sheets that we prepare follow this absorption costing method.

▪ Limitations of Absorption Costing:

Absorption Costing suffers from a number of limitations as follows.

- It depends on the quantity of output produced. So cost p.u may vary from year to year. As a result comparison of cost over the years is difficult.
- In this method a portion of periodic cost i.e. fixed cost is carried to next year through closing stock. Thus costs incurred in one period is charged in another period.
- Due to period costs being carried over, profit has to be calculated at the time of realization and not at the time when expenses are incurred.
- Overhead absorption rate may vary and accordingly the cost per unit also changes.

Because of these limitations Marginal Costing is preferred over absorption costing.

▪ Definition of Marginal Costing:

Marginal costing is "the ascertainment of marginal costs and the effect on profit of changes in volume or type of output by differentiating between fixed costs and variable costs."

Under marginal costing only variable costs form part of the product cost and the price is determined at a level to recover the full variable cost and to earn a surplus known as contribution. From the cumulative contribution earned by selling the product during a period, the total fixed costs incurred during such period are deducted. The result is known as profit. Hence, the profit statement under marginal costing looks like the following:

Particulars	Rs.
Sales	*****
Less. Variable Cost	*****
Contribution	*****
Less. Fixed Cost	*****
Profit	*****

▪ Important Concepts associated with Marginal Costing

- Marginal Costing Equation: $S - V = C = F + P$
- Variable cost ratio = $VC / \text{Sales} \times 100$
Let SPPU = Rs. 10; VCPU = Rs. 8, Fixed Cost = Rs. 10000, then, VC ratio = 80%
- Contribution to Sales ratio or Profit Volume ratio
= $\text{Contribution} / \text{Sales} \times 100$
Or = $1 - \text{Variable cost ratio}$ [Since, $S - V = C$]
= $\text{change in contribution} / \text{change in sales} \times 100$
= $\text{change in profit} / \text{change in sales} \times 100$
Here, P/V ratio = $(10-8) / 10 = 20\%$ or $1 - 80\% = 20\%$

Since FC is fixed for a given period, the more this ratio the higher is the profitability.

The ratio is improved by either increasing the SPPU or reducing the VCPU or by both.

- Break-even point: It is the level of sales for which there is neither any loss nor any profit. In other words, at this level contribution is just sufficient to recover the fixed cost (i.e. Contribution = Fixed Cost).

So, BEP = $\text{Fixed Cost} / \text{Contribution p.u (Units)}$

= $\text{Fixed Cost} / \text{Profit volume ratio (Value)}$

In our previous example, BEP = $\text{Rs. 10000} / \text{Rs. 2} = 5000 \text{ units}$

Or, BEP = $\text{Rs. 10000} / 20\% = \text{Rs. 50000}$

- Margin of Safety: It is the excess of actual sales over and above the break-even sales. It denotes how much decline in sales the company can withstand and still earn profits. Hence,

the higher the margin of safety, the higher is the profit of the firm.

$$\begin{aligned}\text{Margin of Safety} &= \text{Actual Sales} - \text{BEP Sales} \\ &= \text{Profit} / \text{Contribution p.u (units)} \\ &= \text{Profit} / \text{PV ratio (value)}\end{aligned}$$

$$6. \text{ Profit from Actual Sales} = \text{Sales PV ratio} - \text{FC}$$

$$\begin{aligned}7. \text{ Target Sales to Earn Target Profit} &= (\text{FC} + \text{Profit}) / \text{Contribution p.u (units)} \\ &= (\text{FC} + \text{Profit}) / \text{PV ratio (value)}\end{aligned}$$

Case Study 1

Sales (20000 units) = Rs. 200000; VC = Rs. 120000; FC = Rs. 60000.

Calculate the following:

- Variable cost ratio
- P/V ratio
- Break-even point (in units, value and percentage)
- Margin of safety (in units, value and percentage)
- Profit from sales of Rs.300000
- Target sales to earn a profit of Rs.5000.
- Revised BEP if selling price increases by 20%.
- Revised BEP if variable cost decreases by 25%
- Revised BEP if selling price increases by 20% and variable cost decreases by 25%

Solution:

- Variable cost ratio = $\text{VC} / \text{Sales} \times 100$
 $= 120000 / 200000 \times 100 = 60\%$
- C-S Ratio or PV Ratio
 $= \text{C} / \text{S} \times 100 = (200000 - 120000) / 200000 \times 100 = 40\%$
 Or, PV ratio = $1 - \text{VC ratio} = 1 - 60\% = 40\%$
- Break-even point

$$\begin{aligned}&= \text{FC} / \text{CPU} = \text{Rs. } 60000 / \text{Rs. } 4 = 15000 \text{ units} \\ &[\text{CPU} = (200000 - 120000) / 20000 = \text{Rs. } 4] \\ &\text{Or, } = \text{FC} / \text{PV ratio} = \text{Rs. } 60000 / 40\% = \text{Rs. } 150000 \\ &\text{BEP as a \% of actual sales} = 150000 / 200000 = 75\%\end{aligned}$$

- MOS = Actual sales - BEP sales
 $= 20000 - 15000 = 5000 \text{ units}$
 Or, = Rs. 200000 - Rs. 150000 = Rs. 50000
 Here profit = Rs. (200000 - 120000 - 60000)
 $= \text{Rs. } 20000$
 So MOS = Profit / CPU = Rs. 20000 / Rs. 4
 $= 5000 \text{ units}$
 Or = Profit / PV ratio = Rs. 20000 / 40% = Rs. 50000
 MOS as a \% of actual sales = $50000 / 200000 \times 100 = 25\%$
- Profit from sales of Rs. 300000
 $= \text{Sales} \times \text{PV ratio} - \text{FC} = 300000 \times 40\% - 60000$
 $= \text{Rs. } 60000$
- Target sales to earn a profit of Rs. 50000
 $= (\text{FC} + \text{Profit}) / \text{CPU} = (60000 + 50000) / 4 = 27500 \text{ units}$
 $= (\text{FC} + \text{Profit}) / \text{PV ratio} = (60000 + 50000) / 40\%$
 $= \text{Rs. } 275000$
- BEP if SPPU increases by 20%
 Revised SPPU = Rs. 10 + 20% of 10 = Rs. 12, VCPU = Rs. 6, revised
 CPU = $12 - 6 = \text{Rs. } 6$, Revised PV ratio = $6 / 12 \times 100 = 50\%$,
 Revised BEP = $60000 / 6 = 10000 \text{ units}$ or $60000 / 50\% = \text{Rs. } 120000$
- BEP if VC decreases by 25%
 SPPU = Rs. 10, revised VCPU = $6 - 25\% \text{ of } 6 = \text{Rs. } 4.50$, revised
 CPU = Rs. 5.50, revised PV ratio = $5.50 / 10 = 55\%$.
 Revised BEP = $60000 / 5.50 = 10909 \text{ units}$ or $60000 / 55\% = \text{Rs. } 109090$
- BEP if SPPU increases by 20% and VCPU decreases by 25%
 Revised SPPU = Rs. 12, revised VCPU = Rs. 4.50, revised CPU =
 $\text{Rs. } 7.50$, revised PV ratio = $7.50 / 12 \times 100 = 62.5\%$
 Revised BEP = $60000 / 7.50 = 8000 \text{ units}$ or $60000 / 62.5\% = \text{Rs. } 96000$

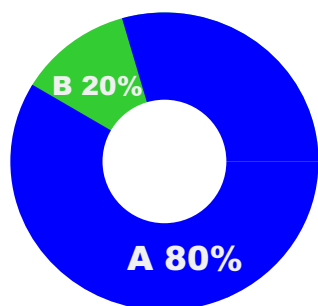


GROUP: 2, PAPER:11

INDIRECT TAXATION (ITX)

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

Your Preparation Quick Takes



Syllabus Structure

A 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) A department or establishment of the Central Government or State Government; or
- (b) Local authority; or
- (c) Governmental agencies; or
- (d) 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
- (e) 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
- (f) 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 Rs. 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

- a. Total value of taxable supply > Rs.2.5 Lakh under a single contract. This value shall exclude taxes & cess leviable under GST.
- b. 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 > Rs.2.5 Lakh. This value shall exclude 9 taxes & cess leviable under GST.
- c. 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.
- d. 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.
- e. 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.
- f. 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.



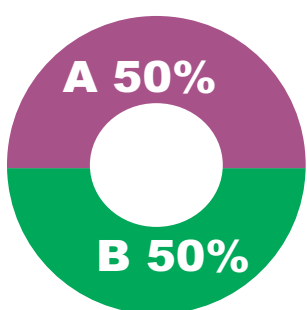
GROUP: 2, PAPER:12

COMPANY

ACCOUNTS & AUDIT (CAA)

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

Your Preparation Quick Takes



Syllabus Structure

A Accounts of Joint Stock Companies 50%

B Auditing 50%

Learning Objectives:

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

Company Accounts & Audit

Today we are to discuss about some aspects of financial statement as required by the Companies Act 2013.

A complete set of financial statements normally consists of a Balance Sheet, a statement of Profit and Loss and a Cash Flow Statement together with notes.

All parts of financial statements are interrelated because they reflect different aspects of same transactions or other events. Although each statement provides information that is different from each other, none in isolation is likely to serve any single purpose nor can anyone can provide full information needed by a user. The different components of financial statements are explained as below.

Balance Sheet- portrays value of economic resources controlled by an enterprise. It also provides information about liquidity and solvency of an enterprise which is useful in predicting the ability of the enterprise to meet its financial commitments as they fall due.

Statement of Profit and Loss- presents the results of operations of an enterprise for an accounting period i.e. it depicts the performance of an enterprise.

Cash Flow Statement- shows the way an enterprise has generated cash and the way they have been used in an accounting period and helps in evaluating the investing, financing and operating activities.

Notes and Other Statements- present supplementary information explaining different items of financial statements. For example, they may contain additional information that is relevant to the needs of users about the items in the balance sheet and statement of profit and loss. They include various other disclosures such as disclosure of accounting policies, segment reporting, related party disclosures, earnings per share, etc.

Elements of Financial Statements

The framework classifies items of financial statements in five broad groups depending on their economic characteristics. They are Assets, Liabilities, Equity, Income and Expenses.

Asset- An asset is a resource controlled by the enterprise as a result of past events from which future economic benefits are expected to flow to the enterprise. The resource regarded as an asset, need not have a physical substance. The resource may represent a right generating future economic benefit, e.g.

Patents, Copyrights, Debtors and Bills Receivable.

Liability- A liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow of a resource embodying economic benefits. A liability is recognised only when outflow of economic resources in settlement of a present obligation can be anticipated and the value of outflow can be reliably measured.

Equity- Equity is defined as a residual interest in the assets of an enterprise after deducting all its liabilities. It is the excess of aggregate assets of an enterprise over its aggregate liabilities. It represents owners' claim consisting of items like capital and reserves, which are clearly distinct from liabilities.

Income- Income is increase in economic benefit during the accounting period in the form of inflows or enhancement of assets or decreases in liabilities. The definition of income encompasses revenue and gains

Expense- An expense is decrease in the economic benefits during the accounting period in the form of outflows or depletions of assets or increase in liabilities.

Let us discuss now the format of Balance Sheet as per schedule III. Entire balance sheet can be categorised in two major heads viz. Equity and Liabilities and Assets.

Equity and Liabilities comprises of four sub-heads, they are Shareholders Funds, Share Application Money Pending Allotment, Non Current Liabilities and Current Liabilities. The elements of the aforesaid subheads are as under:

Shareholders' Funds- Share Capital, Reserve and Surplus, Money Received against Warrants

Share Application Money Pending Allotment (No additional sub sub-head)

Non Current Liabilities- Long Term Borrowings, Deferred Tax Liabilities, Other Long Term Liabilities, Long Term Provisions

Current Liabilities- Short Term Borrowings, Trade Payables, Other Current Liabilities and Short Term provisions.

On the other hand, **Assets** consists of Non Current Assets and Current Assets.

The sub sub-heads under non current assets are Fixed Assets (consist of Tangible Assets, Intangible Assets, Capital WIP and Intangible Assets under Development), Non Current Investments, Deferred Tax Liabilities, Long Term Loans and Advances and Other Non Current Assets.

Current Assets consist of Current Investments, Inventories, Trade Receivables, Cash and Cash Equivalents, Short Term Loans and Advances and Other Current Assets.

Balance Sheet in new format should be in vertical form. Earlier T form is obsolete now.

Accounting Standards (AS) are now to be clubbed with Indian Accounting Standards (Ind AS). As for example AS11: Accounting for the Effects of Changes in Foreign Exchange Rates should be clubbed with Ind AS 21- the Effects of Changes in Foreign Exchange Rates. Similarly AS 12 should be clubbed with Ind AS 20. AS 15 should be clubbed with Ind AS 19. AS 16 should be clubbed with Ind AS 23. AS 17 should be clubbed with Ind AS 108. AS 18 should be clubbed with Ind AS 24. AS 19 should be clubbed with Ind AS 17.

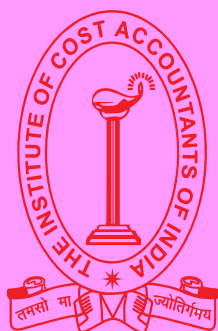
Students are to be aware that corresponding Indian Accounting Standards are more relevant in present day.

In form of balance sheet figures as at the end of current reporting period should be depicted figures as at the end of previous reporting period.

Schedule III disclosure requirements should honour Accounting Standards.

Above discussion is indicative only. Professional students are advised go on further.





Game Changing



CMA (Dr.) Sreehari Chava
Cost & Management Consultant,
Nagpur, Maharashtra,
He can be reached at:
sreeharichava@yahoo.co.in

01.00 The Incredible Game Changer

The Mahabharata war was about to begin. The cousins, Pandavas and Kauravas, were aligning their friends and relatives to fight on their side. Duryodhana, himself, on behalf of the Kauravas and Arjuna on behalf of the Pandavas reached the abode of Krishna to seek his support. Having been related to both the sides, Krishna had no logic to deny support to any of them. Hence, Krishna divided his forces into two; one he himself in one part and two his entire army on the other part. He also added a rider that he would not personally fight or wield any weapon. Arjuna chose Krishna; and Duryodhana took the army.

Krishna adorned the role of the 'Incredible Game Changer' like Partha Sarathi throughout. Krishna is the differential advantage possessed by Pandavas.

In private, Krishna praised the wisdom of Duryodhana in choosing the powerful yadava army and chided Arjuna saying that he committed a blunder by opting for the weaponless Krishna. Arjuna countered fondly and explained that Pandavas are strong enough to fight on their own; but what they need is a 'Strategic Guide' who can provide direction towards winning the war. He requested Krishna to be his charioteer in the war. Krishna, thus, assumed the role of 'Partha Sarathi' meaning 'Charioteer of Arjuna' and anchored the Pandava-win in the Great War.

As the war was about to begin, Arjuna went into a momentary depression for he had to fight and kill all his elders, teachers and relatives who were on the opposite side. Krishna invents 'The Bhagavad Gita' and mentors Arjuna that "Fighting the righteous war is the duty of Arjuna". Arjuna came out of the depression and went on to fight the war with rejuvenated vigour and valour. In course of time, 'The Bhagavad Gita' has emerged as the sealing achievement of Hindu synthesis, incorporating various religious traditions. The Bhagavad Gita's call for selfless action inspired many leaders of the Indian independence movement including Mahatma Gandhi. Mahatma referred to the Gita as his "spiritual dictionary".

Mahabharata is full of the strategic ventures undertaken by the Pandavas, at the behest of Krishna, starting with Khandavavan Dahan and extending beyond the Mahabharata war. Krishna had always played the role of a catalytic strategist who enabled and empowered the Pandavas towards accomplishing the desired goals. He adorned the role of the 'Incredible Game Changer' like Partha Sarathi throughout. Krishna is the differential advantage possessed by Pandavas.

02.00 To be a Game Changer

At one time or another all great leaders experience something so big and so impactful it literally changes the landscape - it's what is called a "Game Changer." A game changer is that ah-ha moment where you see something others don't. It's the transformational magic that takes organizations from ordinary to exceptional.

The three astounding qualities that a Game Changer exhibits may be classified as:

- (i) Relentless Pursuit
- (ii) Be Original
- (iii) Develop a Clear Purpose

Relentless Pursuit: Ever wonder how people come up with the proverbial big idea? They work at it. Put simply, the best leaders proactively focus on pursuing game changers. They're never satisfied with the ordinary or mundane. Richard Branson, Jeff Bezos and other CEOs recognized for their big ideas didn't just get lucky - they were/are committed to the constant pursuit of game changers. They aren't just dreamers - they are doers. Successful leaders are nothing if not persistent, committed individuals who understand potential is of little value if said potential fails to be realized.

Be Original: One of the things wrong with today's marketplace is there's far too much rehashing of old ideas spun as new. Great leaders aren't copycats - they abhor too business methodologies. Leaders who pursue game changers



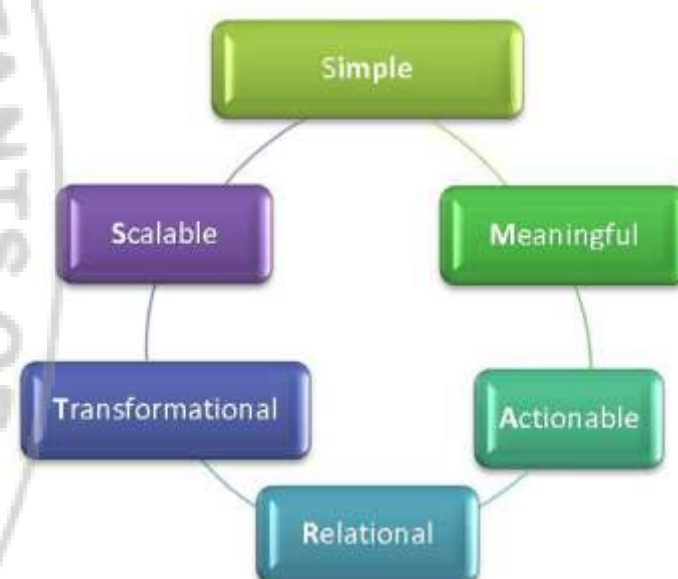
have no patience for the status quo - they focus their efforts on shattering the status quo. Game changers refuse to allow their organizations to adopt conventional orthodoxy and bureaucracy - they challenge norms, break conventions, and they encourage diversity of thought. The message here is a simple one - don't copy, but create. Don't just play the game - change the game. The goal is to create, improve on, and innovate around best practices in order to find next practices.

Develop a Clear Purpose: Leaders who create or inspire game changers are nothing if not aware. Not only are they self-aware, they're aware of the emotions and needs of others, and they are also clearly aware of what will be embraced in the market. They possess a refined blend of intrinsic curiosity and extrinsic focus. Perhaps most of all, game changing leaders are in touch with a greater purpose - they understand the value of serving something beyond themselves. As many of you know, CEOs understand profit and purpose are not mutually exclusive terms. CEOs from companies like Whole Foods, Zappos, Gibson Guitars, The Container Store, Louisville Slugger, Humana, Tata, and other leading brands, are collaborating with CEOs of emerging brands, non-profits and NGOs to find the next wave of purpose driven game changers. If you want to create a real game changer have a purpose that serves, improves, helps, and inspires.

03.00 The Six Steps

Mike Myatt, Chairman, N2Growth sets forth the following six steps, called SMARTS (Simple-Meaningful-Actionable-Relational-Transformational-Scalable) in short, represent my personal process for finding and implementing game changers.

- (i) **Simple:** While not all game changers are simple, the best ones usually are. It was Albert Einstein who said, "If you can't explain it simply, you don't understand it well enough." In most cases simple can be translated as realistic, cost effective, quick to adopt, and fast to implement. Don't get entangled in complexities - become heavily invested in simplicity.
- (ii) **Meaningful:** Game changers have great purpose, meet a need, solve a problem, serve an existing market, or create a new one - they are meaningful. Most leaders get sucked down into the weeds and spend too much of their valuable time majoring in the minors. If it's not really meaningful, if it doesn't serve a greater purpose, if it's not a game changer, why do it? Ideas, products, services and/or solutions that focus on value creation fare better than those that don't.
- (iii) **Actionable:** It's not a game changer if whatever "it" is never gets off the drawing board. If you cannot turn an idea into innovation, if you can't put a thought into practice, then it's not a game changer. By definition game changers happen, they exist, they have life. They don't lurk in the shadow-lands of the ethereal and esoteric, they become reality.
- (iv) **Relational:** Game changers are found to enhance, extend, and leverage existing relationships, as well as serve to create new ones. When you get down to brass tacks, all business boils down to people (employees, customers, partners, investors, vendors, etc.), and people mean relationships. Real game changers understand the power of people and relationships, and they embody this in both their construction and implementation. If you forget the people, you cannot have a game changer.
- (v) **Transformational:** A static game changer is, yet, to be seen. By definition, a game changer causes change. If nothing changes, if nothing is created, if nothing is improved, if nothing is transformed, then you don't have a game changer. A lesson learned long ago is that you simply cannot experience sustainable improvement without transformation.
- (vi) **Scalable:** If it's not scalable it's not a game changer. An idea that offers no hope of a future will more often than not turn into a nightmare rather than fulfil a dream. True game changers are built with velocity and sustainability in mind. The best thing about real games changers is they build upon themselves to catalyze other accretive opportunities.



04.00 Quick Take

Strategy is the key for success. A pair of individuals, like Krishna and Arjuna, who supplement each other form an invincible combination. A strategist on hand is the differential advantage that the winner wields. This piece can be a game changer to many people if those who read it are willing to share their collective wisdom.

Resources

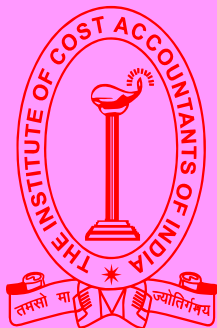
1. Krishna, www.wikipedia.org, 18.09.2015
2. Mahabharata retold by C. Rajagopalachari, International Gita Society
3. www.forbes.com/sites/mikem0/how-great-leaders-create-game-changers_21.03.2019



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

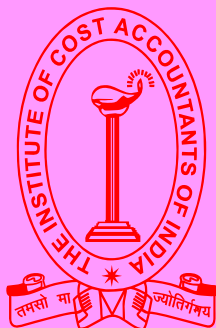
03

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 at request option.

Dear Students,

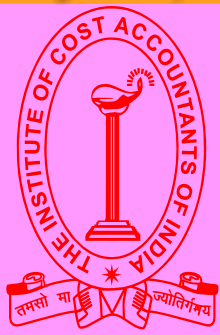
We are very much delighted to receive responses from all of you; for whom our effort is!

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.

All rights reserved. No part of this Bulletin may be translated or copied in any form or by any means without the prior written permission of the Institute of Cost Accountants of India.

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



Message from Directorate of Studies

Dear Students,

Greetings from the D.O.S.,

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

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

“ Continue to grow and evolve”,

Let us observe his memory by following his message.

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

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

Please refer the links mentioned below :

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

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

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

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

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

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

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

GOOD LUCK & Best wishes as always.

Be Prepared and Get Success;

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.



www.icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

Headquarters:

CMA Bhawan, 12 Sudder Street, Kolkata - 700016

Delhi Office:

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

STUDENTS' E-bulletin Intermediate
Vol: 3, No.: 12, December 2018, Issue



CMA LEADS

Last Date for Admission
June Exam
31st January
of the same Calendar Year

December Exam
31st July
of the same Calendar Year

5,00,000⁺
Students

75,000⁺
Members

4 Regional
Councils

98
Chapters

9
Overseas
Centres

Largest
CMA body
in Asia

2nd
Largest
CMA body
in the
Globe

The Institute of Cost Accountants of India is a premier professional Institute and a statutory body constituted under an Act of Parliament under the administrative control of **Ministry of Corporate Affairs (MCA), Govt. of India** to regulate and develop the profession of Cost and Management Accountancy (CMA) in the country. The Institute established in **1944** is now celebrating the **Platinum Jubilee year** of its glorious presence.

**ADMISSIONS OPEN
2018-2019**

✉ **studies@icmai.in**

☎ **1800 345 0092/1800 110 910**

For Online Admission

<http://cmaicmai.in/students/Home.aspx>

Cultivating and Enhancing Skills of Success

- CMA Course Curriculum is designed to meet Industry requirements and challenges in Global Economic Scenario
- Hands on Computer and Soft skills training
- Industry oriented practical training programme
- Six Skill Sets - Knowledge, Comprehension, Application, Analysis, Synthesis and Evaluation
- Four Knowledge Pillars - Management, Strategy, Regulatory Function and Financial Reporting
- Our Motto - Student friendly Syllabus and Industry friendly Students

Excellent Campus Placement Record
in renowned **Public** and **Private** Sector Companies

Highest Salary Offered Rs.18 Lakh p.a. | Average Salary Rs.7.5 Lakh p.a.

Few of Our Proud Recruiters



✉ **placement@icmai.in / cpt@icmai.in**

☎ **+ 91 33 40364770**

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



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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

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

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

Phone: +91-11-2462-2156/2157/2158

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