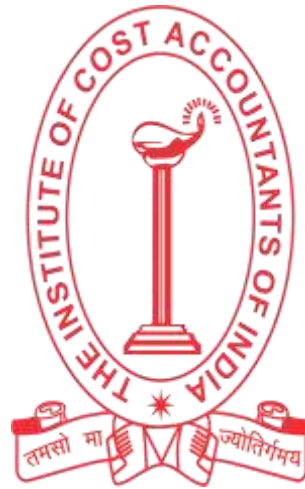




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**November - 2022 Issue**  
**CMA Student E - Bulletin**  
**INTERMEDIATE**

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**The Institute of Cost Accountants of India**

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## Knowledge Update

# 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.

## Financial Accounting (FAC)



GROUP: 1, PART: 5

# FINANCIAL ACCOUNTING - (FAC)

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# Your Preparation Quick



### 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 Objectives:**

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

**Financial Accounting**

**H**ope you all are keeping well. Happy Dewali to you all. Wish this Dewali enlightened your knowledge. Knowledge is such which requires an instinct to blink. Its something like a fire to add on the crackers to burst. This fire is the “curiosity” from inside or “encouragement” from outside force. Whatever it is, the fact remains - be knowledgeable. Knowledge - the most powerful asset of anyone which never depreciates. Nourish it always.

**Here is some practice material for you to update your knowledge:**

**In the last issue we discussed Insurance claim – loss of stock. Here we will take up loss of profit.**

Answers are given. However, please solve the sums independently and tally the answers.

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.

If 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:**

<b>Net profit</b>	<b>Rs.10000</b>
<b>Short sales</b>	<b>Rs.8000</b>
<b>Rate of GP</b>	<b>15%</b>

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)

$$\frac{(10000+4000)}{(10000+6000)} \times 500$$

$$= 437.5$$

2. Short sales avoided due to additional expenses x GP%

$$3000 \times 15/100 = 450$$

3. Actual Additional expenses = Rs.500.

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

**Illustration 2:**

**The following are the details relating to a Company for the year ended 2021:**

	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 2022. 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 2021

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



To net profit	90000		
	560000		560000

GP for 2021 Sales – variable expenses = 500000-350000= 150000

Calculation of GP for 2022:

GP for 2021	150000
Add increase expected @ 15%	22500
Total	172500

The Gross Profit expected in 2022, Rs. 1, 72,500, should be insured under Loss of Profit Policy.

### Illustration 3:

A fire broke out in a Company on 1st April 2021 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 2021 to 30th September 2021 were of Rs 2, 00,000.

Sales have increased by 10% in 2022 in the period from 1st January 2021 to 1st April 2022. Find out the short sales during this period of six months of 2022

### Solution:

	<b>Rs.</b>
Sales during 6 months: 2021	200000
Add increase expected @ 10 %	<u>20000</u>
	220000
Less: sales of this period of 2022	<u>80000</u>
Short sales	<u>140000</u>

### Illustration 4

*X has a loss of profit insurance policy of Rs. 1000000. The period of indemnity is 3 months. A fire broke out on march 31 2022. The following information is available*

	<i>Rs.</i>
<i>Sales for the year ended Dec 31 2021</i>	<i>4200000</i>
<i>Standing charges for 2021</i>	<i>960000</i>
<i>Profit for 2021</i>	<i>300000</i>
<i>Sales for the period from Apr 1 2021 to 31 Mar 2022</i>	<i>2000000</i>
<i>Sales for the period from Apr 1 2021 to 30 June 2021</i>	<i>1080000</i>

<i>Sales for the period from Apr 1 2022 to 31 June 2022</i>	<i>72000</i>
<i>Saving in standing charges</i>	<i>30000</i>
<i>Additional expenses to reduce loss on turnover</i>	<i>60000</i>
<i>Assume that no adjustment has been made on the increasing trend in turnover, compute the claim to be made on the insurance company</i>	

**1. Insured gross profit**

- a. 960000
- b. 360000
- c. 1260000
- d. None of these

**2. Short sales**

- a. 1080000
- b. 1008000
- c. 1380000
- d. 1200000

**3. Admissible additional expenses**

- a. 60000
- b. 21600
- c. 72000
- d. None of these

**4. Gross claim**

- a. 294000
- b. 302400
- c. 324000
- d. 354000

**5. Gross profit percentage in 2021**

- a. 33.33 %
- b. 30%
- c. 25%
- d. 20%



1	2	3	4	5
c	b	b	a	b

## Laws & Ethics (LNE)



GROUP: 1, PART: 6

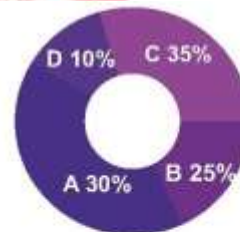
# LAWS & ETHICS (LNE)

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# Your Preparation Quick



### Syllabus Structure

**A** Commercial Laws **30%**

**B** Industrial Laws **25%**

**C** Corporate Laws **35%**

**D** Ethics **10%**

### Learning Objectives:

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

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

## Laws & Ethics

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

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

### Resolution passed at adjourned meeting

Sec116 Where a resolution is passed at an adjourned meeting of –

- (a) a company; or
- (b) the holders of any class of shares in a company; or
- (c) the Board of Directors of a company,

the resolution shall, be *treated as having been passed on the date on which it was in fact passed*, and shall not be deemed to have been passed on any earlier date.

### Resolutions and agreements to be filed

Sec117

**117.** (1) A copy of every resolution or any agreement, in respect of matters specified in sub-section (3) together with the explanatory statement annexed to notice under Section 102, if any, annexed to the notice calling the meeting in which the resolution is proposed, shall be filed with the Registrar within 30 days of the passing or making thereof and a copy of every resolution or any agreement required to be filed, together with the explanatory statement under Section 102, if any, shall be filed with the Registrar in **Form No. MGT.14** along with the fee or additional fee, as applicable.

The copy of every resolution which has the effect of altering the articles and the copy of every agreement referred to in Sec.117(3) shall be embodied in or annexed to every copy of the articles issued after passing of the resolution or making of the agreement.

Effective from 21<sup>st</sup> December,2020, **Sec.117(2)** provides that, if any company fails to file the resolution or the agreement under Sec.117(1) before the expiry of the period specified therein, such company shall be liable to;

- a penalty of ten thousand rupees and
- in case of continuing failure, with a further penalty of Rs.100 (one hundred) for each day after the first during which such failure continues, subject to a maximum of Rs.2,00,000 (two lakh) and every officer of the company who is in default *including liquidator of the company, if any*, shall be liable to a penalty of Rs.10,000 (ten thousand) and in case of continuing failure, with a further penalty of Rs.100 (one hundred) for each day after the first during which such failure continues, subject to a maximum of fifty thousand rupees.

Sec.117(3) shall apply to—

- (a) special resolutions;
- (b) resolutions which have been agreed to by all the members of a company, but which, if not so agreed to, would not have been effective for their purpose unless they had been passed as special resolutions;
- (c) any resolution of the Board of Directors of a company or agreement executed by a company, relating to the appointment, re-appointment or renewal of the appointment, or variation of the terms of appointment, of a managing director;
- (d) resolutions or agreements which have been agreed to by any class of members but which, if not so agreed to, would not have been effective for their purpose unless they had been passed by a specified majority or otherwise in some particular manner; and all resolutions or agreements which effectively bind such class of members though not agreed to by all those members;
- (e) resolutions requiring a company to be wound up voluntarily passed in pursuance of Section 59 of the Insolvency and Bankruptcy Code, 2016
- (f) resolutions passed in pursuance of sub-section (3) of Section 179
- (g) any other resolution or agreement as may be prescribed and placed in the public domain.

Provided that no person shall be entitled under section 399 to inspect or obtain copies of such resolutions.

Effective from 22<sup>nd</sup> January,2021 nothing contained in this clause shall apply in respect of a resolution passed to grant loans, or give guarantee or provide security in respect of loans under clause (f) of sub-section (3) of section 179 in the ordinary course of its business by, —

- (a) a banking company;
- (b) any class of non-banking financial company registered under Chapter IIIB of the Reserve Bank of India Act, 1934, as may be prescribed in consultation with the Reserve Bank of India;
- (c) any class of housing finance company registered under the National Housing Bank Act, 1987, as may be prescribed in consultation with the National Housing Bank; and

### Minutes

#### **Rule 25(1)(a) Companies (Management & Administration) Rules,2014 lays that -**

A distinct minute book shall be maintained for each type of meeting namely: -



- (i) General Meetings of the members;
- (ii) Meetings of the creditors
- (iii) Meetings of the Board; and
- (iv) Meetings of each of the committees of the Board.

**Explanation.** - For the purposes of this Rule 25(1)(a), resolutions passed by postal ballot shall be recorded in the minute book of general meetings as if it has been deemed to be passed in the general meeting.

### Procedure of each meeting

As laid in **Rule 25 (1)(b) Companies (Management & Administration) Rules,2014**

- (i) **The minutes of proceedings of each meeting** shall be entered in the books maintained for that purpose along with the date of such entry within thirty days of the conclusion of the meeting.
- (ii) In case of **every resolution passed by postal ballot**, a brief report on the postal ballot conducted including the resolution proposed, the result of the voting thereon and the summary of the scrutinizer's report **shall be entered in the minutes book of general meetings along with the date of such entry within 30** days (thirty) from **the date of passing of resolution**.

### Penalty for default in complying with the provisions of Sec.118(11) and Sec.118(12)

**Sec.118(11)** provides that if any default is made in complying with the provisions of this section in respect of any meeting, the company shall be liable to a penalty of Rs.25,000 (twentyfive thousand) and every officer of the company who is in default shall be liable to a penalty of Rs.5000 (five thousand).

**Sec.118(12)** provides that if a person is found guilty of tampering with the minutes of the proceedings of meeting, he shall be punishable with imprisonment for a term which may extend to 2(two) years and with fine which shall not be less than Rs.25,000 (twentyfive thousand) but which may extend to Rs.1,00,000 (one lakh).

### Inspection of Minute Book of General Meeting

**Sec.119(1)** provides that the books containing the minutes of the proceedings of any general meeting of a company or of a resolution passed by postal ballot, shall –

- (a) be kept at the registered office of the company; and
- (b) be open, during business hours, to the inspection by any member without charge, subject to such reasonable restrictions as the company may, by its articles or in general meeting, impose, so, however, that not less than two hours in each business day are allowed for inspection.

**Sec.119(2)** provides that any member shall be entitled to be furnished, within seven working days after he has made a request in that behalf to the company, and on payment of such fees , not exceeding a sum of ten rupees for each page or part of any page, provided that a member who has made a request for provision of soft copy in respect of minutes of any previous general meetings held during a period immediately preceding three financial years shall be entitled to be furnished, with the same free of cost with a copy of any minutes referred to in Section 119(1).

**Sec.119(3)** provides that if any inspection under Section 119(1) is refused, or if any copy required under Section 119(2) is not furnished within the time specified therein, the company shall be liable to a penalty of Rs.25,000 (twenty-five thousand ) and every officer of the company who is in default shall be liable to a penalty of Rs.5,000 (five thousand) for each such refusal or default, as the case may be.

**Sec.119(4)** w.e.f. 01/06/2016.provides that in the case of any refusal or default of any inspection,, the Tribunal may, without prejudice to any action being taken under Section 119(3), by order, direct an immediate



inspection of the minute-books or direct that the copy required shall forthwith be sent to the person requiring it.

### **Annual General Meeting (AGM)**

Section 96(1) provides that -

Every company *other than a One Person Company* shall in each year hold in addition to any other meetings, a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it, and *not more than 15 (fifteen) months shall elapse between the date of one annual general meeting of a company and that of the next:*

Provided that in case of the first annual general meeting, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case, within a period of six months, from the date of closing of the financial year:

Provided further that if a company holds its first annual general meeting as aforesaid, it shall not be necessary for the company to hold any annual general meeting in the year of its incorporation:

Provided also that the Registrar may, for any special reason, extend the time within which any annual general meeting, other than the first annual general meeting, shall be held, by a period not exceeding three months.

### **The First AGM**

In case of the first annual general meeting, *it shall be held within a period of 9 (nine) months from the date of closing of the first financial year of the company* and in any other case, within a period of 6 (six) months, from the date of closing of the financial year

If a company holds its first annual general meeting as aforesaid, it shall not be necessary for the company to hold any annual general meeting in the year of its incorporation.

### **Conduct of AGM**

Section 96(2) provides that every annual general meeting shall be called :

- ❖ during business hours, that is, between 9 a.m. and 6 p.m.
- ❖ on any day that is not a National Holiday and
- ❖ shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situated

Provided that the Central Government may exempt any company from the provisions of Section 96(2) subject to such conditions as it may impose.

It is clarified that a “National Holiday” means and includes a day declared as National Holiday by the Central Government.

## Direct Taxation (DXT)



GROUP: 1, PART: 7

# DIRECT TAXATION (DXT)

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## Your Preparation Quick



### Syllabus Structure

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

**Learning Objectives:**

- Identify the key concepts and function 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 fills tax returns.

**Capital Gains – Deductions****Summary of Deduction from Capital gain**

Sec	Nature of capital asset	Applicable to	New Asset	Time limit for investment	Exempti on	Deposit scheme	Revocation of benefit
<b>54</b>	Long term Residential House	Individual or HUF	One* Residential House in India	Within 1 year before or 2 years after the date of transfer in case of purchase, or within 3 years after the date of transfer, in case of new construction.	Capital gains or amount invested, whichever is less.	Yes	If new asset is sold within 3 years, then benefit availed earlier will be revoked and shall be reduced from cost of new asset.
<b>54B</b>	Agricultural land used for agro purpose for 2 years by him or his parents or HUF	Individual or HUF	Agricultural Land	Within 2 years after transfer	Capital gains or amount invested, whichever is less.	Yes	If new asset is sold within 3 years, then benefit availed earlier will be revoked and shall be reduced from cost of new asset.

54D	Land and building used for industrial undertaking for 2 years	Any assessee	Land and Building for industrial undertaking	Within 3 years after receipt of initial compensation	Capital gains or amount invested, whichever is less.	Yes	If new asset is sold within 3 years, then benefit availed earlier will be revoked and shall be reduced from cost of new asset.
54EC	Long term capital assets being land or building or both	Any assessee	Specified bonds redeemable after 5 years in National Highways Authority or Rural Electrification Corp Ltd. or Power Finance Corporation Ltd. or Indian Railway Finance Corporation Ltd. or other notified bonds	Within 6 months after transfer	Capital gains or amount invested, whichever is less. Max. `50 Lacs	No	If new asset is transferred (or loan or advance is taken against security of new asset) within 5 years, then earlier exemption shall be revoked and will be deemed to be LTCG in the year of transfer of new asset.

<b>54F</b>	Any LTCA other than residential house.	Individual or HUF	One Residential house in India. Assessee should not own more than one house (other than new).	Within 1 year before or 2 years after transfer in case of purchase or 3 years after transfer in case of construction.	(Capital Gain/ Net Consideration) * Amount invested	Yes	If new asset is sold within 3 years, or new asset acquired within 3 years, then earlier exemption shall be revoked and will be deemed to be LTCG.
<b>54G</b>	Plant & machinery or land & building for industrial undertaking in urban area (LTCA or STCA)	Any assessee	Plant and Machinery or Land and Building used for industrial undertaking in non-urban area or meeting expenses of shifting.	Within one year before or 3 years after the date of transfer.	Capital gains or amount invested, whichever is lower	Yes	If new asset is sold within 3 years, then capital gain will be revoked and shall be reduced from cost of new asset.

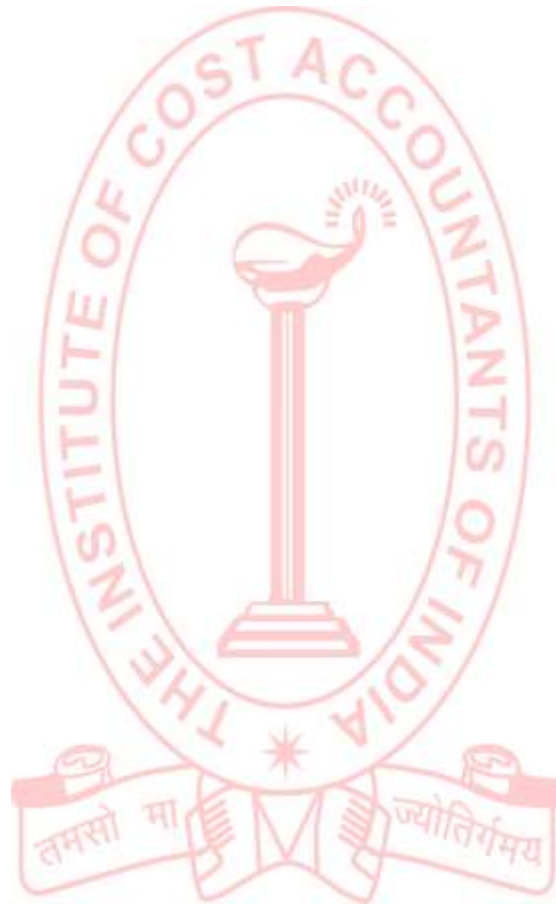
**W.e.f. A.Y. 2006-07, Sec.54GA inserted, provisions of which are parallel to sec. 54G but applicable when industrial undertaking is shifted to SEZ.**

**\* Optional scheme u/s 54**

**When Available:** Where the amount of the capital gain does not exceed ₹ 2 crore.

**Option:** The assessee may, at his option, purchase or construct **two** (instead of **one**) residential houses in India

**Restriction:** Where during any assessment year, the assessee has exercised this option, he shall not be subsequently entitled to exercise the option for the same or any other assessment year. That means, the option is available once in lifetime of the assessee.





## Cost Accounting (CAC)

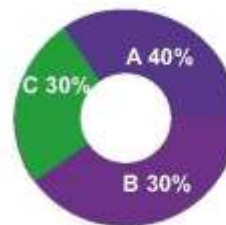


GROUP: 1, PART: 8

# COST ACCOUNTING (CAC)

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## Your Preparation Quick



### Syllabus Structure

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

**Learning Objectives:**

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

**Cost Accounting**

**N**owadays the value and importance of Cost Accounting need hardly the over emphasized. For that the 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 is 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.

The following tips based on my long experience are suggested below:

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. Try to write down all the important terms in your words for practicing it frequently.
8. Finally, try to develop a habit of reading the questions well, underlining and understanding the specific requirements.

According to study material of paper-8 the entire syllabus is divided into **six main chapters**. In first chapter the basic concept of cost accounting are discussed in details, 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 Brake-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 concerned with 'Budget and Budgetary Control'. Budget can be defined as financial and / or quantitative statement, prepared prior to a defined period of time, of the policy should be pursued during that period for the purpose of attaining a given objective. Again the term budget can be expressed as a predetermined plane 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.

Budget is designed to assist management in carrying out its functions by allocating responsibility and authority to aid in making plans and estimates for the future. A flexible budget has been defined as a budget which is designed to change in accordance with the activities attained. Practically it is a series of fixed budgets for different levels of activities. The solution of following problem will clear this.

For a better practice and securing good marks I have suggested some M.C.Q. pattern questions based on Job, Contract and Batch Costing. Practice the following problems for better understanding and conceptions.

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

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

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

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

**2. Which of the following is correct?**

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

- (i) It has a duration in excess of twelve calendar months.
- (ii) It is a progress at a financial year-end and has a significant effect on the activity of the Contractor for the period under review.

- (iii) Its completion will require a number of stages, each of which must be certified and valued for Profit calculation purpose.
- (iv) It has a duration in excess of six calendar months.

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

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

**C. Retention monies are best defined as:**

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

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

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

**E. Which of the following is the most appropriate definition of turnover at intermediate stage in a contract?**

- (i) The value of work done which leaves the agreed attributable profit when the cost of work certified is subtracted from it.
- (ii) Cost of work certified to date plus estimated profit to the end of the contract.
- (iii) The value of work certified less any foreseeable losses.
- (iv) Cost of work to date minus the cost of work not certified plus estimated profit to date.

**F. Foreseeable losses estimated for a contract should be treated in which of the following ways?**

- (i) Ignore until they are known to be accurate with reasonable certainty.
- (ii) Write off immediately that they are estimated.
- (iii) Write off in the same proportion as any estimated profits are recognized.
- (iv) Write up only if the work to which they relate is 50% completed.



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

Marginal Costing has been used mainly for internal reporting with a view to enabling the management to effectively plan and control the operations. It is a management technique of ascertaining marginal cost and of the effect of profit of changes in volume or type of output by differentiating the total cost into fixed and variable. From the following problem the basic concept of Marginal Costing will be cleared.

**Problem:**

The Asian Industries specializes in the manufacture of small capacity motors. The cost structure of a motor is as under:

Material	Rs. 50/-
Labour	Rs. 80/-
Variable overheads	Rs. 70% of labour cost

Fixed overheads of the company amount to Rs. 2.40 lakhs per annum. The sale price of the motor is Rs. 230 each.

- Determine the number of motors that have to be manufactured and sold in a year in order to break-even.
- How many motors have to be made and sold to make a profit of Rs. 1 lakh per year?
- If the sale price is reduced by Rs. 15 each, how many motors have to be sold to break even?

**Solution**

(a) Sale price per motor	
Less : Marginal cost per motor	
Material	Rs. 50
Labour	Rs. 80
Variable overheads 75% of Rs. 80/-	Rs. 60

Contribution per unit

Fixed Overheads per year	= Rs. 240000
B.E.P. ( Units ) =	F/C per unit = 240000/40 = 6000 Motors
Sales ( Units ) =	F + P/C Per unit = 240000 + 100000/40 = 8500 Motors
Revised Selling Price	230 – 15 = 215
Marginal Cost	190

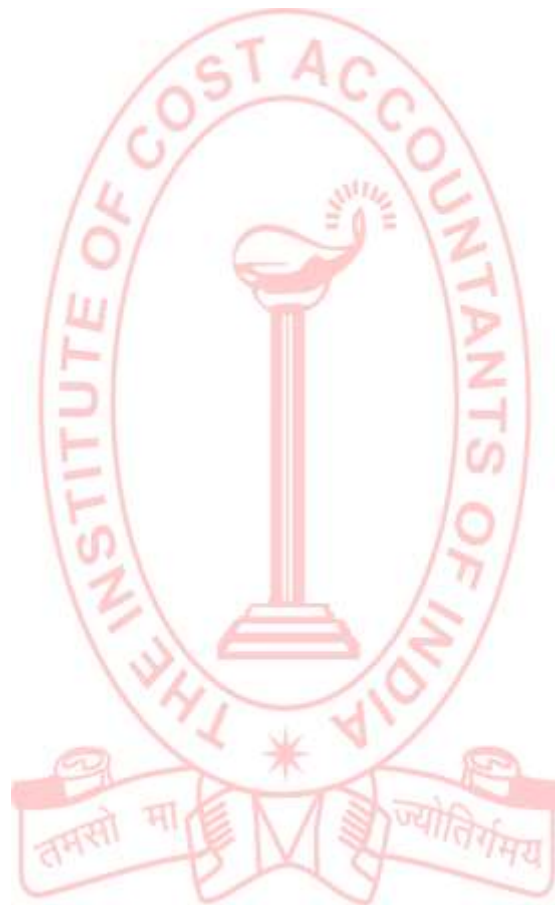
Revised Contribution per motor 25

B.E.P. ( Units ) = 240000/25 = 9600 Motors



**Reconciliation:**

Sales 9600 × 215	Rs. 2064000
Less : Marginal cost 9600 × 190	Rs. 1824000
	-----
Contribution	Rs. 240000
Less : Fixed Overheads	Rs. 240000
	-----
Profit	Nil



## Operations Management & Strategic Management (FBMS)



GROUP: 2, PART: 9, PART - I

### OPERATIONS

MANAGEMENT & STRATEGIC  
MANAGEMENT  
(OMSM) - OPERATION  
MANAGEMENT

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# Your Preparation Quick



#### Syllabus Structure

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

**Learning Objectives:**

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

**Operations Management**

In this issue we will continue our discussion on Facility Layouts with designing illustrations

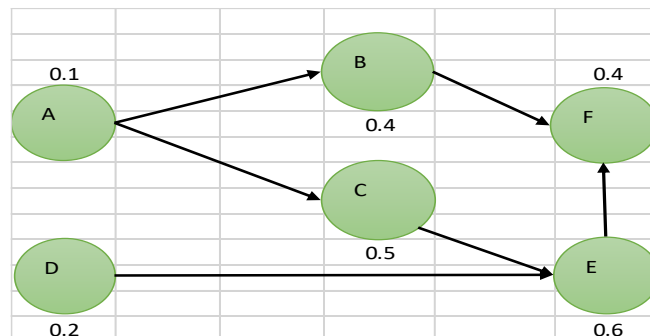
**Illustration:**

ABC Company needs to produce 4000 boxes of blocks per 40 hour week to meet upcoming holiday demand. The process of making block can be broken into six tasks. The precedence and time requirements for each task are as follows. Draw the precedence diagram and set up a balanced assembly line and calculate the efficiency.

Task	Precedence	Performance Time (Min)
A	-	0.1
B	A	0.4
C	A	0.5
D	-	0.2
E	C, D	0.6
F	B, E	0.4
		2.2

**Answer:**

The precedence diagram is as follows:



$$\begin{aligned} \text{Cycle time} &= \frac{\text{Operating time per day}}{\text{Desired output rate}} \\ &= \frac{40 * 60}{4000} = 0.6 \text{ minutes per unit} \end{aligned}$$

$$\begin{aligned} \text{Theoretical minimum number of stations} &= N_{min} = \frac{\Sigma t}{\text{Cycle time}} \\ &= \frac{2.2}{0.6} = 3.67 = \text{rounded to 4 station} \end{aligned}$$

The solution is given below.

We are doing in order of greater positional weight. Tiebreaker: most following tasks

Task	Number of tasks following	Positional Weight
A	3	1.6
B	1	0.8
C	2	1.5
D	2	1.2
E	1	1
F	-	0.4

Station	Time Remaining	Eligible	Assign Task/Time	Revised Time used	Station idle Time	Reason
1	0.6	A, D	A	0.1	0.5	as A has greatest positional weight
	0.5	B, C, D	C	0.5	0	as C has greatest positional weight
2	0.6	B, D	D	0.2	0.4	as D has greatest positional weight
	0.4	B	B	0.4	0	Only task, no choice
3	0.6	E	E	0.6	0	Only task, no choice
4	0.6	F	F	0.4	0.2	Only task, no choice
	0.2				0.2	
	Total				0.2	

$$\begin{aligned} \text{Percentage of idle time} &= \frac{\text{Idle time per cycle}}{N_{\text{actual}} * \text{Cycle time}} * 100 \\ &= \frac{0.2}{4 * 0.6} * 100 = 8.33\% \end{aligned}$$

Similarly with the help of formula for *Efficiency of the line* could be found as:

$$\text{Efficiency} = 100\% - \text{Percentage of idle time} = 100\% - 8.33\% = 91.67\% \text{ or}$$

$$\begin{aligned} \text{Efficiency of the line} &= \frac{N_{\text{Actual}} * \text{Cycle time} - \text{Idle time}}{N_{\text{Actual}} * \text{Cycle time}} * 100 \\ &= \frac{4 * 0.6 - 0.2}{4 * 0.6} * 100 = 91.67\% \end{aligned}$$

#### Illustration for Process Layout:

Process layout with pairwise exchange method as well CRAFT

We know that the problem in process layout is one of arranging different departments in an available work area in such a way that the interdepartmental material movement costs are kept to a minimum.

The cost of movement is the number of loads multiplied by the distance between departments & the cost of moving one load. i.e

$$\text{Cost of movement} = N * d * C$$

Where  $N$  = Number of Loads,  $d$  = Distance between departments &  $C$  = Cost of moving one load distance

If we could minimise  $\Sigma ND$  we could minimise cost.

The main issue in designing process layout concerns the relative positioning of the departments involved--- Relative means some departments may benefit from adjacent location whereas others should be separated.

In a Steel plant Rolling mill should be located near steel melting shop rather than locating it near coke oven.

On the other hand in an educational institute students' cafeteria must not be located adjacent to library.

In Facility layout we can follow either Constructive type approach through Systematic layout planning approach or Improvement type approach through Pairwise Exchange Method as well as CRAFT

Pairwise Exchange Method as well as Craft need an Initial layout and that is why it is called an Improvement type approach. In other approach no initial layout is required.

One of the inputs in pairwise exchange method is From –To matrixes.

A From-To matrix ---

- Gives the distance between selected pairs of departments
- Gives the flow of materials between departments
- Are of two types-
  - Distances matrix
  - Number of material handling trips per day—Flow Matrix

Let us take the following two matrixes for--

An establishment with six departments A, B, C, D, E, F

DISTANCE MATRIX						
From-To	A	B	C	D	E	F
A		18	40	30	65	24
B	18		38	75	16	30
C	40	38		22	38	12
D	30	75	22		50	46
E	65	16	38	50		60
F	24	30	12	46	60	

FLOW MATRIX						
From-To	A	B	C	D	E	F
A		43	26	14	40	0
B			75	60	0	23
C				0	45	16
D		22			28	0
E		45		30		60
F		12				

In distance matrix distance between departments A to B is 18 units, similarly from department D to C is 22 units etc. The matrix is constructed assuming no restriction on return path. So when A to B is 18, B to A is also 18. From B to A if there is a restriction like road block etc then distance from B to A may be different. This type of matrix is called symmetric distance matrix.

In flow matrix from department A to B 43 pallet load of material are moved in a day. From D to E 28 pallet load of material are transported in a day. So these numbers actually show or are related to number of trips number of units moved between every pair of departments.

Our goal will be to reduce the total travel distance and for this we will try to arrange location of departments in a way to minimise the travel distances.



To have our goal we have to construct a new matrix by multiplying Distance matrix and Flow matrix—Result is FLOW COST Matrix

FLOW COST MATRIX						
From-To	A	B	C	D	E	F
A	0	774	1040	420	2600	0
B	0	0	2850	4500	0	690
C	0	0	0	0	1710	192
D	0	1650	0	0	1400	0
E	0	720	0	1500	0	3600
F	0	360	0	0	0	0

Say distance between A to B is 18 and there are 43 trips from A to B. So total distance travelled is  $18 \times 43 = 774$ . In this way we will get the above matrix.

Before applying pairwise exchange method as well CRAFT to a facility layout problem let us first discuss the features of Pairwise Exchange method:

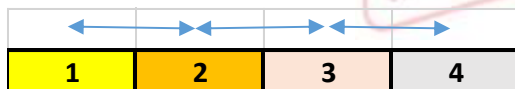
- A heuristic approach, not optimal solution
- Need initial layout
- At each iteration, every pair of departments is considered for switching locations
- The pair that gives the greatest savings in cost will be interchanged
- The process will continue by looking for another pair to switch until there is no improvement

#### Illustration:

Let one business unit has four departments 1,2,3,4 and the initial layout is as follows:



These departments are arranged in a line as shown above and each is occupying same area. We are assuming distance between two adjacent departments measured from center point to center point is of 1 unit. i.e.



Each arrow is of 1 unit. So distance between 1-2 = 1, distance between 1-3 = 2 & distance between 1-4 = 3 and so on. Therefore, distance matrix based on existing layout will be

From/To	1	2	3	4
1		1	2	3
2			1	2
3				1
4				

Flow between departments are given in the following Material Flow matrix

Between	1	2	3	4
1		10	15	20
2			10	5
3				5
4				

In this example material flow matrix is constructed by accumulating total flows between a pair. i.e. 10 indicates = No of flows/trips from 1 to 2 + no of flows/trips from 2 to 1

Similarly 20 indicates = No of flows/trips from 1 to 4 + no of flows/trips from 4 to 1 & so on. So instead of calling it a From - To matrix we are calling it a Between Flow matrix.

From this flow matrix it is observed that between departments 1 and 4 there are high no of trips of 20 but as per existing plan these two departments are not adjacent. If they are located side by side then we could reduce load-distance

So with this initial layout total cost is

$$10 * 1 + 15 * 2 + 20 * 3 + 10 * 1 + 5 * 2 + 5 * 1 = 125$$

Our objective is to reduce this load distance so that cost of movement @ Rs.C/load-distance will be minimum. To achieve our objective we will exchange location of departments in every possible way. Following are the exhaustive possible ways

1-2, 1-3, 1-4

2-3, 2-4

3-4

1-2 means that department 2 will replace department 1 and department 1 will replace department 2 in the initial layout. While doing this we assumed that location of every departments can be changed. If a department cannot be relocated to a new place from its initial position, then that department will not be considered in exchanging process. Suppose department 3 cannot be relocated, its position is fixed as per initial layout. Then under this process 1-3, 2-3 & 3-4 will be deleted from above list

With this exchange the new layout will be

2	1	3	4
---	---	---	---

Because of this new layout the distance matrix will be changed to

From/To	2	1	3	4
2		1	2	3
1			1	2
3				1
4				

As a result the new load distance and thereby cost will be

$$10 * 1 + 15 * 1 + 20 * 2 + 10 * 2 + 5 * 3 + 5 * 1 = 105.$$

In this way if we proceed for each possible exchanges the layout and corresponding cost will be

Possibilities	LAYOUT				COST
Initial	1	2	3	4	125
Exchange 1-2	2	1	3	4	105
Exchange 1-3	3	2	1	4	95
Exchange 1-4	4	2	3	1	120
Exchange 2-3	1	3	2	4	120
Exchange 2-4	1	4	3	2	105
Exchange 3-4	1	2	4	3	125

Since exchanging place between departments 1 & 3 is giving the minimum cost so desired layout will be

3	2	1	4
---	---	---	---

Now considering this as the initial layout we have to carry out our 2<sup>nd</sup> iteration. Under this new initial the distance matrix will be

From/To	3	2	1	4
3		1	2	3
2			1	2
1				1
4				

And as computed above cost is 95

Now let us make relocation of every department in the following pair:

(1-2), (1-3), (1-4), (2-3), (2-4), (3-4) and the result is

Possibilities	LAYOUT				COST
Initial	3	2	1	4	95
Exchange 1-2	3	1	2	4	105
Exchange 1-3	1	2	3	4	125
Exchange 1-4	3	2	4	1	110
Exchange 2-3	2	3	1	4	90
Exchange 2-4	3	4	1	2	105
Exchange 3-4	4	2	1	3	105

The new minimum cost layout will be

2	3	1	4
---	---	---	---

Shall I stop here? No. We will make further iteration considering Layout 2-3-1-4 as initial and do the exchanges between pair of departments as above. So under this third iteration the result is:

Possibilities	LAYOUT				COST
Initial	2	3	1	4	90
Exchange 1-2	1	3	2	4	120
Exchange 1-3	2	1	3	4	105
Exchange 1-4	2	3	4	1	105
Exchange 2-3	3	2	1	4	95
Exchange 2-4	4	3	1	2	105
Exchange 3-4	2	4	1	3	100

So no further reduction of cost. Therefore layout 2-3-1-4 resulted in minimum cost. But will it be the most optimal layout. This answer cannot be given unless we carry out optimisation test. The minimum cost layout as above is obtained from a given initial layout. If initial layout is changed then our answer will also change.

The major drawback of above mentioned procedures is that they are very tedious when the number of departments is large. The problem is quite formidable in the actual plant situation when there are a large number of departments.

The above difficulty can now be alleviated due to the availability of Computer software packages such as the Computerised Relative Allocation of Facilities Technique (CRAFT). The basic technique of optimisation in CRAFT is similar to what we did here with pairwise exchange method.

**Illustration:** A business house has six departments A, B, C, D, E, & F and these departments are assigned to area 1, 2,3,4,5 and 6 in the following manner

	1	2	3	4	5	6
ASSIGNMENTS	A	B	C	D	E	F

As input to CRAFT requisite Distance matrix and Flow matrix (on accumulation basis) are given below:

DISTANCE MATRIX						
From-To	1	2	3	4	5	6
1	0	18	40	30	65	24
2		0	38	75	16	30
3			0	22	38	12
4				0	50	46
5					0	60
6						0

FLOW MATRIX						
From-To	A	B	C	D	E	F
A	0	43	26	14	40	0
B		0	75	82	45	35
C			0	0	45	16
D				0	61	0
E					0	60
F						0

Cost for this initial output layout 24156

Optimum cost after running computerised relative allocation of facilities technique (CRAFT) is 16133 and the solution is

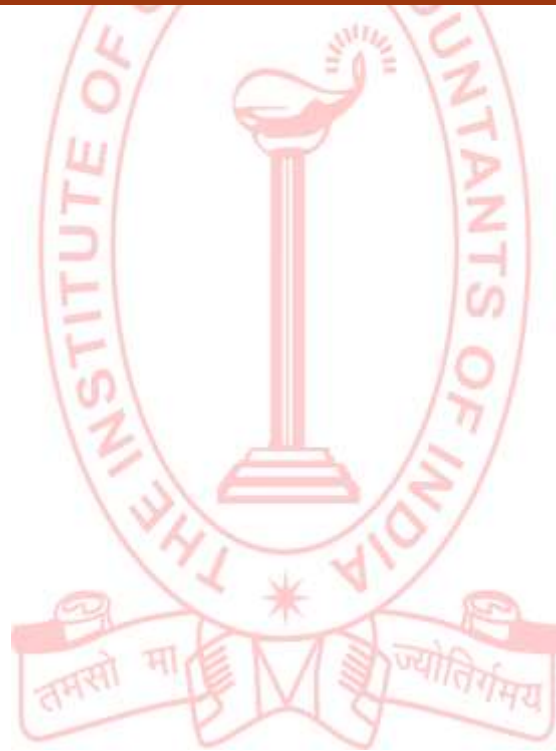
Departments		Areas		Distance	Volume
From	To	From	To		
A	B	5	1	65	43
A	C	5	2	16	26
A	D	5	4	50	14
A	E	5	3	38	40
A	F	5	6	60	0
B	C	1	2	18	75
B	D	1	4	30	82
B	E	1	3	40	45
B	F	1	6	24	35
C	D	2	4	75	0
C	E	2	3	38	45
C	F	2	6	30	16
D	E	4	3	22	61
D	F	4	6	46	0
E	F	3	6	12	60

	1	2	3	4	5	6
ASSIGNMENTS	B	C	E	D	A	F

**Suggestions:**

*The study guide needs to be studied thoroughly. Supplementary readings could be made from other resources. This issue is based on Modern Production/Operations Management by Buffa and Sarin.*

*Production and Operations Management by SN Chery, Operations Management by R.S Russell & BW Taylor, Operations Management by J Stevenson. Discussions are made here as an extension & supplementary to the knowledge shared on the topic in study guide and previous issues of bulletin. This is for updating of knowledge and could be used as an aid to the study guide. No discussions are held on formulae used as everything are available in guide book.*





## Operations Management & Strategic Management (FBMS)



GROUP: 2, PART: 9, PART - II

### OPERATIONS

MANAGEMENT & STRATEGIC  
MANAGEMENT  
(OMSM) - STRATEGIC  
MANAGEMENT

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# Your Preparation Quick



#### Syllabus Structure

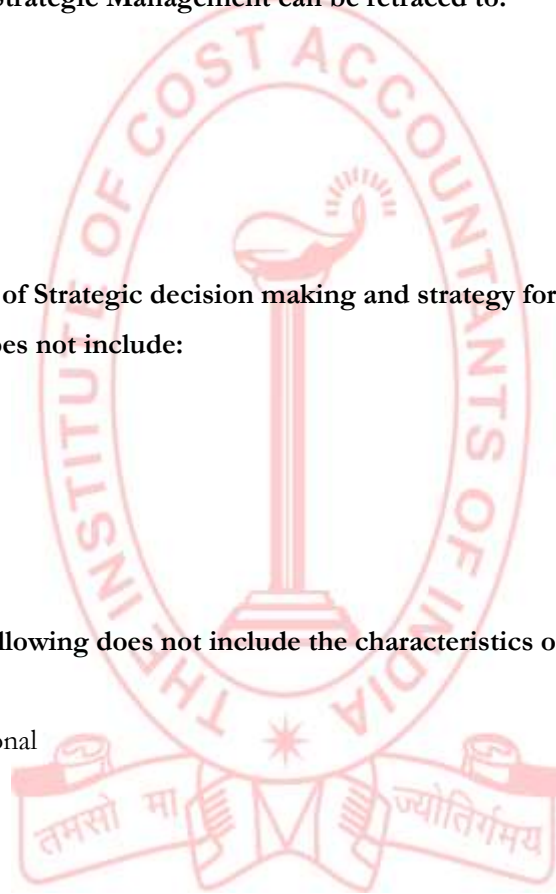
- A Introduction To Cost Accounting 40%
- B Methods of Costing 30%
- C Cost Accounting Techniques 30%

**Learning Objectives:**

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

**Strategic Management**

- 1. The origins of Strategic Management can be retraced to:**
  - A. 1930
  - B. 1911
  - C. 1879
  - D. 1938
- 2. Different levels of Strategic decision making and strategy formulation in any organization does not include:**
  - A. Financial
  - B. Corporate
  - C. Functional
  - D. Business
- 3. Which of the following does not include the characteristics of Strategic Management?**
  - A. Reactive
  - B. Multidimensional
  - C. Systematic
  - D. Dynamic
- 4. Which of the following defines what business or businesses the firm is in or should be in?**
  - A. Business strategy
  - B. Corporate strategy
  - C. Functional strategy
  - D. National strategy
- 5. The corporate level is where top management directs:**
  - A. All employees for orientation
  - B. Its efforts to stabilize recruitment needs



- C. Overall strategy for the entire organization  
D. Overall sales projections
- 6. What type of range is the impact of strategies on the general direction and basic character of a company?**
- A. Medium range  
B. Short range  
C. Long-range  
D. Minimal
- 7. Select the statement which is much more accurate to define Value:**
- A. Value means value for money  
B. Is described as the benefits chosen by the business to give customers through their product/service  
C. Are the benefits of a product/service which is perceived by the customers?  
D. Does not offer a competitive advantage
- 8. Which of the following shows concern for non-profit organizations?**
- A. The markets to service  
B. Identifying suppliers to deal with  
C. Developing capabilities  
D. Building monopolies
- 9. The strategic management process is:**
- A. Set of activities that are guaranteed to prevent organizational failure  
B. A process that is concerned with a firm's resources, capabilities, and competencies, but not the conditions in its external environment  
C. A set of activities which has not been used successfully in the not-for-profit sector  
D. A dynamic process involving the full set of commitments, decisions, and actions related to the firm
- 10. A possible and desirable future state of an organization is called:**
- A. Mission  
B. Strategy implementation  
C. Strategy formulation  
D. Vision

- 11. The question mark in the BCG matrix symbolizes:**
- Invest
  - Stable
  - Liquidate
  - Remain diversified
- 12. One company buying another company means:**
- Joint venture
  - Acquisition
  - Amalgamation
  - Merger
- 13. How many cells are there in a SWOT matrix?**
- 9
  - 6
  - 3
  - 2
- 14. Which statement best applies to emergent strategies:**
- Implies an ability to react to the events
  - Implies strategizing
  - Implies no deviation from plans
  - Implies constant evaluation of the bigger picture
- 15. Organizations require good people with appropriate skills and abilities to work together effectively to be successful. Which are the characteristics is not seen as critical for this?**
- Competent
  - Committed
  - Cost-effective
  - Capable

**Answer:**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
B	A	A	B	C	C	C	A	D	D	D	B	A	A	D

## Cost & Management Accounting and Financial Management (CMFM)



GROUP: 2, PART: 10,

### COST & MANAGEMENT

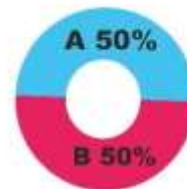
ACCOUNTING AND FINANCIAL  
MANAGEMENT - (CMFM)

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# Your Preparation Quick



**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: Fill Marks 50). Each of the individual sections has further been divided into five chapters each highlighting a specific aspect of the subject concerned. In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.

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

The data relating to Mehar Ltd. for the month of October, 2022 are as follows:

Output (unit)	6,500
Wages paid for 16,250 hours	Rs.48,750
Material purchased 4,000 kg	Rs.34,000
<b>Variances :</b>	
Variance	Rs.
Labour rate	1,875 (A)
Labour efficiency	1,275 (F)
Labour idle time	700 (A)
Material Price	1,850 (F)
Material usage	1,200 (F)

What shall be the :-

**REG. MATERIAL**

- 1) Standard Cost of Actual Quantity : (a) Rs.35,700 (b) Rs.35,750 (c) 35,800 (d) Rs.35,850  
(SC of AQ)



- 2) Standard Cost of Actual Production (SCAP) : (a) Rs.37,050 (b) Rs.37,100 (c) Rs.37,150 (d) Rs.37,200
- 3) Standard Cost per unit : (a) Rs.5.50 (b) Rs.5.60 (c) Rs.5.70 (d) Rs.5.80

**REG. LABOUR**

- 4) Standard Cost of Actual Hour (SC of AH) paid for : (a) Rs.46,875 (b) Rs.46,900 (c) Rs.46,925 (d) Rs.46,950
- 5) Standard Cost of Productive (effective) hours : (a) Rs.46,150 (b) Rs.46,175 (c) Rs.46,200 (d) Rs.46,250
- 6) Standard Cost of Actual Production : (a) Rs.47,300 (b) Rs.47,350 (c) Rs.47,400 (d) Rs.47,450
- 7) Standard cost per unit : (a) Rs.7.20 (b) Rs.7.30 (c) Rs.7.40 (d) Rs.7.50

**REG PRIME COST**

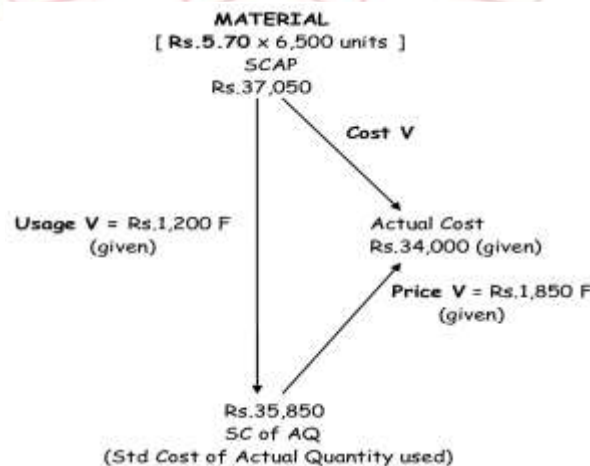
- 8) What is the prime cost per unit : (a) Rs.12.00 (b) Rs.13.00 (c) Rs.14.00 (d) Rs.14.50

**Answer:**

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

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

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

**Solution with Working Notes**

**Working Notes:****MATERIAL**

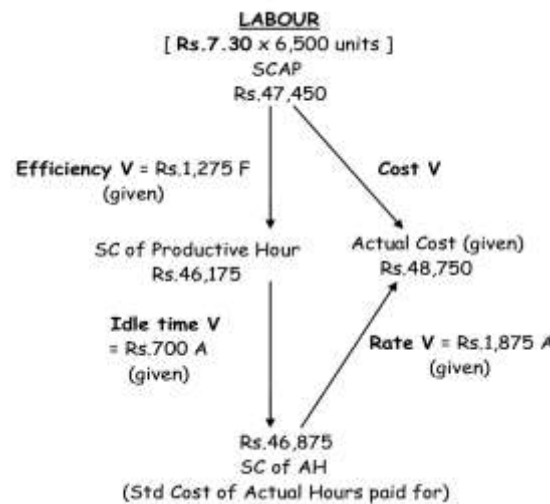
	Actual Cost	Rs.34,000
Add :	Price V (F)	(+) 1,850
	SC of AQ	35,850
Add :	Usage V (F)	(+) 1,200
	SCAP	37,050

Direct Material Cost per units – **Rs.5.70**

[ Rs.37,050 / 6,500 units ]

Prime Cost per unit = **Rs.13.00**

[ Rs.5.70 + Rs.7.30 ] \* See Working Note under Labour for cost per unit.

**Working Notes:****LABOUR**

	Actual Cost	Rs.48,750
Less:	Rate V (A)	(-) 1,875
	SC of AH	46,875
Less:	Idle time V (A)	(-) 700
	SC of Productive Hour	46,175
Add:	Efficiency V (F)	(+) 1,275
	SCAP	Rs.47,450

Direct Labour Cost per unit = **Rs.7.30**

[ Rs.47,450 / 6,500 units ]

**Question No. – 2 (Sales)**

M/s. XYZ & Co. follows Standard Costing System. The following data are available from their Cost records for the month of October, 2022:

	Budget	Actual
<b>Sales Quantity</b>		
Product M	2,000	1,800
Product N	3,000	3,500
<b>Sales Price per unit</b>		
Product M	Rs.12	Rs.14
Product N	Rs.8	Rs.7
<b>Cost per unit</b>		
Product M	Rs.9	Rs.10
Product N	Rs.6	Rs.5

**What shall be the: -**

- 1) Actual Sales : (a) Rs.49,600 (b) Rs.49,700 (c) Rs.49,800 (d) Rs.49,900
- 2) Budgeted Sales : (a) Rs.45,000 (b) Rs.46,000 (c) Rs.47,000 (d) Rs.48,000
- 3) Standard Sales on Actual Quantity : (a) Rs.49,600 (b) Rs.49,700 (c) Rs.49,800 (d) Rs.49,900
- 4) Standard Sales on Revised Std Quantity (RSQ) : (a) Rs.12,710 (b) Rs.12,720 (c) Rs.12,730 (d) Rs.12,740
- 5) Sales Price Variance in respect of Product 'M' : (a) Rs.3,500 F (b) Rs.3,500 A (c) Rs.3,600 A (d) Rs.3,600 F
- 6) Sales Mix Variance in respect of Product 'N' : (a) Rs.2,560 A (b) Rs.2,560 F (c) Rs.2,570 A (d) Rs.2,570 F
- 7) Sales Quantity Variance in respect of Product 'M' : (a) Rs.1,440 F (b) Rs.1,440 A (c) Rs.1,450 A (d) Rs.1,450 F

**REG. SALES MARGIN VARIANCE (based on Actual Profit)**

- 8) Sales Margin Value Variance : (a) Rs.2,100 A (b) Rs.2,100 F (c) 2,200 F (d) 2,200 A
- 9) Sales Margin Price Variance : (a) Rs.1,700 F (b) Rs.1,700 A (c) Rs.1,800 A (d) Rs.1,800 F
- 10) Sales Margin Volume : (a) Rs.400 F (b) Rs.400 A (c) Rs.500 A (d) Rs.500 F

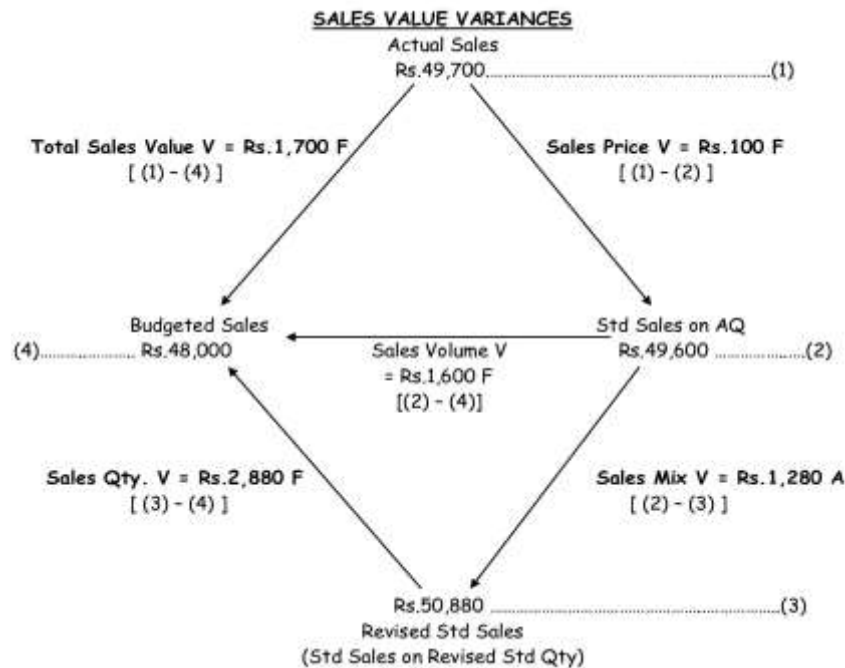
**SALES MARGIN VARIANCES (based on Actual Margin)**

- 11) Sales Margin Value Variance : (a) Rs.500 F (b) Rs.500 A (c) Rs.550 F (d) Rs.550 A
- 12) Sales Margin Price Variance : (a) Rs.90 A (b) Rs.90 F (c) Rs.100 A (d) Rs.100 F

- 13) Sales Margin Volume V : (a) Rs.400 A (b) Rs.400 F (c) Rs.450 F (d) Rs.450 A  
 14) Sales Margin Mix Variance : (a) Rs.310 A (b) Rs.310 F (c) Rs.320 A (d) Rs.320 F  
 15) Sales Margin Quantity Variance : (a) Rs.720 F (b) Rs.720 A (c) Rs.730 A (d) Rs.730 F

**Answer:**

- 1) (b) Rs.49,700                      2) (d) Rs.48,000                      3) (a) Rs.49,600  
 4) (b) Rs.12,720                      5) (d) Rs.3,600 F                      6) (b) Rs.2,560 F  
 7) (a) Rs.1,440 F                      8) (c) Rs.2,200 F                      9) (d) Rs.1,800 F  
 10) (a) Rs.400 F                      11) (a) Rs.500 F                      12) (d) Rs.100 F  
 13) (b) Rs.400 F                      14) (c) Rs.320 A                      15) (a) Rs.720 F

**Solution with Working Notes****Working Note – 1****Actual Sales**

M : 1,800 Units @ 14	=	25,200
N : 3,500 Units @ 7	=	24,500
<u>5,300</u>		<u>49,700</u>

**Working Note – 2****Budgeted Sales**

M : 2,000 Units @ 12	=	24,000
----------------------	---	--------

N : 3,000 Units @ 8	=	24,000
<u>5,000</u>		<u>48,000</u>

**Working Note – 3****Standard Sales on AQ**

M : 1,800 Units @ 12	=	21,600
N : 3,500 Units @ 8	=	28,000
<u>5,300</u>		<u>49,600</u>

**Working Note – 4****Std Sales on Revised Standard Quantity**

	AQ in Std Proportion	RSQ units	SR (Rs.)	Amt (Rs.)
M	5300 x 2/5 i.e.	2120	12	25440
N	5300 x 3/5 i.e.	3180	8	25440
		<u>5300</u>		<u>50880</u>

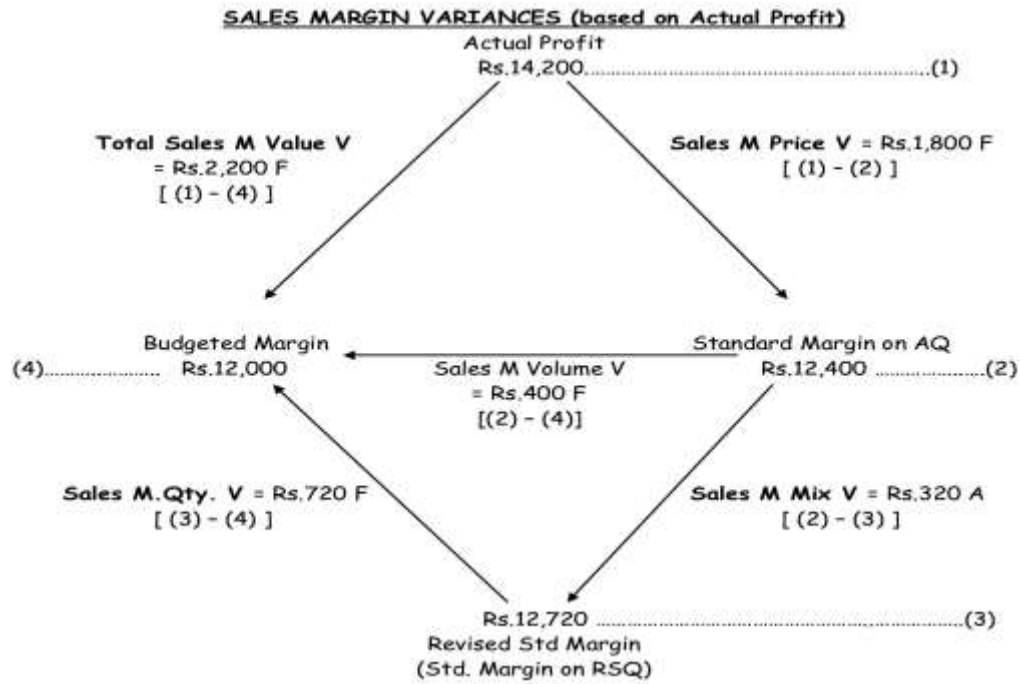
**Details of Variances**

(Amount in Rupees)

**\*Sales Price V = Rs.100 F****[Actual Sales – Standard Sales]****M 25,200 – 21,600 = Rs.3,600 F****N 24,500 – 28,000 = Rs.3,500 A****\*Sales Mix V = Rs.1,280 A****[Standard Sales – Revised Std Sales]****M 21,600 – 25,440 = Rs.3,840 A****N 28,000 – 25,440 = Rs.2,560 F****\*Sales Quantity V Rs.2,880 F****[Revised Std Sales – Budgeted Sales]**

M  $25,440 - 24,000 = \text{Rs.}1,440 \text{ F}$

N  $25,400 - 24,000 = \text{Rs.}1,440 \text{ F}$



**Working Note – 5**

**Actual Profit**

M : 1,800 Units @ (14 – 10)	=	7,200
N : 3,500 Units @ (7 – 5)	=	7,000
		14,200

**Working Note – 6**

**Budgeted Margin or Profit**

M : 2,000 Units @ (12 - 9)	=	6,000
N : 3,000 Units @ (8 - 6)	=	6,000
		12,000

**Working Note – 7**

**Standard Margin on AQ of Sales**

M : 1,800 Units @ 3	=	5,400
N : 3,500 Units @ 2	=	7,000
		12,400



**Working Note – 8****Standard Margin on Revised Std Quantity**

<u>Actual Units in Std Proportion</u>	<u>RSQ</u>	<u>Amount</u>
M : 5,300 x 2/5 i.e.	2,120 @ 3 =	6,360
N : 5,300 x 3/5 i.e.	3,180 @ 2 =	6,360
		12,720

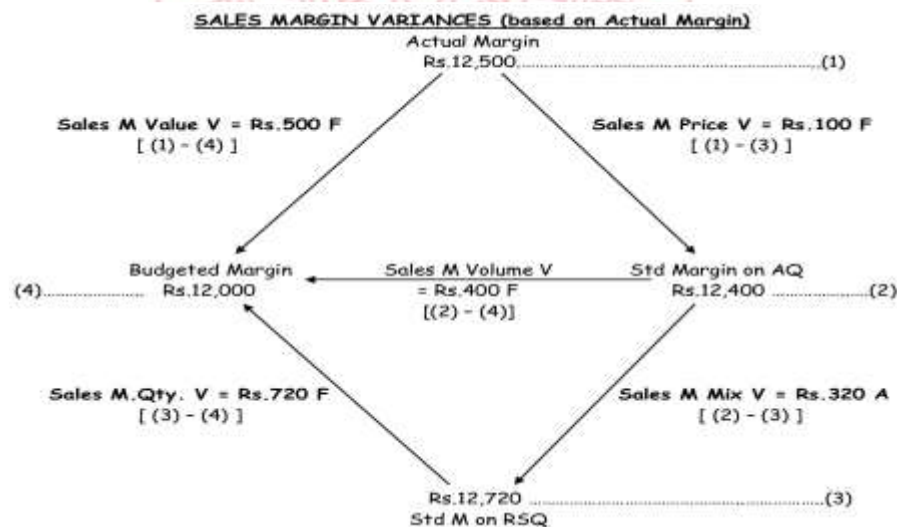
**TUTORIAL NOTES**

When Budgeted Cost is deducted from Budgeted Sales Price, the resulting balance gives rise to Budgeted Profit or Margin. In such case, Budgeted and Standard as well as Profit and Margin respectively are used interchangeably. It really means:

$$\text{Budget} = \text{Standard and Profit} = \text{Margin}$$

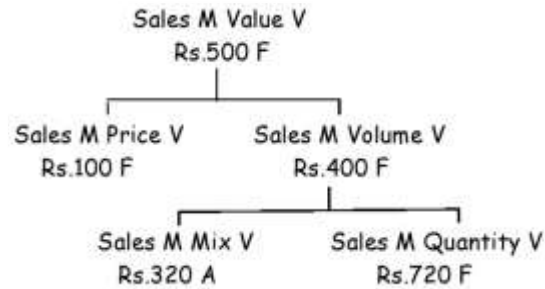
But when it comes to Actuals, the term differs. While Actual Sales Price minus Actual Cost results into Actual Profit, Actual Sales Price minus Budgeted or Standard Cost gives rise to Actual Margin. Hence, Actual Profit and Actual Margin are not the same thing so far as Sales Variance is concerned. The on-going solution illustrates the difference along with diagrams.

The above lesson helps reconcile Budgeted Profit with Actual Profit and Budgeted Margin with Actual Margin; and these also have been shown at the bottom of the solution just for an understanding of the students.



**Working Note – 9****Actual Margin**

<u>Product</u>	<u>Units</u>	<u>(Actual Price – Std Cost)</u>		<u>Margin (Rs.)</u>	<u>Amount (Rs.)</u>
M	1800	(14 – 9)	=	5	9000
N	3500	(7 – 6)	=	1	3500
					Rs.12500

**FOR UNDERSTANDING OF STUDENTS**

A. Reconciliation of  
Budgeted Sales with Actual Sales

Budgeted Sales	48,000
Add : Sales Price V = 100 F	
Less: Sales Mix V = 1,280 A	
Add : Sales Qty V = 2,880 F	
	1,700 F
Actual Sales	Rs.49,700

B. Reconciliation of  
Budgeted Profit with Actual Profit

Budgeted Profit	12,000
Add : Sales M Price V = 1,800 F	
Less: Sales M Mix V = 320 A	
Add : Sales M Qty V = 720 F	
	2,200 F
Actual Profit	Rs.14,200

## B. Reconciliation of

Budgeted Margin with Actual Margin

Budgeted Margin	12,000
Add : Sales M Price V = 100 F	
Less: Sales M Mix V = 320 A	
Add : Sales M Qty V = 720 F	
	500 F
Actual Margin	<u>Rs.12,500</u>

**Solution through diagrams**

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

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

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

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

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

## Indirect Taxation (ITX)



GROUP: 2, PART: 11,

# INDIRECT TAXATION (ITX)

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# Your Preparation Quick



### Syllabus Structure

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

**Learning Objectives:**

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

**GST**

1. Which of the following taxes will be levied on imports?
  - a) CGST
  - b) SGST
  - c) IGST
  - d) None of the above
  
2. Which of the following activity is outside the scope of supply and not taxable under GST?
  - a) Services by an employee to the employer In the course of or in relation to this employment.
  - b) Services of funeral
  - c) Actionable claims, other than lottery, betting and gambling.
  - d) All of the above.
  
3. Renting of immovable property is \_\_\_\_\_
  - a) Supply of goods
  - b) Supply of services
  - c) Neither as a supply of goods nor a supply of services.
  - d) Either as a supply of goods or a supply of services.
  
4. Works contract as defined in section 2 (119) shall be treated as \_\_\_\_\_
  - a) Supply of goods
  - b) Supply of Services
  - c) Neither as a supply of goods nor a supply of services.
  - d) Either as a supply of goods or a supply of services.

5. **Gifts not exceeding \_\_\_\_\_ in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.**
- 50,000.
  - 1,00,000
  - 2,00,000.
  - 2,50,000
6. **The \_\_\_\_\_ shall be treated as supply even if made without consideration.**
- Supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal.
  - Supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
  - Permanent transfer or disposal of business assets where input tax credit has been awaited. On such assets.
  - All of the above.
7. **Which of the following is – the supply in which possession of the goods are transferred but the title on the same will be transferred at the future date?**
- Rent a car
  - Hire Purchase
  - Normal sale of goods
  - None of the above.
8. **What would be the tax rate applicable in case of composite supply?**
- Tax rate as applicable on principal supply
  - Tax rate as applicable on ancillary supply
  - Tax rate as applicable on respective supply
  - None of the above
9. **\_\_\_\_\_ means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply:**
- Mixed supply.
  - Principal supply.
  - Inward supply.
  - Exempt supply.



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

- a) CGST.
- b) SGST
- c) IGST.
- d) None of the above

11. Which of the following activity is outside the scope of supply and not taxable under GST?

- a) Services by an employee to the employer In the course of or in relation to this employment.
- b) Services of funeral
- c) Actionable claims, other than lottery, betting and gambling.
- d) All of the above.

12. Renting of immovable property is \_\_\_\_\_

- a) Supply of goods
- b) Supply of services
- c) Neither as a supply of goods nor a supply of services.
- d) Either as a supply of goods or a supply of services.

13. Works contract as defined in section 2 (119) shall be treated as \_\_\_\_\_

- a) Supply of goods
- b) Supply of Services
- c) Neither as a supply of goods nor a supply of services.
- d) Either as a supply of goods or a supply of services.

14. Gifts not exceeding \_\_\_\_\_ in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

- a) 50,000.
- b) 1,00,000
- c) 2,00,000.
- d) 2,50,000

15. The \_\_\_\_\_ shall be treated as supply even if made without consideration.

- a) Supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal.
- b) Supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

- c) Permanent transfer or disposal of business assets where input tax credit has been awaited. On such asserts.
- d) All of the above.
- 16. Which of the following is – the supply in which possession of the goods are transferred but the title on the same will be transferred at the future date?**
- a) Rent a car
- b) Hire Purchase
- c) Normal sale of goods
- d) None of the above.
- 17. What would be the tax rate applicable in case of composite supply ?**
- a) Tax rate as applicable on principal supply
- b) Tax rate as applicable on ancillary supply
- c) Tax rate as applicable on respective supply
- d) None of the above
- 18. \_\_\_\_\_ means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.**
- a) Mixed supply
- b) Principal supply
- c) Inward supply
- d) Exempt supply
- 19. What is the threshold limit of turnover in the preceding financial year for opting to pay tax under composition scheme for states other than special category states ?**
- a) Rs. 20 lacs.
- b) Rs. 10 lacs
- c) Rs. 50 lacs.
- d) Rs. 1.5 crore.
- 20. Can composition scheme be availed if the registered person effects inter-state supplies?**
- a) Yes
- b) No
- c) Yes, subject to prior approval of the Central Government.
- d) Yes, subject to prior approval of the concerned State Government.

**21. Which of the following will be excluded from the computation of aggregate turnover?**

- a) Value of taxable supplies
- b) Value of exempt supplies
- c) Non taxable supplies
- d) Value of inward supplies on which tax is paid on reverse charge basis.

**22. Which of the following persons can opt for composition scheme?**

- a) Person making any supply of goods which are not leviable to tax under this act.
- b) Person making any inter-state outward supplies of goods.
- c) Person effecting supply of goods through an e-commerce operator liable to collect tax at source.
- d) None of the above

**23. Services to a single residential unit is, exempted if :**

- a) It is pure labour service only
- b) It is works contract only
- c) It is a part of residential complex only
- d) It is on ground floor without further super-structure.

**24. Services by educational institution is exempted if the services are to –**

- a) Any common man
- b) Its own student, faculty / staff
- c) Both (a) &(b)
- d) None of the above

**25. Transportation of passengers by \_\_\_\_\_ are exempt from GST**

- a) Railway in first class
- b) Railway in an air-conditioned coach
- c) Metro
- d) All of the above.

**26. What is time of supply of goods in case of forward charge?**

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

**27. Mr. A sold goods to Mr. B. Determine the TOS in accordance with the provisions of section 12 of the CGST Act, 2017 in case supply involves movement of goods.**

- a) Date of removal – 1st Oct 2019
- b) Date of invoice – 2nd Oct 2019
- c) Date when goods made available to the recipient – 3rd Oct 2019
- d) Date of receipt of payment – 15th Nov., 2019
  - I) 1st Oct, 2019
  - II) 2nd Oct 2019
  - III) 3rd Oct 2019
  - IV) 15th Nov 2019

**28. Tax invoice must be issued by \_\_\_\_\_ on supplies made by him.**

- a) Every supplier
- b) Every taxable person
- c) Every registered person not paying tax under composition scheme
- d) All the above.

**29. Where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued:**

- a) before/at the time of supply
- b) 6 months from the date of removal
- c) earlier of (a) & (b)
- d) none of the above.

### ANSWERS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
C	D	B	B	A	D	B	A	A	D	B	D	A	B	C	D	A	C	C	D	D	C	A	A	C	D	D	B	A

## Company Accounts & Audit (CAA)



GROUP: 2, PART: 12,

# COMPANY

ACCOUNTS & AUDIT  
(CAA)

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# Your Preparation Quick



### 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

**1. Who are the users of Reports?**

**Ans-** Corporate reports are used by a variety of groups for their purposes. Investors, creditors, bankers, employee and labor organization, customers, suppliers, Government and general public. Some users are directly interested in the reports like creditors, Investors, employee etc. and some users are indirectly interested in the report like advisers, general public, trade association and union etc. Corporate Report is followed standard and logical form.

The Accounting principles board has summarized the current practices in financial accounting with respect to general purpose reports as follows. It is designed to serve the common needs of owners, creditors, managers and other users. The dependence on general purpose information is based on the logical assumption that a significant number of users need similar information. Also this practice is in use because of a lack of knowledge of requirements of specific user. Special purpose reports satisfy particular needs of individual users.

Financial accounting presents general purpose financial information that is designed to serve the common needs of owners, creditors, managers and other users with primary emphasis on the needs of present and potential owners and creditors. A multipurpose report is based on the assumption that the interest of various users coincides. However, the wide variety of potential users for general purpose reports make it difficult to envision a single set of statements so structured as to simultaneously provide all necessary information to all possible users.

**2. What should be quantum of annual reports of company?**

**Ans-** The quantity and quality of information depends on needs and expectation of users and the degree of uncertainty prevailing in the investment market. It is emphasized that the reported information is intended only to aid the users in making predictions in economic decisions. Degree of uncertainty in user's decision-making is also a significant factor in deciding how much to disclose in annual reports. Financial statements prepared on the basis of Generally Accepted Accounting Principles would be considered to be not misleading and would show fair presentation of financial position and result of operations of business enterprises.



The Accounting Principle Board has suggested various disclosures in addition to balance-sheet and income statement, working capital, assets, financial statement, contingent liabilities, contingent assets, long terms commitments, changes of accounting principles and practices, Earning per share.

The AICPA has recommended disclosure of the following items of information to fulfill financial statement objective which would have inescapable effects on disclosure practices in future:-

- i) Basic underlying assumption with respect to matters subject to information, evaluation, prediction or estimation should be disclosure.
- ii) Transaction and other events that are part of incomplete earning cycle.
- iii) Changes in the values reflected in successive statement should be reported.
- iv) Factual aspects of enterprise transaction having or expected to have significant cash consequences.
- v) Simple quantifications supplemented in order to represent their actual complexities by disclose of ranges of precision, reliability and uncertainty.
- vi) Business forecasts, when they enhance the reliability of user's predictions.

The International Accounting Standards Committee (IAS-5) has said that all material information should be disclosed that is necessary to make the financial statement clear and understandable.

### 3.What are the criteria for effective report?

**Ans:-**Information that is reported to facilitate economic decision should possess certain criteria and such criteria make financial information useful. These criteria denote the quality of information and hence satisfy user needs.

- a) Relevance, b) Materiality c) Understandability d) Comparability e) Consistency f) Reliability e) Freedom of Bias.

**a) Relevance:** - Relevance implies that all those items of information should be reported that may aid the users in making decision. AAAC to Prepare a statement to define relevance as primary standard and requires that information must bear upon or be usefully associated with action it is designed to facilitate desired to be produced.

**b) Materiality:** -The concept of materiality permeates the entire filed of accounting and auditing. The materiality implies that not all financial information should be reported – only material information should be reported.

**c) Understandability:** - Presenting information which can be understood only by the sophisticated users not by others. Presenting of information should not only facilitate understanding but also wrong interpretation of financial statement.

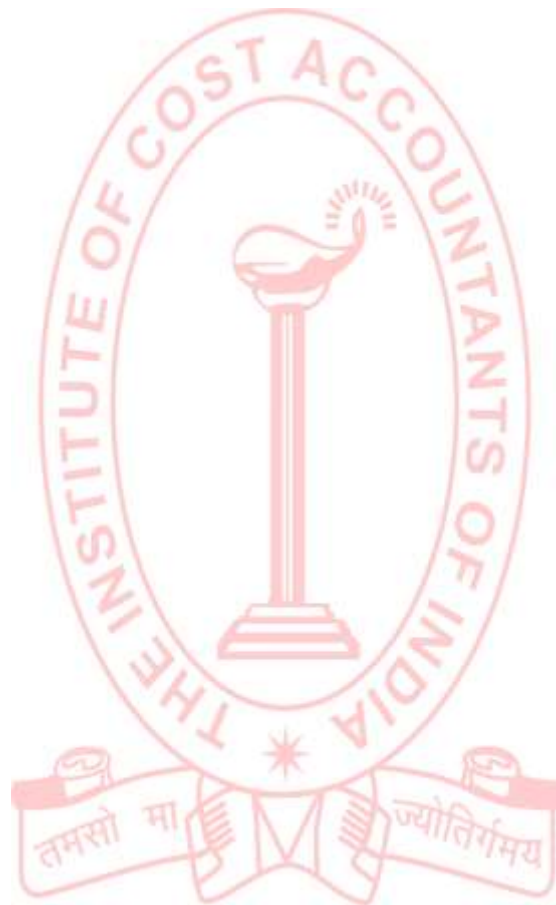
**d) Comparability:** - The decision maker will make comparisons among alternatives, which is facilitated by financial statement. Comparability implies to have like things reported in a similar fashion and unlike thing reported differently.

**e) Consistency:** - The consistency is an important factor within a single enterprise. The quantity standard of fair presentation in financial statement depends, in part on consistency of method.

**f) Reliability:** -Reliable information is required to form judgment about the earning potential and financial position of a firm. User can take economic decision. Reliability of information is important to user because it influence their economic decision. Reliability differ from item to item.

e) **Freedom of Bias:** -As the purpose of information in an annual report is to serve the different user needs in decision making process, there should be no purposeful bias in reporting i.e for favoring any group. Report should be free from bias.

Students are to go through the various facets of Annual Report requirements.



## Examination Time Table



## Examination Time Table

Day & Date	Intermediate Examination Syllabus-2016 (Time: 10:00 A.M. to 01:00 P.M)	
	(Group – I)	(Group – II)
Thursday, 5th January, 2023	Financial Accounting (P-05)	.....
Friday, 6th January, 2023	.....	Operations Management & Strategic Management (P-09)
Saturday, 7th January, 2023	Laws & Ethics (P-06)	.....
Sunday, 8th January, 2023	.....	Cost & Management Accounting and Financial Management (P-10)
Monday, 9th January, 2023	Direct Taxation (P-07)	.....
Tuesday, 10th January, 2023	.....	Indirect Taxation (P-11)
Wednesday, 11th January, 2023	Cost Accounting (P-08)	.....
Thursday, 12th January, 2023	.....	Company Accounts & Audit (P-12)

## Practical Advice



# PRACTICAL Advice

## ABOUT YOUR STUDIES - INTERMEDIATE COURSE

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

START

01

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

**Solve Exercises given in Study Note**

02

03

**Assess Yourself**

**Appear For Examination**

04

FINISHED



## Submissions



# SUBMISSIONS



### Update of E-Mail Address/Mobile:

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

Dear Students,

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

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

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

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

## Message from Directorate of Studies



# Message from Directorate of Studies

Dear Students,

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

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

**“Freedom has only one motto, may our country be happy and prosperous” .....**

let you all observe the message cited above.

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

**Please refer the link mentioned below:**

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

**GOOD LUCK**

**Be prepared and be successful**

**Disclaimer:**

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





# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament



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[www.icmai.in](http://www.icmai.in)

# CMA LEADS

**Last Date for Admission**

June Exam  
31<sup>st</sup> January  
of the same Calendar Year

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

5,00,000<sup>+</sup>  
Students

75,000<sup>+</sup>  
Members

4 Regional  
Councils

98  
Chapters

9  
Overseas  
Centres

Largest  
CMA body  
in Asia

2<sup>nd</sup>  
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

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



Few Snapshots

Few Snapshots



Lighting of the Lamp: CMA Avijit Goswami, former Central Council Member, CMA Amal Kumar Das, Past President, CMA Biswarup Basu, Immediate Past President, CMA (Dr.) Sunder Ram Korivi, Academic Head, HSNC University & Adjunct Faculty of IICA, MCA, CMA Basant Maheswari, Portfolio Manager and CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board (L to R)



President & Vice President of the Institute congratulated the newly joined Secretary to the Government of India, Ministry of Corporate Affairs on 02 November 2022.



The Institute of Cost Accountants Of India has signed an MoU with Mallapuram District Panchayath for a GST Course to the students of the Panchayath. Glimpses of MoU sharing ceremony.



Corporate Laws Committee in association with Southern India Regional Council & Cochin Chapter of the Institute of Cost Accountants of India & Kochi Chapter of SIRC of the ICSI organised one day Seminar on "Powering towards inclusive and sustainable growth- Role of Professionals" at Kochi on 22nd October 2022.



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## THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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