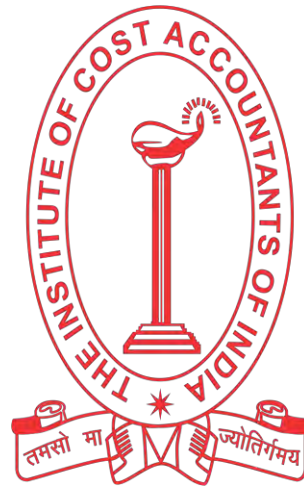




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**October - 2022 Issue**  
**CMA Student E - Bulletin**  
**INTERMEDIATE**

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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. Shuvo Vijoya to you all. Let this Dussehra or Bijoya becomes a real celebration of victory by killing all the demons. Kill also the demons which bubbling up inside your mind. Be confident on 'self' and behave with maturity. Handle situations with more tolerance and tact. Be a true fighter – who never thinks to lose. Wish you all success and victory. Stay blessed.

Here is some practice material for you:

In the last issue we had a revision on consignment and final accounts of non-trading concerns. In this issue we will take care of Insurance claim – loss of stock and loss of profit

A. A fire broke out in the godown of Z Ltd. on 31.12.2021. The company decided to file a claim with the Insurance Company for loss of stock and gives you the following information to determine the amount to be claimed:

- |  |            |
|--|------------|
| (a) The last accounts of the company were prepared on 31st March, 2021 |            |
| (b) Sundry Debtors on 31.03.2021                                       | Rs. 50000  |
| (c) Sundry Debtors on 31.12.2021                                       | Rs. 40000  |
| (d) Cash received from Debtors   | Rs. 160000 |
| (e) Stock on 31.03.2021  | Rs. 25000  |
| 0 Purchases from,01.04.2021 to 31.12.2021                              | Rs. 130000 |
| (g) Rate of gross profit to cost of sales                              | 25%        |
| (h) Stock salvaged   | Rs. 2000   |

Ascertain the amount of claim.

**1. Sales:**

- 160000
- 150000
- 155000
- 175000

**2. Gross profit:**

- 30000
- 25000
- 35000
- None of these

**3. Purchase:**

- a. 132000
- b. 113000
- c. 135000
- d. 130000

**4. Net Claim:**

- a. 33000
- b. 37000
- c. 35000
- d. 32000

**5. Profit percentage on sales:**

- a. 25%
- b. 20%
- c. 30%
- d. None of these

**B. The godown of Purple Lid. caught fire on 31.3.22. As a result, goods in the godown of the company were gutted. Goods worth Rs. 41,360 could, however, be saved from the accident. The following particulars are supplied to you (Figs in Rs.):**

Stock on 1.1.22	60,000
Purchases to the date of fire	2,60,000
Carriage paid on purchases	1,600
Sales to the date of fire	1,80,000

Commission paid to the Purchase Manager at 2% on purchases. Average gross profit on Sales 33 1/3%.

The Company had a fire policy of Rs. 1,60,000 covering its stock of goods in the godown. The policy is subject to average clause.

You are to ascertain (1) total loss of stock and (2) the amount of insurance claim to be made.

**6. Commission on purchase**

- a. 5000
- b. 5100
- c. 5200
- d. None of these

**7. Gross claim:**

- a. 200000
- b. 210000
- c. 207000

d. 206800

**8. Net claim:**

- a. 127000
- b. 125000
- c. 128000
- d. 130000

**9. Actual loss of stock:**

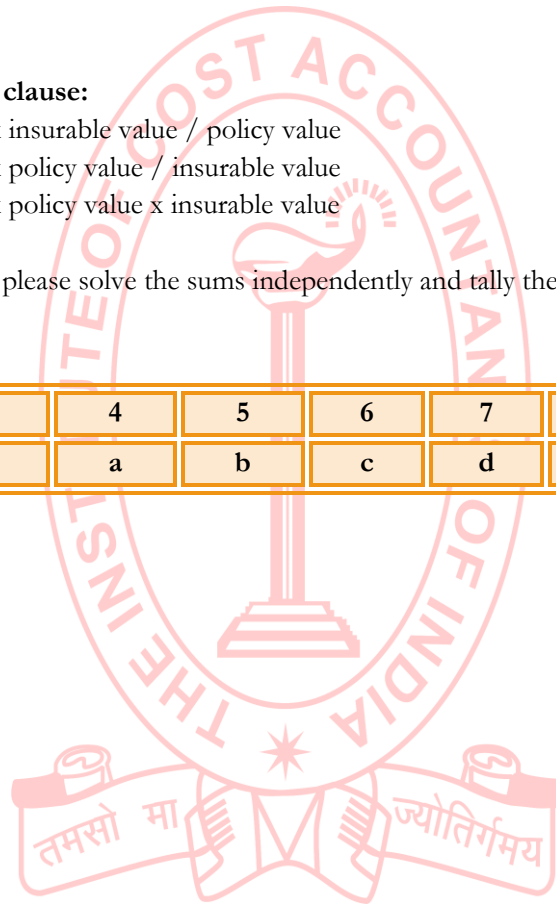
- a. 165440
- b. 164540
- c. 163440
- d. 166000

**10. Formula for average clause:**

- a. Actual loss of stock x insurable value / policy value
- b. Actual loss of stock x policy value / insurable value
- c. Actual loss of stock x policy value x insurable value
- d. None of these

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

1	2	3	4	5	6	7	8	9	10
b	a	d	a	b	c	d	c	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

#### Demand for poll

Sec 109. (1) Before or on the declaration of the result of the voting on show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion, and shall be ordered to be taken by him on a demand made in that behalf,—

(a) in the case a company having a share capital, by the members present in person or by proxy, where allowed, and having not less than one-tenth of the total voting power or holding shares on which an aggregate sum of not less than five lakh rupees or such higher amount as may be prescribed has been paid-up; and

(b) in the case of any other company, by any member or members present in person or by proxy, where allowed, and having not less than one-tenth of the total voting power.

Sec 109. (2) The demand for a poll may be withdrawn at any time by the persons who made the demand.

It may be note that: In case of private company - Section 109 shall apply unless otherwise specified in respective sections or the articles of the company provide otherwise.; and

In case of Specified IFSC Public Company - Section 109 shall apply in case of a Specified IFSC public company, unless otherwise specified in the articles of the company.

### Procedure for poll at General Meeting

Documents required:

- A. Polling Paper (**MGT-12**) [Pursuant to **section 109(5)** of the Companies Act, 2013 and rule 21(1)(c) of the Companies (Management and Administration) Rules, 2014]
  - B. Register of Members, Attendance register (including attendance slip) and proxy forms received (**MGT-11**) Pursuant to Section **105(6)** of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014
  - C. Board Resolution under section 113 (representative of Body corporate)
  - D. E-voting scrutinizer's report and ballot papers received in pursuance of clause 35B (2) of listed agreement
- Procedure:-

- A. The scrutinizer shall distribute the polling paper to the member and proxies and lock an empty box in their presence.
- B. After voting, he will open the box in the presence of at least 2 witnesses.
- C. He shall count the votes and checks the following things while doing so:
  - a. The person voting is member in the register of member during book closure.
  - b. The person is present at the meeting, from attendance register.
  - c. Validity of signature of person signing, form the specimen signatures.
  - d. In case, person voting is a proxy then proxy register and form.
  - e. In case member a body corporate, authorization through Board resolution.
  - f. In case where e-voting option is also provided technical support should be provided to the scrutinizer for orderly conduct of poll. It should be ensured that member who have voted electronically or who have casted their vote through ballot paper be exercising their right under 35 B(2) of listing agreement , are not exercising their vote again at the general meeting , this can be conformed from e voting
  - g. Incomplete polling paper to be taken as invalid.

### Voting through electronic means –Procedure

In compliance with the provisions of Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (Listing Regulations), **Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended), and the Secretarial Standard on General Meetings**, the Corporation is providing a facility to all its Members to enable them to cast their vote on the resolutions listed in the Notice by electronic means i.e. remote e-voting prior to the AGM and also during the AGM (for those Members who had not exercised their vote through remote e-voting)

### Remote e-voting

- The facility for remote e-voting shall remain open for not less than three days and shall close at 5.00 p.m. on the date Preceding the date of the General Meeting.
- During the period when facility for remote e-voting is provided, the members of the company, holding shares either in physical form or in dematerialized form, as on the cut-off date, may opt for remote e-voting.

- Members who have cast their vote electronically may participate at the AGM but shall not be entitled to vote again.

### Postal Ballot

[Section 110 and Rule 22 of the **Companies (Management and Administration) Rules, 2014**]

According to section 2(65) of **Companies Act, 2013**, “postal ballot means voting by post through any electronic mode. It includes voting by shareholders by postal or electronic mode instead of voting personally for transacting business in a general meeting.

Each item proposed to be passed shall be in the form of a Resolution.

Each item proposed to be passed shall be accompanied by an explanatory statement.

A company shall send notice and draft resolution by register post to all shareholders explaining the reasons and requesting them to send their assent or dissent in writing on a postal ballot.

### Rule 22 Procedure to be Followed for Conducting Business Through Postal Ballot

As per rule 22(2), the notice shall be sent through - either

- Registered post or Speed Post, or
- Registered e-mail id or
- Courier Service

As per rule 22(3), advertisement shall be published at least once in a vernacular newspaper in the principal language of the district in which the registered office of the company is situated and at least once in English newspaper having wide circulation in the district.

As per rule 22(4), notice of the postal ballot shall also be place on company website after the notice is sent and shall remain on the website till the last date for receipt of postal ballots.

As per rule 22(6), postal ballot received from the shareholders shall be kept in the custody of scrutinizer and after the receipt of assent or dissent of the shareholders in writing in a postal ballot, no person shall deface or destroy the ballot paper or declare the identity of the shareholder.

As per rule 22(10), the scrutinizer shall maintain a register either manually or electronically of postal ballot and details of shareholders along with receipt of assent or dissent, however if received in defaced or mutilated form, it shall be considered invalid.

As per rule 22(13), the assent or dissent received after 30 days from the date of issue of notice shall be treated as if reply from the member is not received.

**Rule 22(16)** pursuant to Sec.110 (1)(a), the following items of business shall be transacted only by means of voting through a postal ballot-

- alteration of the objects clause of the memorandum and in the case of the company in existence immediately before the commencement of the Act, alteration of the main objects of the memorandum;
- alteration of articles of association in relation to insertion or removal of provisions which, under Section 2(68), are required to be included in the articles of a company in order to constitute it a private company;
- change in place of registered office outside the local limits of any city, town or village as specified in Section 12(5);

- (d) change in objects for which a company has raised money from public through prospectus and still has any unutilized amount out of the money so raised under section 13(8);
- (e) issue of shares with differential rights as to voting or dividend or otherwise under Section 43(a)(ii);
- (f) variation in the rights attached to a class of shares or debentures or other securities as specified under section 48;
- (g) buy-back of shares by a company under Section 68(1);
- (h) election of a director under section 151 of the Act;
- (i) sale of the whole or substantially the whole of an undertaking of a company as specified under Section 180(1)(a);
- (j) giving loans or extending guarantee or providing security in excess of the limit specified under Section 186(3).

### Postal Ballot

**Sec.110. (1)** provides that notwithstanding anything contained in the Companies Act,2013, a company—

- (a) shall, in respect of such items of business as the Central Government may, by notification, declare to be transacted only by means of postal ballot; and
- (b) may, in respect of any item of business, other than ordinary business and any business in respect of which directors or auditors have a right to be heard at any meeting, transact by means of postal ballot, in such manner as may be prescribed, instead of transacting such business at a general meeting.

***Provided that any item of business required to be transacted by means of postal ballot under clause (a), may be transacted at a general meeting by a company which is required to provide the facility to members to vote by electronic means under section 108, in the manner provided in that section. Please note the Clarification on passing of ordinary and special resolutions by companies under the Companies Act, 2013 and rules made thereunder on account of the threat posed by Covid-19.***

If a resolution is assented to by the requisite majority of the shareholders by means of postal ballot, it shall be deemed to have been duly passed at a general meeting convened in that behalf.

### Resolutions of meetings

At the very start let us make our concept clear about two things –

1. Motion ; and 2.Resolution

**Motions** are actually proposals mooted in a meeting by member/s or director/s for the purpose of deliberating on them before taking a decision. Motions are not required to be put down in writing as minutes of the meeting. Motions that are passed in a meeting by the majority of the directors / members are called **Resolution** and those are duly noted in the Minute Book. A Resolution records the general opinion of the Board.

### Ordinary Resolution

**Sec.114(1)** A resolution shall be an ordinary resolution if :

- a the notice required under this Act has been duly given ; and
  - b it is required to be passed by the votes cast, whether on a show of hands, or electronically or on a poll, as the case may be, in favour of the resolution, (including the casting vote, if any, of the Chairman),
- by members who are entitled to vote.

The members entitled to vote, may cast vote against the motion :

- in person, or where proxies are allowed,

- by proxy or
- by postal ballot.

### Special Resolution

Sec114(2) A resolution shall be a Special Resolution when—

- (a) the intention to propose the resolution as a special resolution has been **duly specified in the notice calling the general meeting** or other intimation given to the members of the resolution;
- (b) the **notice required** under this Act has been duly given; and
- (c) **the votes cast in favour of the resolution**, whether on a show of hands, or electronically or on a poll, as the case may be, by members who, being entitled so to do, vote in person or by proxy or by postal ballot, **are required to be not less than three times the number of the votes, if any, cast against the resolution** by members so entitled and voting.

### Resolution requiring Special Notice

Sec115 provides that where, if this Act provides, or if the Articles of a company requires, a resolution shall require a special notice.

1. In that case, **notice of the intention to move such resolution shall be given** to the company by such number of members holding not less than one per cent of total voting power or holding shares on which *such aggregate sum not more than five lakh rupees*, has been paid-up and the company shall give its members notice of the resolution.

The following procedures are also prescribed:

2. **The notice** referred to in Sec.115(1) **shall be sent** by members to the company *not earlier than three months but at least fourteen days before the date of the meeting* at which the resolution is to be moved, **exclusive of the day on which the notice** is given and the day of the meeting.

(3) **The company shall** immediately after receipt of the notice, **give its members notice of the resolution at least seven days before the meeting**, *exclusive of the day of dispatch of notice and day of the meeting*, in the same manner as it gives notice of any general meetings.

(4) **Where it is not practicable to give the notice** in the same manner as it gives notice of any general meetings, *the notice shall be published in English language in English newspaper and in vernacular language in a vernacular newspaper, both having wide circulation in the State where the registered office of the Company is situated* and such notice shall also be posted on the website, if any, of the Company.

(5) **The notice shall be published at least seven days before the meeting**, *exclusive of the day of publication of the notice and day of the meeting*.

## 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.

**Tax Deducted at Source**

Summary of selected provisions relating to TDS are here-in-below:

Sec.	Nature of payment	Person responsible to deduct tax	Recipient	Time of deduction	Rate of TDS	Maximum payment up to which tax shall not be deducted
	Salary	Employer	Employee	At the time of payment	Average rate of tax	Basic Exemption Limit
192A	Accumulated balance of PF	Trustees or other authorized person	Employee	At the time of payment	10%	₹ 50,000
	Interest on securities	Payer of interest on securities	Resident person	At the time of payment or crediting the payee, whichever is earlier	10%	₹ 5,000 (Subject to certain conditions)
194	Dividend	Domestic Company	Resident person	At the time of payment	10%	₹ 5,000 (Subject to certain conditions)
	Interest other than interest on securities	All person excluding individual or HUF whose turnover / receipt from business / profession does not exceed ₹ 1 crore / ₹ 50	Resident person	At the time of payment or crediting the payee, whichever is earlier	10%	₹ 5,000 (Subject to certain conditions) (₹ 40,000 in case of Bank Interest) [₹ 50,000 in case of senior citizen]

		lakhs in the preceding year				
194B	Winning from lotteries, etc.	Any person paying such income	Any person	At the time of payment	30%	₹ 10,000
	Winning from horse races	Any person paying such income	Any person	At the time of payment	30%	₹ 10,000
194C	Contract	Any specified person excluding individual or HUF whose turnover / receipt from business / profession does not exceed ₹ 1 crore / ₹ 50 lakhs in the preceding year	Resident person	At the time of payment or crediting the payee, whichever is earlier	Payee is Individual or HUF: 1% Other payee: 2%	a. ₹30,000 (provided aggregate amount paid during the financial year does not exceed ₹ 1,00,000) b. Payment to transport operator (owning 10 or less goods carriage) if they provide PAN
	Insurance Commission	Any person	Resident person	At the time of payment or crediting the payee, whichever is earlier	Payee is domestic co.: 10% Other resident Payee: 5%	₹ 15,000
194DA	Payment of Life Insurance policy (including bonus)	Any person	Resident	At the time of payment	1%	Less than ₹ 1,00,000
	Sports person Or entertainer	Any person paying specified income	Non-resident foreign citizen sportsman or sports association	At the time of payment or crediting the payee, whichever is earlier	20%	Nil



			or entertainer			
194EE	Deposit in NSS	Post office	Any person	At the time of payment	10%	₹ 2,500
	Units of Mutual fund/UTI	Mutual fund or UTI	Unit holder u/s 80CCB	At the time of payment	20%	Nil
194G	Commission on sale of lottery tickets	Any person paying commission on sale of lottery tickets	Any person	At the time of payment or crediting the payee, whichever is earlier	5%	₹ 15,000
	Other commission	All person excluding individual or HUF whose turnover / receipt from business / profession does not exceed ₹ 1 crore / ₹ 50 lakhs in the preceding year	Resident person	At the time of payment or crediting the payee, whichever is earlier	5%	₹ 15,000
194-I	Rent	All person excluding individual or HUF whose turnover / receipt from business / profession does not exceed ₹ 1 crore / ₹ 50 lakhs in the preceding year	Resident person	At the time of payment or crediting the payee, whichever is earlier	Plant & Mach: 2% Other Asset: 10%	₹ 2,40,000
	Acquisition of immovable property other	Any person who is acquiring	Resident	At the time of payment or crediting	1%	₹ 50,00,000

	than rural agro land	such property		the payee, whichever is earlier		
194-IB	Rent	Individual or HUF not covered u/s 194-I	Resident person	At the time of credit of rent for the last month of the previous year (or last month of tenancy) or payment thereof, whichever is earlier	5%	₹ 50,000 p.m.
	Joint Development Agreement	Any person	Resident	At the time of payment or crediting the payee, whichever is earlier	10%	-
194J	Professional or technical service or director fees (not covered u/s 192)	All person excluding individual or HUF whose turnover / receipt from business / profession does not exceed ₹ 1 crore / ₹ 50 lakhs in the preceding year	Resident person	At the time of payment or crediting the payee, whichever is earlier	10% (2% in case payee is engaged only in the business of operation of call centre)	₹ 30,000 No threshold limit for director fees
	Units of mutual fund and other unit	Any person	Resident person	At the time of payment or crediting the payee, whichever is earlier	10%	₹ 5,000

194LA	Compensation for compulsory acquisition of immovable property (other than agro land)	Any person responsible for such payment	Resident	At the time of payment in cash or by cheque or draft or by other mode, whichever is earlier.	10%	₹ 2,50,000 No TDS, if such award or agreement is exempted from levy of income-tax u/s 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013
	Interest on infrastructure debt fund	Any person responsible for such payment	Non-resident	At the time of payment or crediting the payee, whichever is earlier	5%	Nil
194LBA	Distribution of income referred to in sec. 115UA [of the nature covered u/s 10(23FC) or (23FCA)]	Business Trust	Any person		<u>Income u/s 10(23FC)</u> If payee is resident: 10% Otherwise: 5% <u>Income u/s 10(23FCA)</u> If payee is resident: 10% Otherwise: applicable rate	Nil
	Distribution of income referred to in cl. a of exp. 1 to sec. 115UB [of the nature covered u/s 10(23FBB)]	Any person responsible for such payment	Any person		Payee is Resident: 10% Foreign Co: 40%* Other: 30%*	Nil Where the payee is a non-resident or a foreign company, no deduction shall be made for any

					*subject to DTAA	income which is not chargeable to tax
194LBC	Income on investment in securitisation trust referred to in sec. 115TCA	Any person responsible for such payment	Any person	At the time of payment or crediting the payee, whichever is earlier	Resident Individual & HUF: 25% Other Resident: 30% Foreign Co. Or non-resident: Rates in force	Nil
	Interest on approved loan	Indian Company or a business trust	Non-resident		5% (in some cases: 4%)	Nil
194LD	Interest on Rupee denominated bond or Govt Securities	Any person responsible for such payment	FII or Qualified Foreign Investor		5%	Nil
	Works Contract or commission or professional fee	Individual or HUF whose turnover / receipt from business / profession does not exceed ₹ 1 crore / ₹ 50 lakhs in the preceding year	Resident person		5%	₹ 50,00,000
195	Any sum	Any person paying sum chargeable under this Act	Non-resident		Normal rate	Nil
	Withdrawal of cash	Bank and post office	Any		At the time of payment	<u>Defaulter</u> ₹ 20 lakhs

					Upto ₹ 1 crore: 2% Above: 5% <u>Other</u> 2%	<u>Other</u> ₹ 1 crore
194-O	Certain sum	e-Commerce operator	e-Commerce participant	At the time of payment or crediting the payee, whichever is earlier	1%	<u>For individual and HUF payee:</u> ₹ 5,00,000 subject to certain conditions
	Buyer	Purchase of goods	Seller		0.1%	₹ 50,00,000
196A	Units of mutual fund or other units	Any person	Foreign company or non resident non corporate person		20%	Nil
	Units income	Any person responsible for payment referred in sec.115AB	An Offshore fund		10%	Nil
196C	Foreign currency bonds or GDR	Any person responsible for payment referred in sec.115AC	Non-resident		10%	Nil
	Any income	Any person responsible for payment referred in sec. 115AD(1)(a) (excluding interest referred to u/s 194LD)	Foreign Institutional Investor or specified fund		20% (10% in case of specified fund)	Nil

## 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**

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

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

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

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

The objective of our study, Paper – 8 are: --

- a) Understanding the concept of Cost
- b) Determining the Cost of product or service

- c) Understanding Standard Cost
- d) Applying the concept of Marginal Costing
- e) Formulating of business strategy and operational planning.

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

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

The next chapter deals with Contract Costing. This method of Costing viz., Job/Batch/Contract is very much essential and important for the purpose of Intermediate Examinations. Students often face difficulty in recommending the profits to be taken into account in case of incomplete contract. There are some standard norms for computation and recognition of profit /loss of incomplete contract. Students sometimes experience difficulty in recommending the amount of profit to be taken into account during a period for long-term contract. Make sure that you are familiar with various methods/formulas for different stage of completion and share of profit. Students are also advised to go through the topic “Profit on incomplete contracts based on SSAP-9”. Problems on escalation clause are also very important for this chapter.

This chapter is related to Operating Costing. In ‘Operating Costing’ we have to find out operating cost per unit of output. This chapter also includes ‘Transport Costing’, ‘Hospital Costing’, ‘Power House Costing’, ‘Hotel/Hostel Costing’ etc. Finding out the ‘Composite Unit’ is very important for finding the solution of these type problems. Here suitable cost unit to be used for cost ascertainment purpose.

The chapter Marginal Costing deals with the nature and behavior of cost and their effects on profitability of a concern. It relates to find out Cost-volume-profit relationships. The main thrust should be to follow the wording and determine the desired impact of cost on profitability. The basic part of the problem is to solve Break-even-point. Sometimes a question gives details of costs but not the split into fixed and variable elements. Students are advised to segregate total costs into fixed and variable elements using high-low method. For a product of different sales mix, contribution per unit of key factor should be found out and then different options should be marked on the same basis, i.e. contribution per unit of key factor. For easy understanding you have to solve various types of problems.

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

The next chapter is ‘Budget and budgetary control’. Budget is financial statements of income and expenditure of a certain period. You should first learn how to prepare functional budget then Master Budget, Flexible budget etc. Budgetary control requires preparation of ‘Flexible Budget’, ‘Functional Budgets’ and ‘Cash Budget’



for taking necessary actions. The students can easily understand the problems, if theory remains clear. They are suggested to go through the theoretical parts-like, concept of Zero based Budgeting, behavior and classification of Budgets etc.

In order to bring uniformity and consistency in classification, measurement and assignment of costs CAS – 1 to 24 should read carefully. Questions are generally set from any one or two standards.

For your practice I have suggested some questions in M.C.Q. form which is related to an over view of Cost Accounting concepts. Practice the following problems for developing your knowledge and securing good marks.

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

- (i) The method of costing used in a refinery is “process costing”.
- (ii) In cost accounting, like financial accounting, absolute accuracy is aimed at.
- (iii) To design a costing department is not difficult, study another similar organization and study a book on costing and you know what to do.
- (iv) Conversion costs and overheads are interchangeable terms.
- (v) Notional Costs are not included while ascertaining cost.
- (vi) Cost Accounting is not needed by a non-profit organization such as a hospital.
- (vii) If the management is not interested in costing information, there should be no costing department.
- (viii) Notional Costs and Imputed Costs mean the same thing.
- (ix) Standard costing tells us what the cost should be.
- (x) Historical costs are useful solely for estimating cost that lie ahead.
- (xi) Cost is a fact; price is a policy.
- (xii) Basically there are two methods of costing viz. (1) Specific Order Costing; and (2) Operation Costing.
- (xiii) Cost Accounting is nothing more than a detailed analysis of expenditure.
- (xiv) Cost Accounting is nothing but a postmortem of post costs.
- (xv) Cost Accounting provides cost information to all those who are external to the business.
- (xvi) Both financial and cost accounts are written up with the same basis documents.
- (xvii) Cost Accounting is not needed if price is beyond the control of the firm.
- (xviii) Cost Accounting assists financial accounting with regard to the valuation of inventory.
- (xix) The scope of cost accounting includes cost ascertainment, cost presentation and cost control.
- (xx) Cost Accounting helps in the ascertainment of cost beforehand.
- (xxi) Cost Accounting provides information for ascertaining the financial position as on a particular date.
- (xxii) Cost Accounting helps in controlling cost.
- (xxiii) Since pricing is a matter of managerial policy, cost information is useless for price fixation.
- (xxiv) A cost unit is the same as a cost centre.
- (xxv) The cost converting raw materials to finished products is known as conversion cost.

**Ans. True: - (I), (iii), (viii), (ix), (x), (xi), (xii), (xvi), (xviii), (xix), (xx), (xxii).**

**False: - (ii), (iii), (iv), (v), (vii), (xiii), (xiv), (xv), (xvii), (xxi), (xxiii), (xxiv), (xxv).**

2. Specify the method of costing applicable to the following industries:

- |                   |                    |
|-------------------|--------------------|
| (i) Ship-building | (xi) Aerated water |
| (ii) Dairy        | (xii) Canteen      |
| (iii) Printing    | (xiii) Motor car   |
| (iv) Bicycles     | (xiv) Chemicals    |
| (v) Medicines     | (xv) oil           |

- |               |                      |
|---------------|----------------------|
| (vi) Hospital | (xvi) Road transport |
| (vii) Radio   | (xvii) Sugar         |
| (viii) Cement | (xviii) Toy making   |
| (ix) Textiles |                      |
| (x) Brewery   |                      |

- Ans.**
- |                 |                  |
|-----------------|------------------|
| (i) Contract    | (ii) Process     |
| (iii) Job       | (iv) Multiple    |
| (v) Batch       | (vi) Operating   |
| (vii) Multiple  | (viii) Unit      |
| (ix) Process    | (x) Unit/Process |
| (xi) Unit       | (xii) Operating  |
| (xiii) Multiple | (xiv) Process    |
| (xv) Process    | (xvi) Operating  |
| (xvii) Process  | (xviii) Batch    |

### 3. Match the following :

(i) The practice of charging all costs to Product	(i) Facilitates greater degree of control over cost
(ii) Standard costing	(ii) Absorption costing
(iii) A cost unit which consists of a group Of similar products	(iii) Historical costing, estimating costing and standard costing.
(iv) Cost classification	(iv) Batch
(v) Cost accounting involves	(v) Facilities computation of cost variances
(vi) A group of identical items maintaining Identity through one or more stages Of production.	(vi) Analysis and synthesis of costs.
(vii) What the costs are, what they are Likely to be , and how they should be Distinguished, respectively.	(vii) Product Group

[ Ans . (i), (ii) ; (ii), (v); (iii), (vii); (iv), (i); (v), (vi); (vi), (iv); (vii), (iii). ]

### 4. Point out the statements which are false – (F)/Correct(C):

- (i) Abnormal cost is controllable.
- (ii) Cost of production is equal to prime cost plus work cost.
- (iii) Variable cost increases as the fixed cost.
- (iv) Financial accounting provides information for cost control.
- (v) Direct cost is one which can be conveniently identified with and charged to a particular unit of cost.
- (vi) Total variable cost does not increase in total proportion to output.
- (vii) Variable cost per unit remains constant.
- (viii) Sunk costs are relevant for decision –making.
- (ix) Costing and cost accounting are the same.
- (x) Fixed cost does not change in the same proportion in which output change.

- (xi) Administration expenses are mostly fixed.
- (xii) Discremental cost means the cost of an added unit.
- (xiii) Standard costs tell as what the cost is.
- (xiv) Period costs are not assigned to product.
- (xv) Marginal cost is not at all helpful to management for decision making.
- (xvi) Fixed cost per unit decreases with rise in output and increases with fall in output.
- (xvii) Cost centre and cost unit are the same.

[ Ans. (i) C                      (ii) F                      (iii) F                      (iv) F                      (v) C                      (vi) F  
           (vii) C                      (viii) F                      (ix) F                      (x) F                      (xi) C                      (xii) F  
           (xiii) F                      (xiv) C                      (xv) F                      (xvi) C                      (xvii) F

5. Which of the following is correct?

A. Which cost system description applies to the manufacture of 20 engraved doors for the new clubhouse at a golf course?

- (i) Contract
- (ii) Process
- (iv) batch
- (v) Service

B. An important feature of a cost centre is that:

- (i) It uses only monetary information.
- (ii) It has clearly defined boundaries.
- (iii) It must be one specific location only.
- (iv) It must be an area of the business through which products pass.

C. Prime cost may be currently defined as:

- (i) The sum of direct materials and direct labour cost with all other costs excluded.
- (ii) The total of all cost items which can be directly charged to product units.
- (iii) The total cost incurred in producing a finished unit.
- (iv) The sum of the large cost item in a product cost.

D. Which of the following is a cost behavior-oriented approach to producing costing?

- (i) Absorption Costing
- (ii) Marginal costing
- (iii) Process costing
- (iv) Job order costing

E. In a process Cost system the unit cost is computed for a

- (i) Job
- (ii) Department
- (iii) Batch of goods
- (iv) Category of goods

F. The Cost of goods sold under a periodic cost accumulation system is equal to the

- (i) Cost of goods available for sale less ending finished goods inventory.
- (ii) Cost of goods available for sale plus beginning finished goods inventory
- (iii) Cost of goods manufactured plus beginning finished goods inventory.

(iv) Cost of goods sold manufactured less beginning finished goods inventory.

**G. The Cost of goods manufactured, under a periodic cost accumulation system, is equal to the**

- (i) Beginning finished goods inventory plus purchase.
- (ii) Beginning work-in-process plus cost of goods in process during the year.
- (iii) Cost of goods put into production plus beginning work-in-process less ending work-in-process.
- (iv) Cost of goods sold less beginning work-in-process.

**H. For external financial statement purpose, inventories must be reported at**

- (i) Standard costs
- (ii) Actual costs
- (iii) Period costs
- (iv) Direct costs

**I. The term “conversion costs” refers to**

- (i) Manufacturing costs incurred produce units of output.
- (ii) All costs associated with manufacturing other than direct labour costs and raw material costs.
- (iii) Cost which are associated with marketing , shipping, warehousing and billing activities.
- (iv) The sum of direct labour cost and all factory overhead costs.
- (v) The sum of raw material costs and direct labour costs.

**J. The term “prime costs” refers to**

- (i) Manufacturing costs incurred to produce units of output.
- (ii) All costs associated with manufacturing other than direct labour costs and raw material costs.
- (iii) Costs which are predetermined and should be attained.
- (iv) The sum of direct labour costs and all factory overhead costs.
- (vi) The sum of direct material cost and direct labour costs.

**K. The term “variable costs” refers to**

- (i) All costs which are likely to respond to the amount of attention devoted to them by a specified Manager.
- (ii) All costs which are associated with marketing , shipping, warehousing and billingactivities.
- (iii) All costs which do not change in total for a given period of time and relevant range but become Progressively smaller on a per unit basis as volume increases.
- (iv) All manufacturing costs incurred to produce units of output.
- (v) All costs which fluctuate in total in response to small change in the rate of utilization of capacity.

**L. The term “costs” refers to**

- (i) An asset that has given benefit and is now expired.
- (ii) The price of products sold or services rendered.
- (iii) The value of the sacrifice made to acquire goods or service.
- (iv) An asset that has not given benefit and is now expired.
- (v) The present value of future benefits.

**M. The term “sunk costs” refer to**

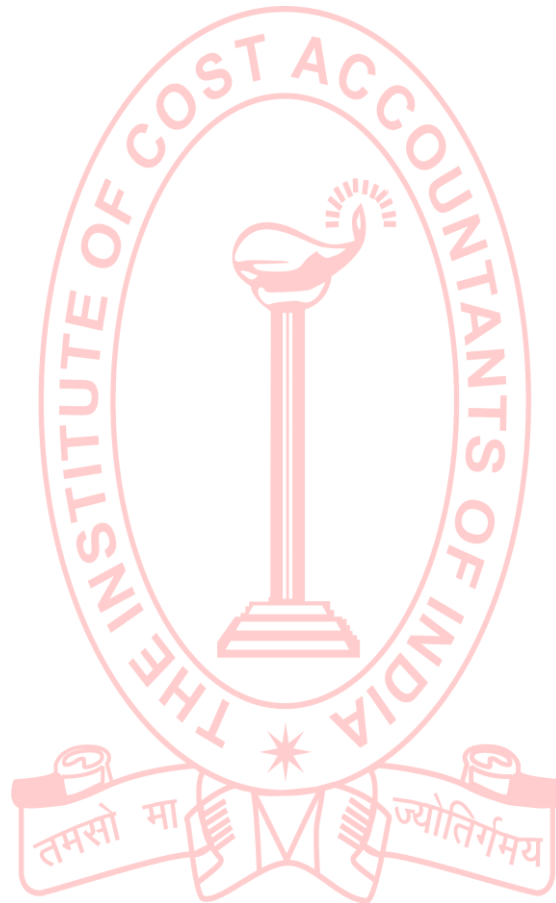
- (i) Past costs that are now irrevocable.
- (ii) Cost that are directly influenced by unit manager.
- (iii) Costs that should be incurred in a particular production process.

- (iv) Costs that may be eliminated if some economic activity is changed or deleted.
- (v) Benefits lost from rejecting the next best alternative.

**N. The process of charging factory overhead to work-in-process based on a predetermined applications rate multiplied by actual input is known as:**

- (i) Normal costing
- (ii) Standard costing
- (iii) Actual costing
- (iv) Product costing

**Ans. A(iii), B(ii), C (I), D (ii), E (ii), F (I), G (iii), H (ii), I (iv), J (v), K (Iv), L (iii), M (I), N (ii).**



## 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 Product layout type

**Product Layout:**

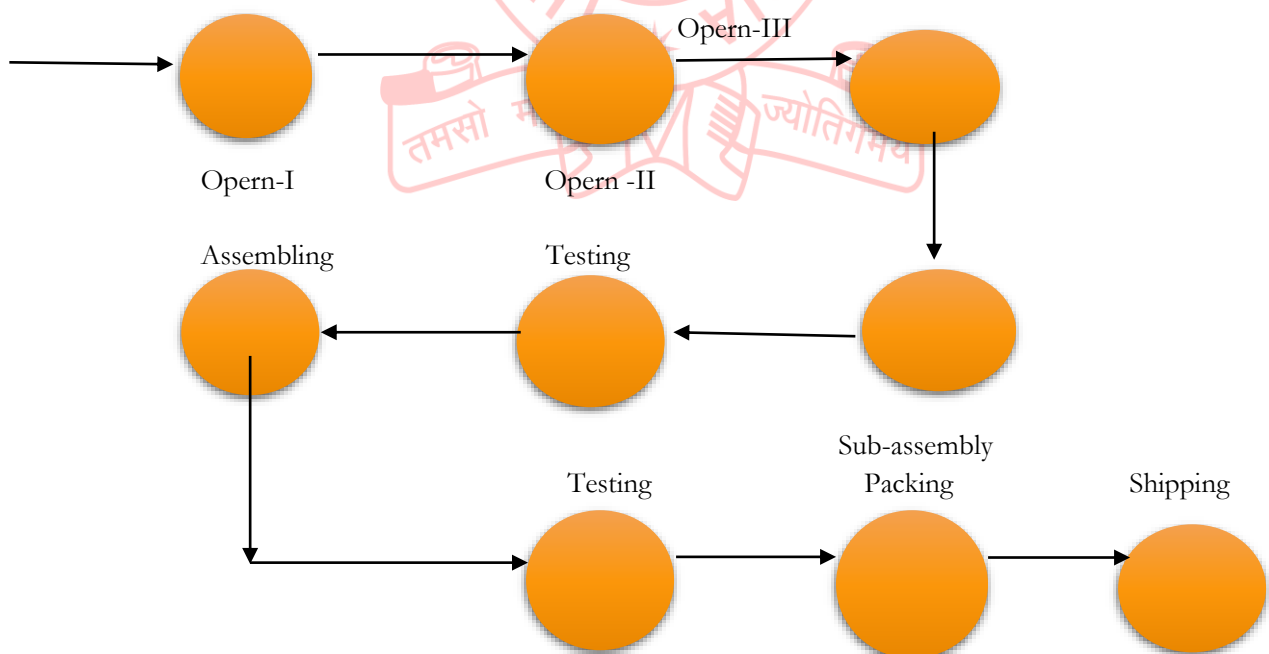
Product layouts are used to achieve a smooth and rapid flow of large volumes of goods or customers through a system.

Applicable: with highly standardised goods and services that allow highly standardised repetitive processing.

Under this layout work is divided into a series of standardised tasks, permitting specialisation of equipment and division of labour.

Under this layout system large volume of products could be handled which makes it economical to attract substantial investment in equipment and job design.

Also called the straight-line layout or layout for serialised manufacture.



The equipment here is laid out according to the sequence in which it is used for making the product.

Under this layout material is fed into the first machine and finished products come out of the last machine. In between, partly finished goods move from machine to machine, the output of one machine becoming the input for the next.

Equipment here is dedicated to parts and products and if the same process is needed elsewhere in the system it is duplicated almost regardless of utilization.

As a result the number of equipment in a product layout is much more as compared to process layout. Therefore the utilization of the equipment has to be sufficiently high to justify the higher level of capital investment necessary in such type of layout.

It means that the volume of production should be large with less variety of products so that machine setting time can be maintained at low.

Under this system each line layout caters to one product.

Product layout is applicable more in assembly rather than in fabrication. This is true because machine tools for fabrication jobs commonly have fixed machine cycles and that makes it difficult to attain balance between successive operations. In assembly type operations work is more likely to be manual and the total job can be divided into smaller elements for completion in different work centers. Since variety, as in job or batch, is less part of work in one center (overloaded station) can be transferred to another center (under loaded station) i.e. constraints arising in such layout can be managed by balancing the workload between different stations.

Principle of Minimum Travel & Principle of Sequence are very well satisfied in a Line layout. But this can be true when there is only one standard production. But if another type of product is to be made, then the present line up of equipment may not correspond with the flow of the new product resulting in high costs due to excessive material movement and excessive idle times of machinery and manpower.

Product layouts targets a high degree of labour and equipment utilisation which tends to offset their high equipment costs,

Under this because items move quickly from operation to operation the amount of work-in-process is often minimal. But operations are so closely tied to each other that the entire system is highly prone to shut down due to mechanical failure or high absenteeism. This asks for greater accuracy at higher level of maintenance cost. As no amount of preventive maintenance could give full guarantee against failure, so management must take proper measures to provide quick repair. These require maintaining an inventory of spare parts and having repair personnel available to quickly restore equipment to normal operation. Moreover because of the specialized nature of equipment, problems become more difficult to diagnose and resolve. These all thereby attract huge investment.

The main advantage of product layouts are:

- A high rate of output
- Low unit cost because of high volume of production. The high cost of specialized equipment is spread over many units



- Low material handling costs per unit. Material handling is simplified because units follow the same sequence of operations
- A high utilisation of labour and equipment
- Fairly routine accounting, purchasing and inventory control
- 

The main disadvantage of product layouts are:

- Usually create dull, repetitive jobs
- To labour force it provides little opportunity for advancement and hence may create morale problems
- Poorly skilled workers may exhibit little interest in maintaining equipment or in the quality of output
- This system is fairly inflexible in response to changes in the volume of output or to changes in the product or process design.
- The system is highly susceptible to shut down caused by breakdown of equipment or considerable absenteeism because workstations are highly interdependent.
- Huge expenses are usually involved because of high level of preventive maintenance and holding high level of spare parts and resources to provide quick repair.

The goal of a product layout is to arrange workers or machines in different work stations following the sequence that operations are to be performed. The sequence is referred to as a production line or an assembly line. Line thus formed comprises different work stations/work centers.

These lines range from fairly short to long lines

Line balancing is the assignment of work to work centers in a line process so as to attain the desired output rate with the smallest number of work stations.

Thus the line that produces at the desired pace with the fewest workers is the most efficient one.

Line balancing creates workstations with workloads as evenly balanced as possible. It aims to create workstations so that the capacity utilization for the bottleneck is not much higher than for the other workstations in the line.

Line balancing must be performed when a line is set up initially, when a line is rebalanced to change its hourly output rate or when a product or process changes.

Steps in line balancing:

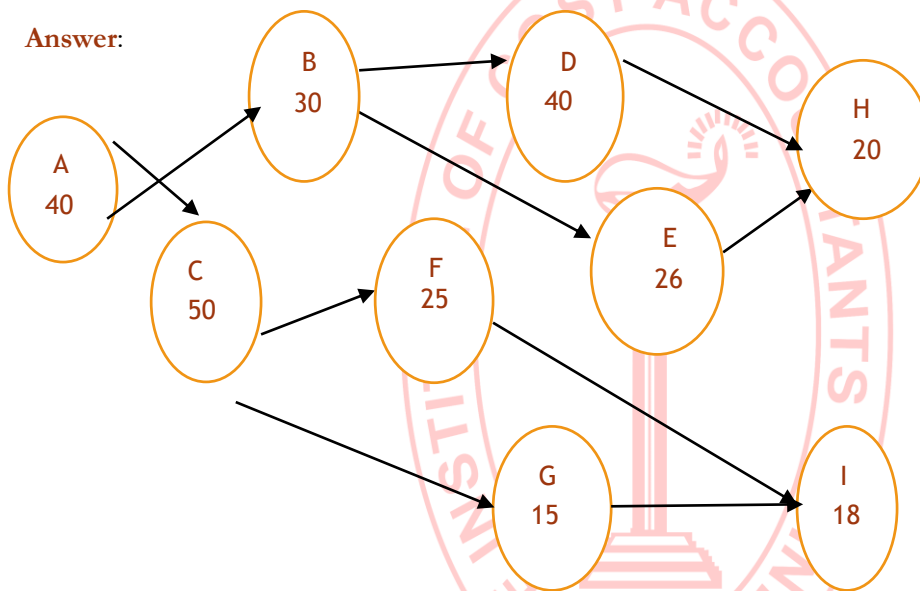
- Separating the work into Work Elements;
- Obtain the time standards for each element;
- Identify the work element called immediate predecessors which must be done before the next element can begin;
- Construct the Precedence Diagram;

#### **Illustration:**

Agri Horticulture Society, a manufacturer of lawn and garden equipment, is designing an assembly line to produce a new fertilizer spreader, the Big Boomer. Using the following information on the production process, construct a precedence diagram for the Big Boomer:

Work Element	Time (Sec)	Immediate Predecessor(s)
A	40	None
B	30	A
C	50	A
D	40	B
E	6	B
F	25	C
G	15	C
H	20	D,E
I	18	F,G
	Total= 244	

Answer:



**Illustration:** Agri Horticulture Society's manager just received latest forecasts of Big Boomer sales for the next year. He wants its production line to be designed to make 2400 boomer per week for at least the next 3 months. The plant will operate 40 hours per week.

- What should be the line's cycle time?
- What is the smallest number of work stations that he could hope for in designing the line for this cycle time?
- Suppose that he finds a solution that requires only five stations. What would be the line's efficiency?

Answer:

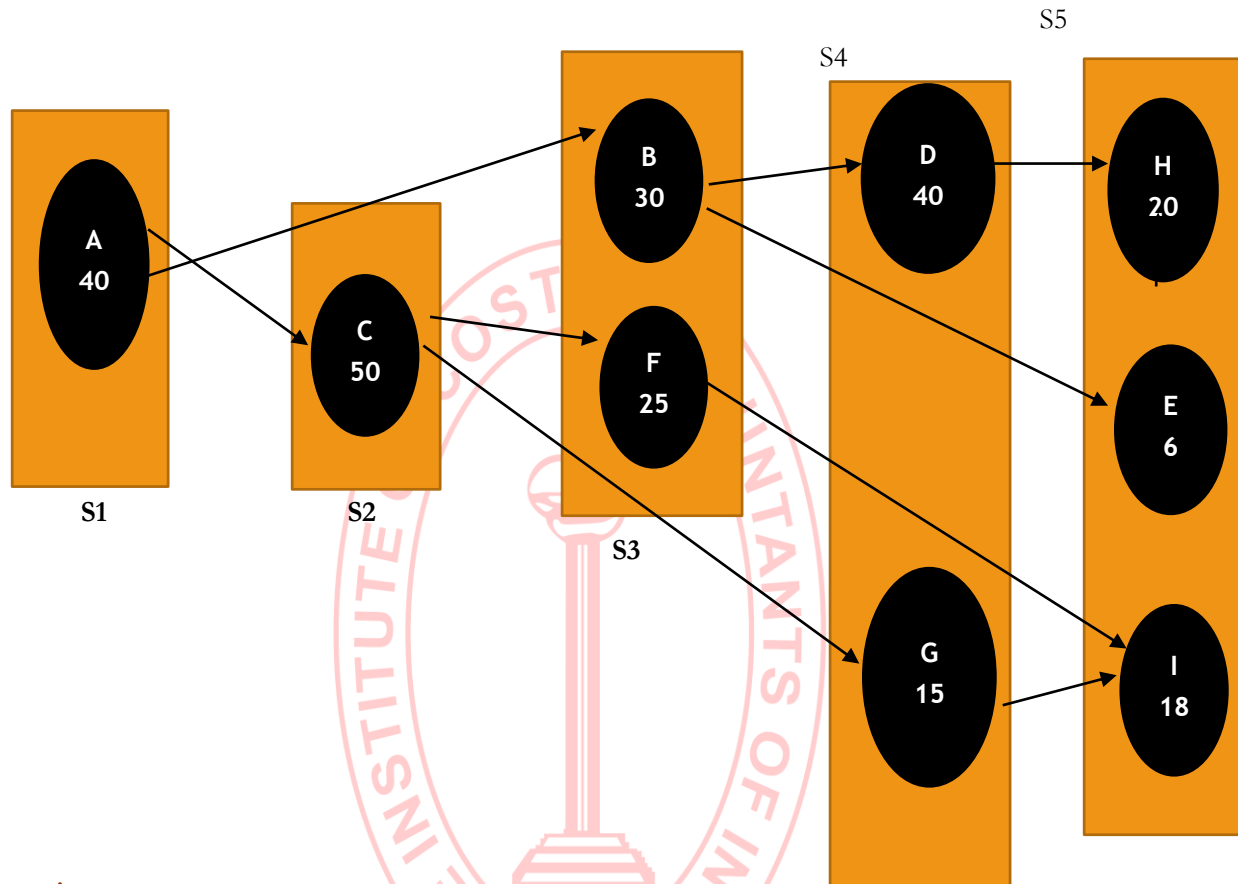
- Convert the desired output rate (2400 units /week) to an hourly rate by dividing the weekly output rate by 40 hours per week to get  $r = 60$  units per hour. Then the cycle time is  $c = 1/r = 1/60$  (hour/unit) = 1 minute/unit = 60 seconds/unit.
- Now calculate the theoretical minimum for the number of stations by dividing the total time,  $\Sigma t$ , by the cycle time,  $c = 60$ . Assuming perfect balance we have  
TM (theoretical Minimum) =  $\Sigma t/c = 244 \text{ Seconds}/60 \text{ Seconds} = 4.067$  or 5 stations
- Now calculate the efficiency of a five-station solution  
Efficiency (%) =  $(\Sigma t/nc) \times 100 = (244/5 \times 60) \times 100 = 81.3\%$

**Decision Rule (an example):**

Create one station at a time. For the station now being created, identify the unassigned work elements that qualify for assignment: They are candidates if

1. All of their predecessors have been assigned to this station or stations already created;
2. Adding them to the workstations being created will not create a workload that exceeds the cycle time.

Following this Rule by trial and error the solution will be:

**Illustration:**

The tasks shown in the following table are to be assigned to workstations with the intent of minimising idle time. Management has designed an output rate of 300 units per day. Assume 600 minutes are available per day

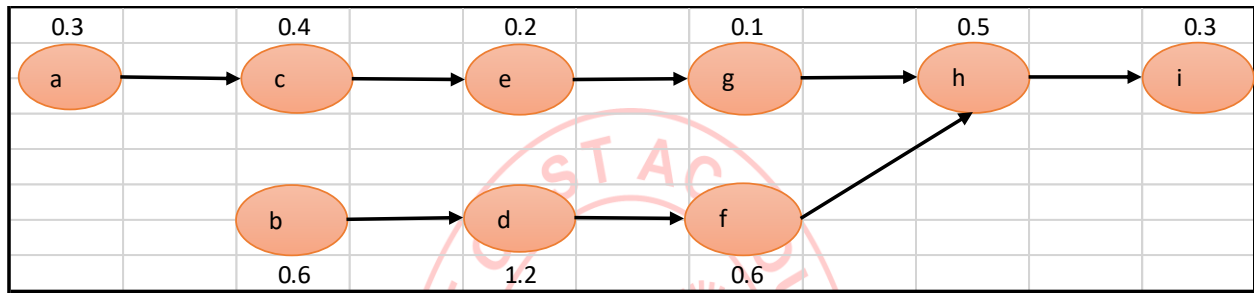
- a) Draw a precedence diagram;
- b) Determine the appropriate cycle time
- c) What is the minimum number of stations possible?
- d) Assign tasks using the “positional weight” rule: Assign tasks with highest following times (including task’s own time) first. Break ties using greatest number of following tasks.

Task	Immediate Predecessor	Task Time (in minutes)
a	-	0.3
b	-	0.6
c	a	0.4
d	b	1.2
e	c	0.2
f	d	0.6

g	e	0.1
h	f, g	0.5
i	h	0.3
$\Sigma t$		4.2

Ans:

(a)



(b)

$$\begin{aligned} \text{Cycle time} &= \frac{\text{Operating time per day}}{\text{Desired output rate}} \\ &= \frac{600}{300} = 2 \text{ minutes per unit} \end{aligned}$$

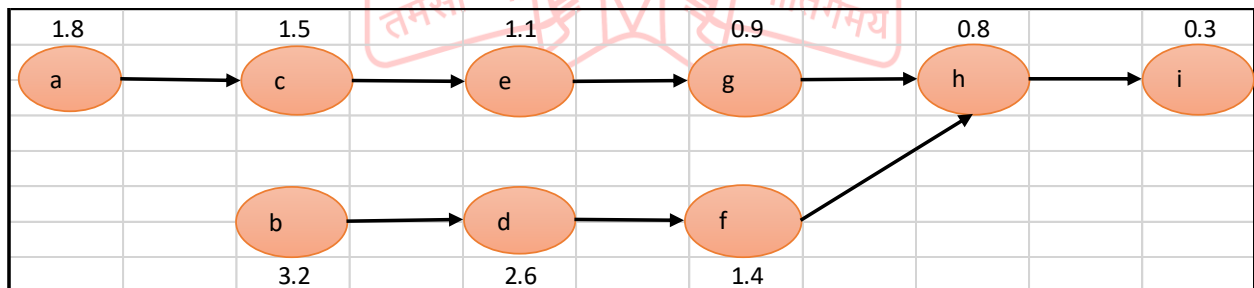
(c)

$$\begin{aligned} \text{Theoretical minimum number of stations} &= N_{min} = \frac{\Sigma t}{\text{Cycle time}} \\ &= \frac{4.2}{2} = 2.2 = \text{rounded to 3 station} \end{aligned}$$

(d)

The solution is given in the following table.

Positional weights i.e. task time plus the sum of all following times of each task is shown below.



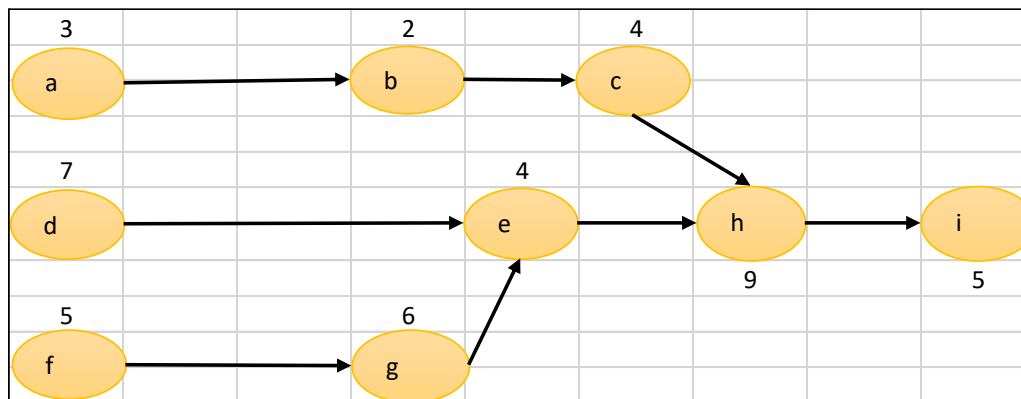
Station	Time	Eligible	Assign	Time used	Revised	Station idle Time
	Remaining		Task/Time		Time	
1	2	a, b	b	0.6	1.4	0.2
	1.4	a, d	d*	1.2	0.2	
	0.2	none	none			
2	2	a, f	a	0.3	1.7	0.4
	1.7	c, f	c	0.4	1.3	
	1.3	e, f	f	0.6	0.7	
	0.7	e	e	0.2	0.5	
	0.5	g	g	0.1	0.4	
3	2	h	h	0.5	1.5	1.2
	1.5	i	i	0.3	1.2	
Total						1.8

- In the solution the initial “time remaining” for each workstation is equal to the cycle time;
- For a task to be eligible, tasks preceding it must have been assigned and the task’s time must not exceed station’s remaining time;
- In workstation 1 task b is to be assigned first as it has the maximum possible weight.
- \*Time remaining in workstation 1 after assigning b is 1.4min. Now within this time tasks a and d both are eligible. But since d has more positional weight (2.6 in comparison to 1.8 of a) task d has been assigned first. Therefore station’s remaining time 0.2 min is the idle time of the station;

**Illustration:**

A manger wants to assign tasks to workstations as efficiently as possible and achieve an hourly output of four units. The department uses a working time of 56 minutes per hour. Assign the tasks shown in the accompanying precedence diagram (times are in minutes) to workstations using the following rules:

- In order of most following tasks. Tiebreaker: greatest positional weight
- In order of greater positional weight. Tiebreaker: most following tasks
- What is efficiency?



**Ans:**

The following table shows the order of most following tasks and against each task positional weights are shown:

Task	Number of tasks following	Positional Weight
a	4	23
b	3	20
c	2	18
d	3	25
e	2	18
f	4	29
g	3	24
h	1	14
i	0	5

$$\begin{aligned} \text{Cycle time} &= \frac{\text{Operating time per day}}{\text{Desired output rate}} \\ &= \frac{56}{4} = 14 \text{ minutes per unit} \end{aligned}$$

$$\begin{aligned} \text{Theoretical minimum number of stations} &= N_{\min} = \frac{\Sigma t}{\text{Cycle time}} \\ &= \frac{45}{14} = 3.21 = \text{rounded to 4 station} \end{aligned}$$

a) The solution is given in the following table.

Station	Time Remaining	Eligible	Assign Task/Time	Revised Time used	Station idle Time	Reason
				Remaining		
1	14	a, d, f	a	3	11	as a has maximum follower
	11	b, d, f	f	5	6	as f has maximum follower
	6	b, g	g	6	0	as g has greatest positional weight
2	14	b, d	d	7	7	as d has greatest positional weight
	7	b, e	b	2	5	as b has maximum follower
	5	c, e	e	4	1	Refer Note 1 below
	1	None			1	
3	14	c	c	4	10	Only task, no choice
	10	h	h	9	1	Only task, no choice
	1	None			1	
4	14	i	i	5	9	Only task, no choice
	9				9	
	Total				11	

- In the solution the initial “time remaining” for each workstation is equal to the cycle time;
- For a task to be eligible, tasks preceding it must have been assigned and the task’s time must not exceed station’s remaining time;

**Note 1:** Task c and e both have same number of followers and same positional weights. So to tie break we have assigned task e arbitrarily.

b) In this case we have to assign the tasks to stations on the basis of greatest positional weights. In case of ties, tie break is done by assigning the task with maximum followers.

The solution is given in the following table:

Station	Time Remaining	Eligible	Assign Task/Time	Time used	Revised Time Remaining	Station idle Time	Reason
1	14	a, d, f,	f	5	9		as f has greatest positional weight
	9	a, d, g	d	7	2		as d has greatest positional weight
	2	None				2	
2	14	a, e, g	g	6	8		as g has greatest positional weight
	8	a, e	a	3	5		as a has greatest positional weight
	5	b, e	b	2	3		as b has greatest positional weight
	3	None				3	
3	14	c, e	c	4	10		Refer Note 1 below
	10	e	e	4	6		Only task, no choice
	6	None				6	
4	14	h	h	9	5		Only task, no choice
	5	i	i	5	0		Only task, no choice
Total						11	

- In the solution the initial “time remaining” for each workstation is equal to the cycle time;
- For a task to be eligible, tasks preceding it must have been assigned and the task’s time must not exceed station’s remaining time;

**Note 1:** Task c and e both have same positional weights and same number of followers. So to tie break we have assigned task c arbitrarily.

Efficiency:

Under (a) & (b)

$$\begin{aligned} \text{Percentage of idle time} &= \frac{\text{Idle time per cycle}}{N_{\text{actual}} * \text{Cycle time}} * 100 \\ &= \frac{11}{4 * 14} * 100 = 19.64\% \end{aligned}$$

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

$$\mathbf{Efficiency} = 100\% - \text{Percentage of idle time} = 100\% - 19.64\% = 80.36\% \text{ or}$$

$$\mathbf{Efficiency\ of\ the\ line} = \frac{N_{Actual} * Cycle\ time - Idle\ time}{N_{Actual} * Cycle\ time} * 100$$

$$= \frac{4 * 14 - 11}{4 * 14} * 100 = 80.36\%$$

#### Suggestions:

*This study notes need to be read 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 Cherry, 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. Discussions will be held on other type of layouts in subsequent issues. This writing will maximize benefit once Guide book on the paper 9- Operations Management & Strategic Management written and issued by Institute on Syllabus -16 is thoroughly consulted.*





## 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

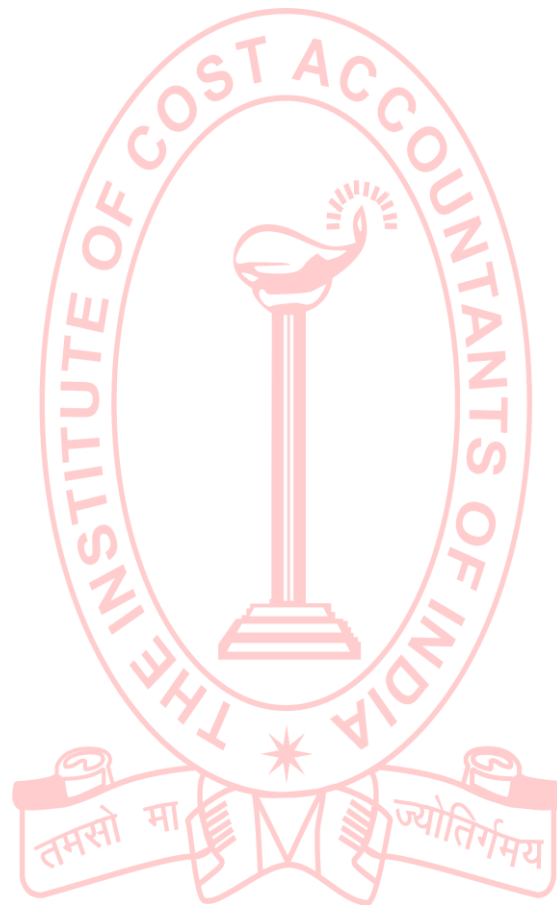


### Syllabus Structure

- 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**

## 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)**

The following particulars are available in the Cost Books of a manufacturing Company for the month ending 30.09.2022:

Quantity of material purchased	-	3,000 units
Value of materials purchased	-	Rs.9,000
Standard quantity of material required per tonne of output	-	30 Units
Standard rate of material	-	Rs.2.50 per unit
Opening stock of material	-	Nil
Closing stock of material	-	500 units
Output during the period	-	80 Tonnes

**What shall be the: -**

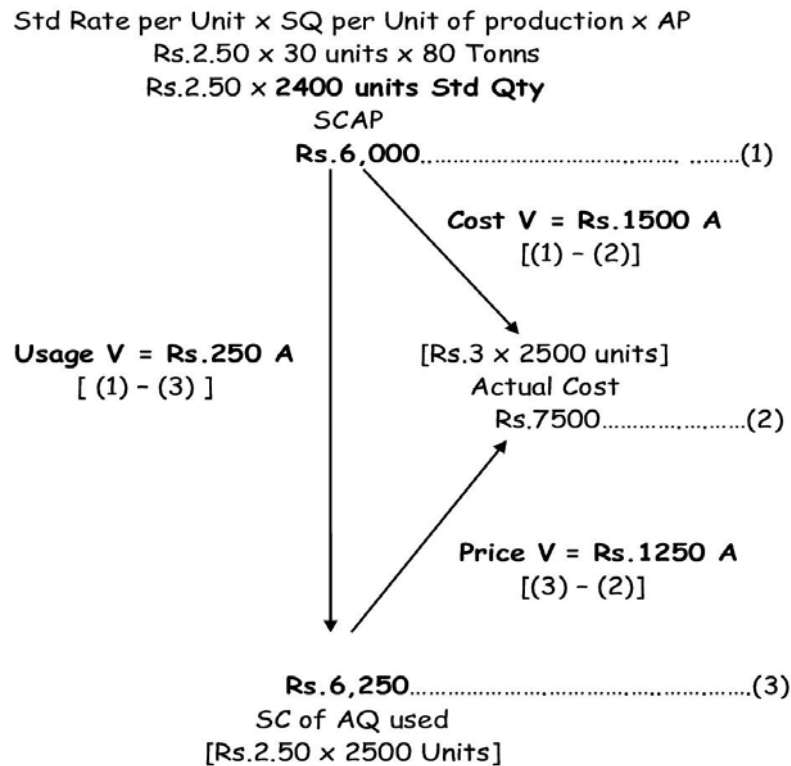
- Standard Quantity (SQ) of Materials for Actual Production (AP) : (a) 2100 units (b) 2200 units (c) 2300 units (d) 2400 units
- The Standard Cost of Actual Production (SCAP) : (a) Rs.5500 (b) Rs.6000 (c) Rs.6500 (d) Rs.7000
- The Actual Quantity of Material used in Production : (a) 2500 units (b) 2550 units (c) 2600 units (d) 2650 units
- The Actual Cost of Material used in Production : (a) Rs.7400 (b) Rs.7450 (c) Rs.7500 (d) Rs.7550
- The Standard Cost of Actual Material used in Production : (a) Rs.6250 (b) Rs.6500 (c) Rs.6750 (d) Rs.6800
- Price Variance : (a) Rs.1200 A (b) Rs.1200 F (c) Rs.1250 A (d) Rs.1250 F
- Usage Variance : (a) Rs.220 F (b) Rs.220 A (c) Rs.250 F (d) Rs.250 A
- Cost Variance : (a) Rs.1500 A (b) Rs.1500 F (c) Rs.1550 A (d) Rs.1550 F

**Answer:**

1)	(d) 2400 units	2)	(b) Rs.6000	3)	(a) 2500 units
4)	(c) Rs.7500	5)	(a) Rs.6250	6)	(c) Rs.1250 A
7)	(d) Rs.250 A	8)	(a) Rs.1500 A		

**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.

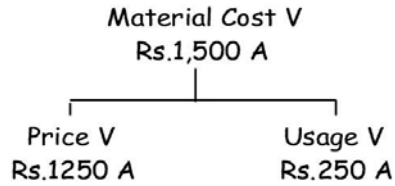
**Solution with Working Notes**

Basic data : Actual Production (AP) = 80 Tonnes

Actual Quantity of Material used

	Units
Opening Stock	Nil
Add Purchase	3000
Less Closing Stock	500

AQ Used = 2500 units



**Question No. – 2 (Comprehensive)**

A single product company has furnished the following standard cost of data per unit of output:

Direct materials	20 kg at Rs.10 per kg.
Direct labour	12 hours at Rs.5.50 per hour
Variable overheads	12 hours at Rs.10 per hour
Fixed overheads	Rs.9,00,000 per month based on normal volume of 60,000 direct Labour hours (DLH)
Selling Price	Rs.600 per unit

The costs incurred and other relevant information for the month of September, 2022 are as under:

Direct material used	1,00,000 kg at a cost of 10,50,000
Direct Wages paid	Rs.3,10,000 for 62,000 hours worked
Overheads	Rs.15,26,000 out of which a sum of Rs.9,40,000 is fixed
Actual Output	4,800 units sold for Rs.28,32,000

Assume no stocks of work-in-progress or finished goods at the beginning or the end of the month.

**What shall be the: -**

**REG. MATERIAL**

- 1) Standard Quantity (SQ) for Actual Production (AP) : (a) 96000 kg (b) 96500 kg (c) 97000 kg (d) 97500 kg
- 2) Standard Cost of Actual Production (SCAP) : (a) Rs.9,40,000 (b) Rs.9,50,000 (c) Rs.9,60,000 (d) Rs.9,70,000
- 3) Standard Cost per unit : (a) Rs.200 (b) Rs.250 (c) Rs.300 (d) Rs.350
- 4) Standard Cost of Actual Quantity used in production : (a) Rs.8,50,000 (b) Rs.9,00,000 (c) Rs.9,50,000 (d) Rs.10,00,000
- 5) Price Variance : (a) Rs.50,000 F (b) Rs.50,000 A (c) Rs.60,000 A (d) Rs.60,000 F
- 6) Usage Variance : (a) Rs.39,000 A (b) Rs.39,000 F (c) Rs.40,000 A (d) Rs.40,000 F
- 7) Cost Variance : (a) Rs.90,000 A (b) Rs.90,000 F (c) Rs.95,000 A (d) Rs.95,000 F

**REG. LABOUR**

- 8) Standard Hour (SH) for Actual Production (AP) : (a) 57,400 Hr. (b) 57,500 Hr. (c) 57,600 Hr. (d) 57,700 Hr.
- 9) Std Cost of Actual Production (SCAP) : (a) Rs.3,16,500 (b) Rs.3,16,600 (c) Rs.3,16,700 (d) Rs.3,16,800
- 10) Std Cost of Actual Hour : (a) Rs.3,41,000 (b) Rs.3,41,100 (c) Rs.3,41,200 (d) Rs.3,41,300
- 11) Wage Rate Variance : (a) Rs.30,000 A (b) Rs.30,000 F (c) Rs.31,000 F (d) Rs.31,000 A
- 12) Efficiency Variance : (a) Rs.24,200 F (b) Rs.24,200 A (c) Rs.24,300 A (d) Rs.24,300 F

- 13) Cost Variance : (a) Rs.6,700 F (b) Rs.6,700 A (c) Rs.6,800 A (d) Rs.6,800 F
- REG. VARIABLE OVERHEADS**
- 14) Std Cost of Actual Hour : (a) Rs.6,20,000 (b) Rs.6,30,000 (c) Rs.6,40,000 (d) Rs.6,50,000
- 15) Std V.OH for Actual Production : (a) Rs.5,74,000 (b) Rs.5,75,000 (c) Rs.5,76,000 (d) Rs.5,77,000
- 16) Expenditure Variance : (a) Rs.34,000 A (b) Rs.34,000 F (c) Rs.35,000 F (d) Rs.35,000 A
- 17) Efficiency Variance : (a) Rs.43,000 F (b) Rs.43,000 A (c) Rs.44,000 A (d) Rs.44,000 F
- 18) V.OH Cost Variance : (a) Rs.10,000 A (b) Rs.10,000 F (c) Rs.11,000 A (d) Rs.11,000 F

**REG. FIXED OVERHEADS**

- 19) Std Rate per Hour : (a) Rs.12 (b) Rs.13 (c) Rs.14 (d) Rs.15
- 20) Budgeted Production : (a) 4500 units (b) 5000 units (c) 5500 units (d) 6000 units
- 21) Budgeted Profit per unit : (a) Rs.34 (b) Rs.35 (c) Rs.36 (d) Rs.37
- 22) Efficiency Variance : (a) Rs.65000 F (b) Rs.65000 A (c) Rs.66000 A (d) Rs.66000 F
- 23) Capacity Variance : (a) Rs.29,000 F (b) Rs.29,000 A (c) Rs.30,000 A (d) Rs.30,000 F
- 24) Volume Variance : (a) Rs.36,000 F (b) Rs.36,000 A (c) Rs.37,000 A (d) Rs.37,000 F
- 25) Expenditure Variance : (a) Rs.40,000 A (b) Rs.40,000 F (c) Rs.41,000 A (d) Rs.41,000 F
- 26) F.OH Cost Variance : (a) Rs.75,000 F (b) Rs.75,000 A (c) Rs.76,000 F (d) Rs.76,000 A

**REG. SALES AND PROFIT/LOSS**

- 27) Budgeted Profit (or Margin) per unit : (a) Rs.33 (b) Rs.34 (c) Rs.35 (d) Rs.36
- 28) Actual Loss per unit : (a) Rs.11.25 (b) Rs.11.50 (c) Rs.11.75 (d) Rs.12.00
- 29) Actual Margin per unit : (a) Rs.21 (b) Rs.22 (c) Rs.23 (d) Rs.24
- 30) Sales Margin Price Variance : (a) Rs.48,000 F (b) Rs.48,000 A (c) Rs.49,000 A (d) Rs.49,000 F
- 31) Sales Margin Volume Variance : (a) Rs.6,800 A (b) Rs.6,800 F (c) Rs.6,900 A (d) Rs.6,900 F
- 32) Sales Margin Value Variance : (a) Rs.54,700 A (b) Rs.54,700 F (c) Rs.54,800 A (d) Rs.54,800 F

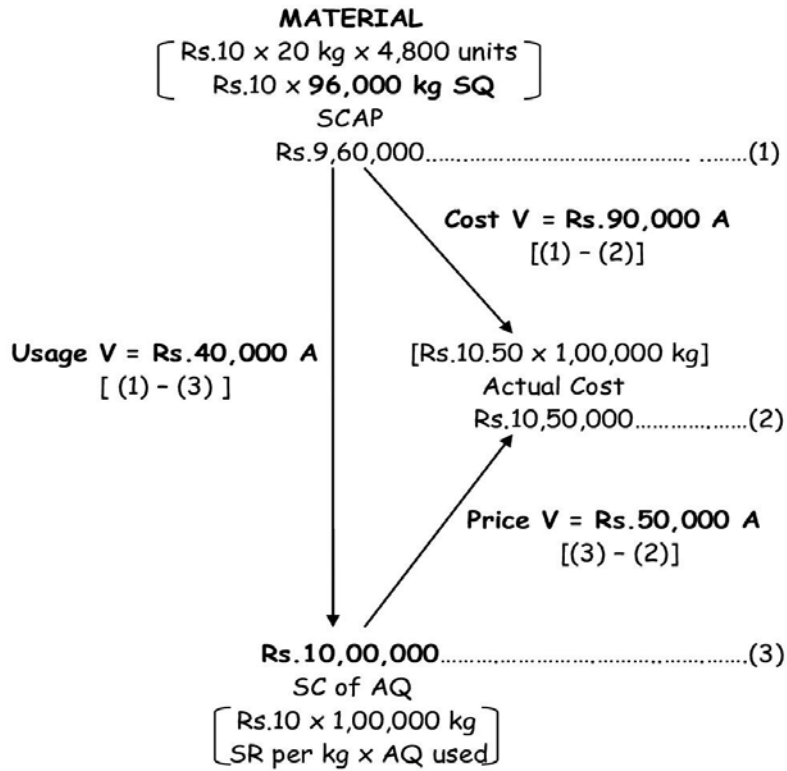
**Answer:**

1)	(a) 96000 kg	2)	(c) Rs.9,60,000	3)	(a) Rs.200
4)	(d) Rs.10,00,000	5)	(b) Rs.50,000 A	6)	(c) Rs.40,000 A
7)	(a) Rs.90,000 A	8)	(c) 57,600 Hrs.	9)	(d) Rs.3,16,800
10)	(a) Rs.3,41,000	11)	(c) Rs.31,000 F	12)	(b) Rs.24,200 A
13)	(d) Rs.6,800 F	14)	(a) Rs.6,20,000	15)	(c) Rs.5,76,000
16)	(b) Rs.34,000 F	17)	(c) Rs.44,000 A	18)	(a) Rs.10,000 A
19)	(d) Rs.15	20)	(b) 5,000 units	21)	(a) Rs.34
22)	(c) Rs.66,000 A	23)	(d) Rs.30,000 F	24)	(b) Rs.36,000 A
25)	(a) Rs.40,000 A	26)	(d) Rs.76,000 A	27)	(b) Rs.34
28)	(a) Rs.11.25	29)	(d) Rs.24 [Rs.1,15,200/ 4800 Units]	30)	(b) Rs.48,000 A
31)	(a) Rs.6,800 A	32)	(c) Rs.54,800 A		

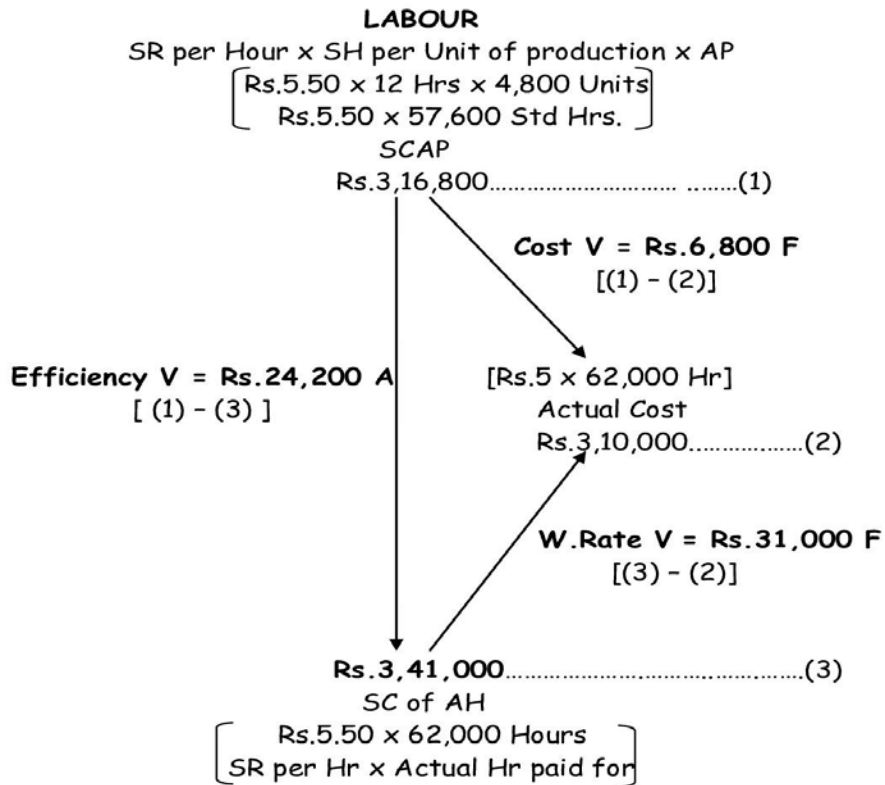
**Solution with Working Notes**

Basic data : Actual Production (AP) = 4,800 units.

**Working Note – 1**

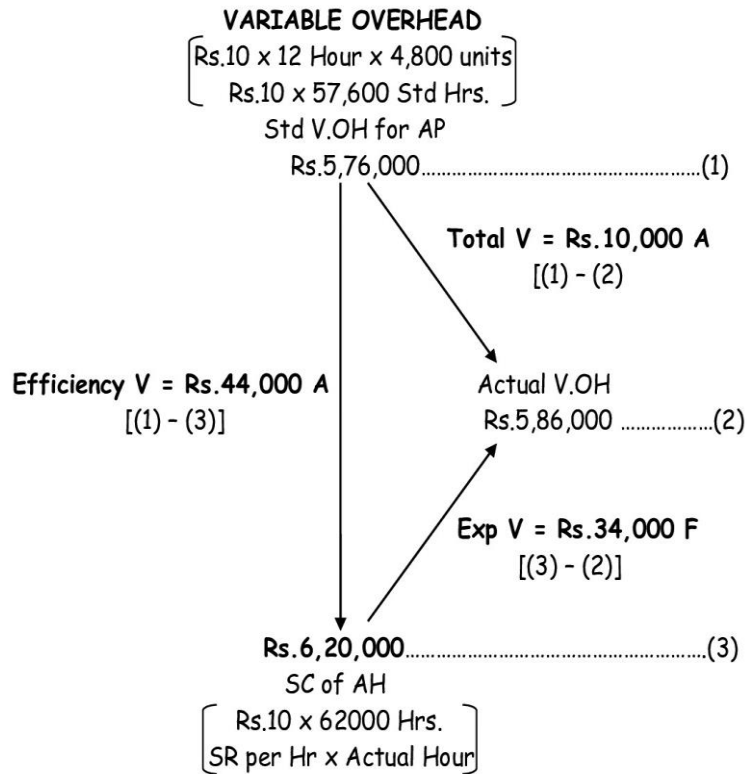


Working Note - 2



Working Note - 3



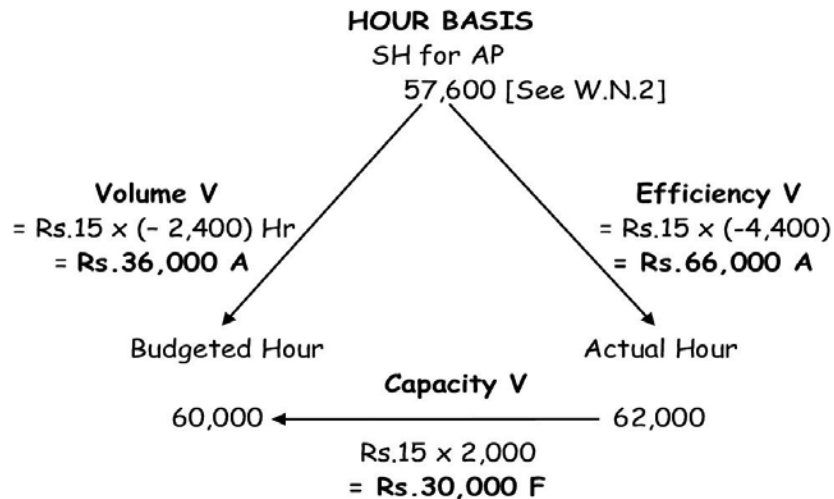


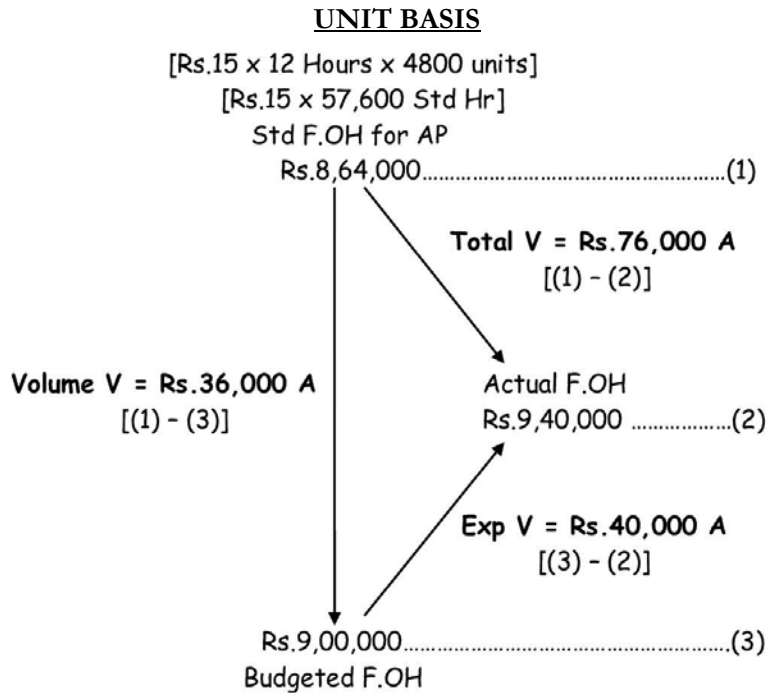
**Working Note - 4**

**FIXED OVERHEAD**

\* SR of F.OH per Hour = **Rs.15**  
 $\left[ \begin{array}{l} \text{Budgeted F.OH} / \text{Total DLH} \\ \text{Rs.9,00,000} / 60,000 \text{ DLH} \end{array} \right]$

\* Budgeted Production = **5,000 units**  
 $\left[ \begin{array}{l} \text{Budgeted DLH} / \text{Budgeted Hr per unit} \\ 60,000 \text{ DLH} / 12 \text{ Hour} \end{array} \right]$

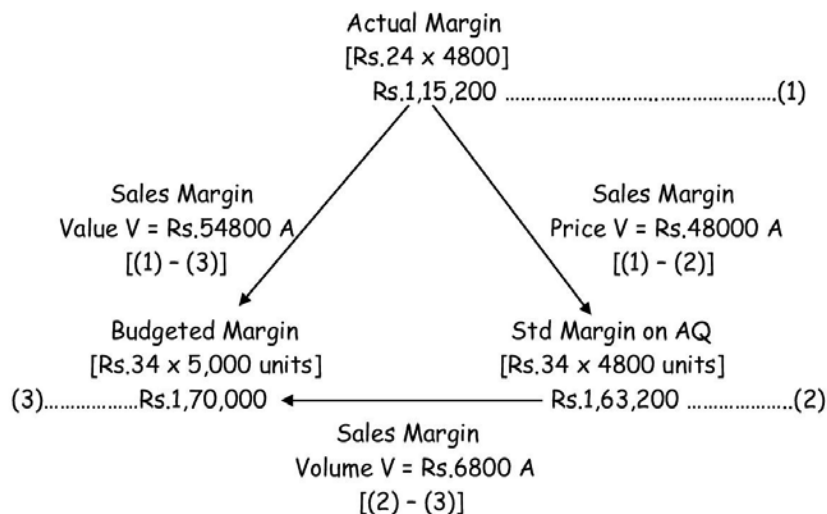




**Working Note – 5**

Budgeted Profit per unit	
Amount in Rupees	
Selling Price	600
D. Material	200
D. Labour	66
V.OH	120
F.OH	180
	566
Profit	34

**Working Note – 6**



**Working Note – 7**

<u>Actual Profit / Loss (Rs.)</u>	
D. Material	10,50,000
D. Labour	3,10,000
Total Overhead	15,26,000
	28,86,000
Sales	28,32,000
Loss	<b>54,000</b>

**FOR UNDERSTANDING OF STUDENTS**

<b>Operating Statement Reconciling Budgeted Profit and Actual Profit (Loss)</b>		(Amount in Rupees)
W.N.	Budgeted Profit [5000 units @ Rs.34]	1,70,000
5 & 6	<p style="text-align: center;"><b>Sales Variance</b></p> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; padding: 0 10px;"> <p>Volume V 6800 A</p> <p>Price V 48000 A</p> <p><b>Actual Margin</b></p> </div> <div style="text-align: right; padding-right: 10px;"> <p>54,800 A</p> <p>1,15,200</p> </div> </div> <p style="text-align: center;"><b>Cost Variance</b></p>	
1	<p style="text-align: center;"><b>Material</b></p> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; padding: 0 10px;"> <p>Price V 50,000 A</p> <p>Usage V 40,000 A</p> </div> <div style="text-align: right; padding-right: 10px;"> <p>90,000 A</p> </div> </div>	
2	<p style="text-align: center;"><b>Labour</b></p> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; padding: 0 10px;"> <p>Wages Rate V 31,000 F</p> <p>Efficiency V 24,200 A</p> </div> <div style="text-align: right; padding-right: 10px;"> <p>6,800 F</p> </div> </div>	
3	<p style="text-align: center;"><b>Variable Overhead</b></p> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; padding: 0 10px;"> <p>Expenditure V 34,000 F</p> <p>Efficiency V 44,000 A</p> </div> <div style="text-align: right; padding-right: 10px;"> <p>10,000 A</p> </div> </div>	
4	<p style="text-align: center;"><b>Fixed Overhead</b></p> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; padding: 0 10px;"> <p>Expenditure V 40,000 A</p> <p>Efficiency V 66,000 A</p> <p>Capacity V 30,000 F</p> </div> <div style="text-align: right; padding-right: 10px;"> <p>76,000 A</p> </div> </div>	
<b>Actual Loss</b>		<b>(54,000)</b>

**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 :

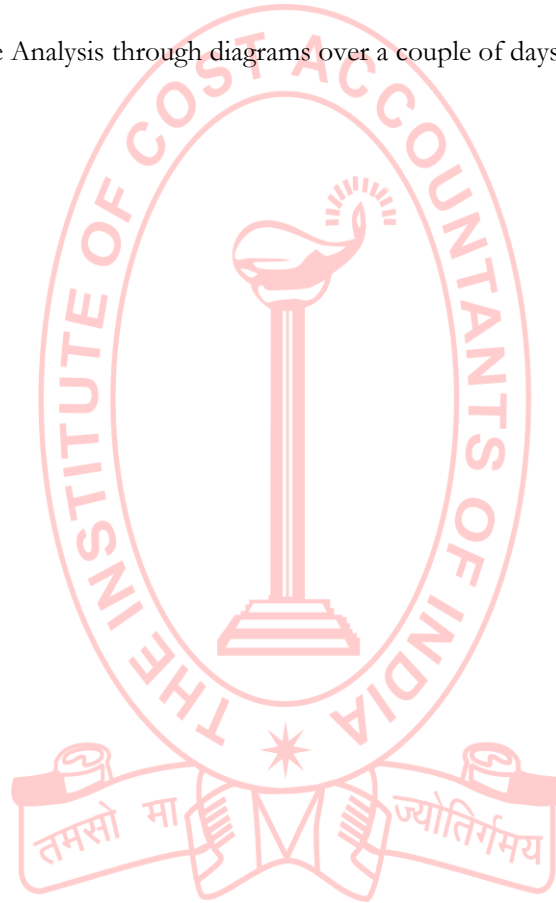
$$1) \quad \text{Rs.52} - \text{Rs.48} = (+) \text{Rs.4} = \quad \text{Rs.4 Favourable Variance, shown as Rs.4 (F)}$$

2)  $\text{Rs.}52 - \text{Rs.}61 = (-) \text{Rs.}9 = \text{Rs.}9 \text{ Adverse or Unfavourable Variance, shown as Rs.9 (A)}$

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

**Easy to Calculate GST (Tax) on Train Cancellation Ticket**

Indian Railways used to fulfil the requirement of various people in the year. The demand for train tickets around the festival rises.

The people are often booking the tickets in advance to confirm their seats. But some people need to cancel their tickets for the amendment in their plan or other issues might happen at the last minute.

A cancellation fee shall get levied by the Indian Railways when one cancels the confirmed tickets. The cancellation process is costlier since the same would draw GST.

As the finance ministries' tax research unit has issued a circular dated 3rd August, a GST will be imposed on the revocation of train tickets or hotel bookings.

The circular specifies that the booking of the train ticket would be the contract where the service provider pledges for furnishing the services.

If the passenger branches the contract through the cancellation of the train ticket then the service would be compensated with a small amount obtained as a revocation charge.

What are Revocation Charges?

As the revocation charge would be the payment rather than the breach of the contract then the same shall draw GST as per the circular of the finance ministry.

Revocation charges of the railway tickets to the class shall draw GST on the identical rate as applicable to the travel class.

GST Rate on Cancellation First Class AC Train Ticket

For instance, a 5% GST would be imposed on first-class or air-conditioned coach tickets, hence the GST on the identical rate would be applicable to the revocation charges.

Rs 240 would be the Indian Railway cancellation charge for an AC first class or AC executive class ticket 48 hours prior to the departure of the train GST Rate on Train Ticket Cancellation Fee

A 5% GST would be paid when a person books a ticket.

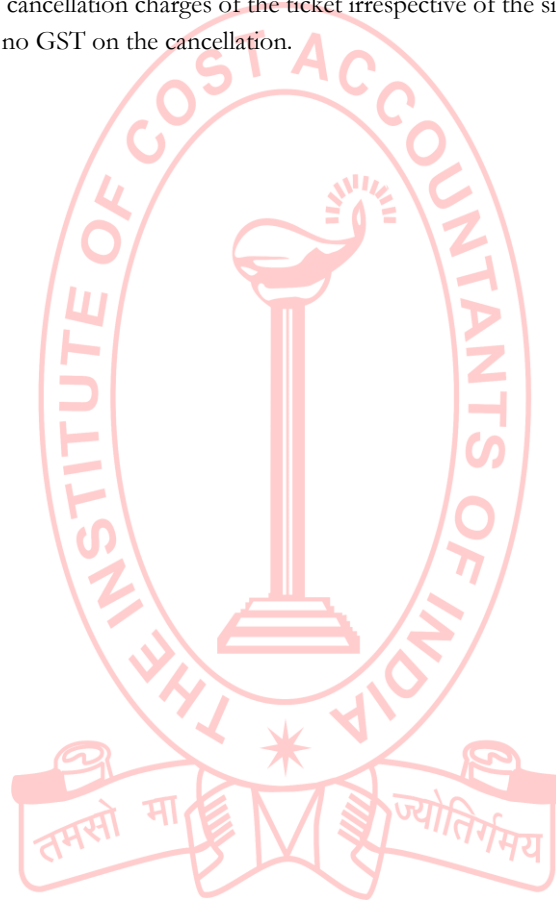
As per the circular of the Finance Ministry, a passenger shall indeed be required to furnish the identical GST amount on the revocation of the GST charges. Thus for the cancellation of the confirmed AC first-class ticket, a passenger should pay Rs 12 more (5% of Rs 240) for GST.

Railway, confirmed for AC 2-tier tickets Rs 200 is a cancellation fee and for AC 3-tier tickets Rs 180 would be levied if they would get cancelled 48 hours prior to the departure of the train.

When it seems that there would be a revocation of the confirmed ticket prior to 48 hours to 12 hours from the scheduled departure of the train then 25% of the amount of the ticket would be taken as a cancellation fee.

50% of the booking amount would be levied towards the cancellation, of confirmed tickets between 12 hours and 4 hours.

5% GST would get levied on the cancellation charges of the ticket irrespective of the situation. On the cancellation of the 2nd class sleeper tickets, there is no GST on the cancellation.



## 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. What is the concept of corporate accounting as a process?**

Accounting as process involves as analysis of the techniques used in the performance of the Accounting function.

**2. What is the Corporate Accounting responsibility for disclosing?**

As a responsibility of disclosing corporate accounting embrace responsibility for disclosing designated type of information accounting is concerned with substance disclosed and incidentally with the process involves.

**3. Briefly discuss the accounting steps for corporate reporting**

Accounting process involves four steps

- a) Perception-Traditionally Accountants have confined their perception to financial transactions. Implicit in the traditional perception is the belief that financial transaction represents the significant activities.
- b) Symbolising -it has taken the form of recordings in accounts that can be analyzed to grasp an understanding of interrelationship of the mass of perceived activities.
- c) Analysis- the model of activities in order to summaries organic and lay bare the interrelationship among activities
- d) Communication- transmission of the analysis to user of accounting to guide decision makers.

**4. In broad perfective accounting discloser extended to which areas?**

Exemption of accounting disclosure happens in areas-

- a) Disclosure of social as well as private cost
- b) Disclosure of human resources.
- c) Disclosure of budget and equipment status.
- d) Disclosurer of management effectiveness.

**5. What is the central concept of financial reporting?**

Generally, the term 'Financial Reporting' connotes communication of published financial statements and related information from an enterprise to third parties including shareholders, creditor's customers, governmental agencies and the public. In brief financial reporting is communication of accounting information to a user or group of users.

**6. Try to define 'Corporate Financial Reporting'**

Corporate financial reporting might be defined as a total communication system between the corporation and its interested constituencies of which investors are primary

**7. What are the object of 'Financial Reporting'?**

Overall objectives of Financial Reporting may be-

- a) Allocation of resources
- b) Equilibrium in security prices
- c) Reporting to society

**8. Briefly discuss the nature and contents of corporate annual report**

The published corporate report is a vital source of information in the investment market. It is the end product of accounting information process of set of accounting measurement rules. A typical corporate annual report includes a balance sheet, profit & loss statement, cash flow statements, and Directors report.

The contents of annual report can be classified as follows: -

- a) Accounting Information
- b) Non Accounting Information

It can be said that both Accounting Information and Non Accounting Information are important inputs for the investor. No line is sharply drawn between two types of information.

Accounting information s defined as being quantitative, formal, structured, numerical and past oriented material. As such it mainly includes the financial statements, the notes to financial statements and auditor's report.

The Non Accounting Information may define as being qualitative, narrative, unaudited and future oriented statement. If usually consist of director report and chairman's statement. They may convey significant information which an investor cannot see in the bare accounting numbers. Indeed, it is the Non-financial Information about real things and real relationships – which gives the financial statements concrete significant.

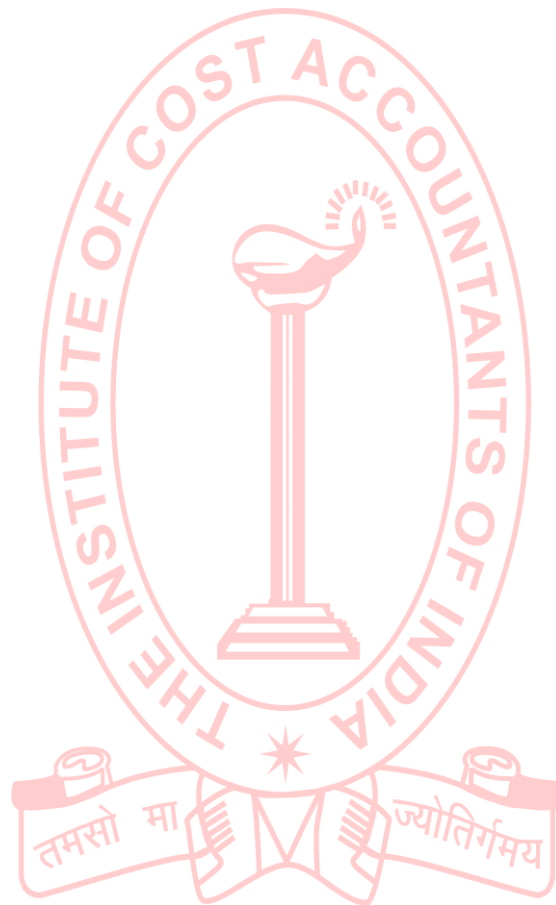
**9. Define disclosure in the concept of corporate annual report**

Disclosure can be defined as a process through which a business enterprise communicates with external parties. It may be defined as the movement of information from the private domain to public domain.

**10. List the criteria of good financial reporting**

The criteria may be listed as: -

- a) Relevance
- b) Materiality
- c) Understandability.
- d) Comparability
- e) Consistency
- f) Reliability
- g) Freedom from bias.



## 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

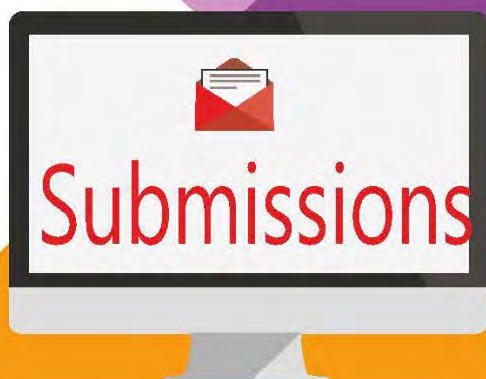
FINISHED

## Submissions



75  
Azadi Ka  
Amrit Mahotsav

# 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

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

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## ADMISSIONS OPEN

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- Our Motto - Student friendly Syllabus and Industry friendly Students

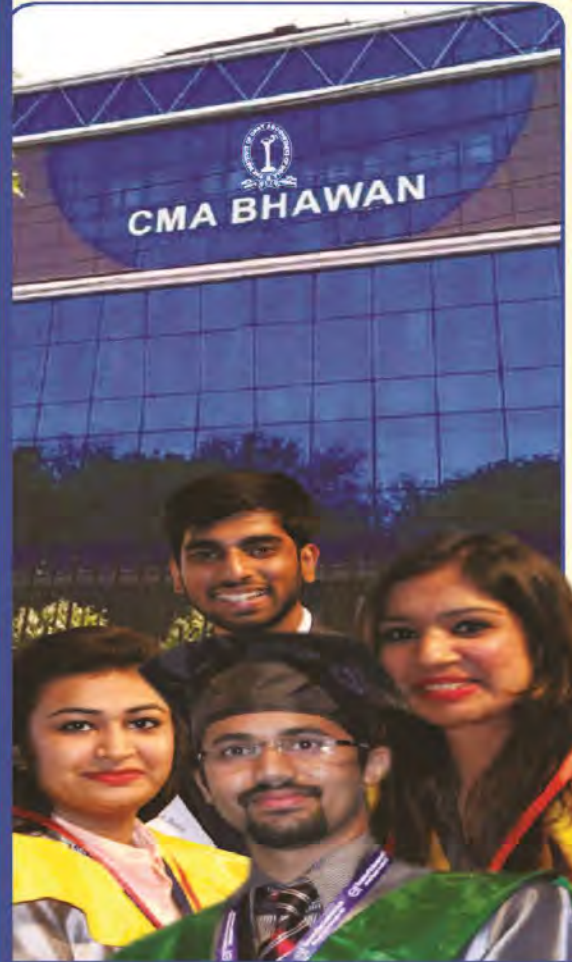
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### Few Snapshots

# Few Snapshots



London Global Convention 2022 on the theme 'Building an Effective Board that Works & Top Global Trends' during 09 - 12 November, 2022 in London (UK)



Glimpses of the MOU signing ceremony between the Institute and Kalinga Institute of Social Sciences (Deemed to be University) held on 17.09.2022 at Bhubaneswar, Odisha.



Glimpses of the MOU signing ceremony between the Institute and Kalinga Institute of Social Sciences (Deemed to be University) held on 17.09.2022 at Bhubaneswar, Odisha.



Glimpses of the MOU signing ceremony between the Institute and Jio Platforms Limited held on 29.09.2022 at CMA Bhawan, New Delhi.



Glimpses of the All Odisha CMA Practitioners Meet organised by the Bhubaneswar Chapter of the Institute on the theme 'From Better to the Best - Journey of Practising CMAs' on 18.09.2022 at Bhubaneswar, Odisha.



## THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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