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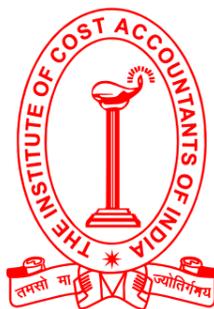
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CMA Student E - Bulletin

INTERMEDIATE

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

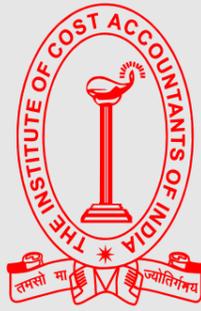


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Azadi Ka
Amrit Mahotsav



KNOWLEDGE Update



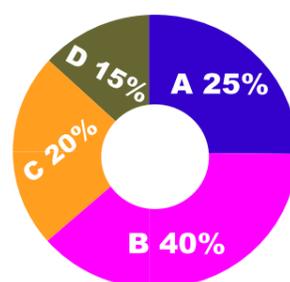
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.



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

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Your Preparation Quick Takes



Syllabus Structure

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

Learning Objective:

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

FINANCIAL ACCOUNTING

5th of this month was teachers' day. You all definitely have celebrated in your own way and have shown your respect to your teachers - the real inspiration of your life. Here are some stories (rather experiences of life learnt from teachers) for you:

1. A bunch of noisy kids were making a ruckus while sitting behind me in the class. My class teacher got angry and he thought I was the one who did it. He sent me out of the class. I tried explaining, but he didn't listen. While I was standing outside, someone told him it wasn't me. He called me back in, but I refused to move as I felt insulted. He brought me in the class anyway and apologised in front of the whole class. That day I learned the biggest lesson of my life, "you are never too big to accept your mistake."
2. I was a small-town girl participating in the dance competition at the state level. Seeing so many smart kids, I was scared to even go up on the stage. My teacher who was accompanying me patted my back, looked me in the eye and said, "You are the best." Her voice gave me such encouragement, I went up there and killed it.
3. My parents pressurized me to take Science stream even though I wanted to study commerce. Chemistry was my weakest point. I could not remember the names of the chemicals, leave alone the periodic table. And then after a couple of class tests with zero marks, my teacher called me to her cabin and handed me a poem made on the names of chemicals in the periodic table. I still remember them.

Remain inspired every time. Never allow any self-imposed inferiority that - 'I am unable to do this'. Mind that even if you are sweetest of all mangoes there will be people who prefer strawberries.

Let's concentrate on this now:

Here is some practice material for you:

- I. Rs. 45000 worth of goods was invoiced by K of Kolkata to C of Chandigarh at 20 % profit on invoice price. The invoice price is covered upto 50 % by advance form C. C is to get commission @ 5% on sales and 2 ½ % as del credere commission. 80 % of the goods were sold for Rs. 57000 but Rs. 300 proved bad. Expenses of the consignor were Rs. 3000 and of consignee Rs. 1500 (including Rs. 450 as selling expenses). The account was settled by cash payment with account sales. Answer the following questions:

1. Profit on consignment
 - a. 13305
 - b. 13035**
 - c. 13333
 - d. 13335
2. Del credere commission
 - a. 1425**
 - b. 1452
 - c. 1500
 - d. None of these
3. Loading on goods sent on consignment
 - a. 11200
 - b. 11300
 - c. 11400
 - d. 11250**
4. Stock reserve
 - a. 2250**
 - b. 2520
 - c. 2200

- d. 2230
5. **Unsold stock**
- 12600
 - 12060**
 - 16260
 - None of these
6. **Bad debt will be recorded as**
- Debit to consignment account
 - Debit to consignee account
 - Will not be recorded**
 - None of these

II. **This is the receipts and payments account of a club for the year ended 31.12. 2021**

To balance b/d	1200	By Rent	5000
Donation	500	Stationery	700
Subscription	20500	Wages	4300
Locker rent	400	Sports materials	7500
Entrance fees	2000	Ground maintenance	700
		By balance c/d	6400
	24600		24600

Rent includes Rs. 300 paid for Jan 2022. Subscription is outstanding for 2021 Rs. 2500 and subscription received in advance Rs. 500 for 2022. Sports materials in hand on 31.12.2021 was Rs. 2000. Entrance fees is to be capitalised.

Answer the following questions

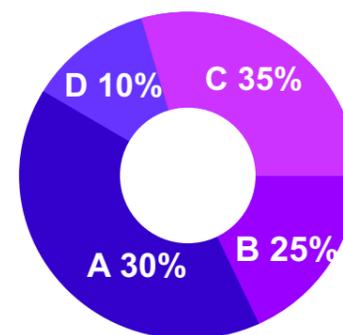
- Subscription a/c will be debited by Rs..... As Income and expenditure a/c**
 - 23000
 - 22500**
 - 20000
 - 20500
- In income and expenditure a/c rent will be debited as Rs.**
 - 4700**
 - 4000
 - 5300
 - 5000
- Sports material will be debited to Income and Expenditure a/c as Rs.....**
 - 5000
 - 5500**
 - 5050
 - 6000
- Surplus generated will be Rs.....**
 - 6000
 - 6500
 - 6600
 - 7000**



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

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Your Preparation Quick Takes



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

Learning Objectives:

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

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

LAWS & ETHICS

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

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

Guide to Extraordinary General Meeting

Extra-Ordinary General Meeting means a duly convened, Meeting of Members held and conducted when, **an important business arises in between two annual general meetings that require shareholders' approval, then an extraordinary general meeting can be called.** An Annual General Meeting shall be normally conducted once in a year and there is a gap of around a year or 18 months between two annual general meetings. An EGM becomes necessary when any important business arises needing approval of the shareholders in between two Annual General Meetings.

- It has been provided in the Companies Act, 2013 that any business that is considered in the extraordinary general meeting shall be considered as special business.
- It also grants the company the responsibility to provide shareholders with further detail on the matters to be transacted in an explanatory statement.
- The explanatory statement has an announcement attached to it that contains relevant information, which may be financial or otherwise.
- It also provides details and facts that will help the participants understand the importance and consequences of the organization and the scope of business transactions and make decisions.

MANDATORY REQUIREMENTS

1. No gifts, gifts coupons, or cash in lieu of gifts shall be distributed to members at or in connection with the General Meeting.
2. Every Company which has listed its equity shares on a recognized stock exchange and every company having not less than 1,000 members shall provide to its members facility to exercise their right to vote on resolutions proposed to be considered at a general meeting by electronic means.
3. Quorum should be present throughout the Meeting. No business should be transacted when the Quorum is not so

present. **[Clause 3.1 of Secretarial Standard on General Meetings]**

4. Presence of Chairperson must be required.
5. Maintain the Minutes Book for Signing the minutes.
6. To arrange for the printing of a notice of the Extra-Ordinary general meeting, ensure the notice containing the following contents
 1. Time, date and place of the meeting
 2. Matters to be transacted in the meeting
 3. Procedure of e-voting, if any
 4. Proxy form
 5. Explanatory statement
 6. Route Map

Notice of General Meeting [Section 101, Rule 18 of the Companies (Management and Administration) Rules, 2014 and SS-2]

- A General Meeting of a Company may be called by giving not less than clear 21 days' notice either in writing or through electronic mode.
- Notice shall be sent by hand or by ordinary post or by speed post or by registered post or by courier or by facsimile or by e-mail or by any other electronic means. But where e-voting facility is being provided, notice cannot be sent through Ordinary Post.
- Notice in writing of every Meeting shall be given to every Member of the company. Such Notice shall also be given to the Directors and Auditors of the company, to the Secretarial Auditor, to Debenture Trustees, if any, and, wherever applicable or so required, to other specified persons.
- A statement setting out the special business to be transacted at a general meeting shall be annexed to the notice.
- Listed Companies shall submit a copy of the notice to the stock exchange(s) within 24 hours from the issuance of notice and post the same on the website of the Company within 2 working days. **[Regulation 30 and 46(3) of the SEBI (LODR) Regulations, 2015]**
- Where a record date has been fixed by the listed entity, then it shall give notice in advance of at least 7 working days (excluding the date of intimation and date of meeting) to

Stock Exchange of record date. [Regulation 42 of SEBI (LODR) Regulations, 2015]

Advertisement of Notice in Newspaper

- Company shall publish the Notice in a vernacular newspaper in the principal vernacular language of the district in which the registered office of the company is situated, and in an English newspaper in English language, both having a wide circulation in that district, at least 21 days before the Meeting.
- Listed Companies shall submit the copy of the advertisement to the Stock Exchange within 24 hours from the publication and post the same on the website within 2 working days. [Regulation 30 and 46(3) of SEBI (LODR) Regulations, 2015]

Documents at the Venue

Company shall make sure that following documents are available at the venue of General Meeting

- Copy of notice of the meeting
- Ballot Form
- Register of Members
- Proxy Registers

Convene a General Meeting

1. Check the presence of Quorum for convening the meeting. Quorum shall be present not only at the time of commencement of the Meeting but also while transacting business.
2. The Chairman of the Board shall take the Chair and conduct the Meeting. If the Chairman is not present within fifteen minutes after the time appointed for holding the Meeting, or if he is unwilling to act as Chairman of the Meeting, or if no Director has been so designated, the Directors present at the Meeting shall elect one of themselves to be the Chairman of the Meeting. If no Director is present within fifteen Minutes after the time appointed for holding the Meeting, or if no Director is willing to take the Chair, the Members present shall elect, on a show of hands, one of themselves to be the Chairman of the Meeting, unless otherwise provided in the Articles.
3. Directors who attend General Meetings of the company and the Company Secretary shall be seated with the Chairman.
4. The Chairman shall then conduct the Meeting in a fair and impartial manner and ensure that only such business as has been set out in the Notice is transacted. The Chairman shall regulate the manner in which voting is conducted at the Meeting keeping in view the provisions of the Act.
5. The Chairman shall explain the objective and implications of the Resolutions before they are put to vote at the Meeting with the assistance of scrutiner and provide a fair opportunity to Members who are entitled to vote to seek clarifications and/or offer comments related to any item of business and address the same, as warranted.
6. Company shall provide the e-voting facility to their Members to exercise their Voting Rights if the company having its equity shares listed on a recognized stock exchange other than companies whose equity shares are listed on SME Exchange or on the Institutional Trading

Platform and other companies as prescribed.

7. Check that vote of thanks is given to the Chair at the conclusion of the General Meeting.

WHO CAN ORGANIZE/CALL EGM?

The following members of the company may call for EGM.

- 1) The Board - The Board may convene an extraordinary general meeting on its motion.
- 2) The Director - A director may call an EGM, and if they are called at a time and not in India, then the director capable of acting and appropriate numbers must be called for the quorum.
- 3) The Board of appealing an EGM in response to the request submitted by its members under **Section 100 of Companies Act 2013** - The Board shall have a period of 21 days to appeal for an EGM upon receipt of a valid request. The EGM must then be held 45 days from the date of the appeal of the EGM.
- 4) The requisitionists themselves may appeal - In the event that the Board does not demand for an EGM, the requisitionists may themselves call for an EGM within three months after the date of the deposit of the request. If the EGM takes place during this defined span of 3 months, it can be postponed three months to any future day.
- 5) Tribunal - The Tribunal or the NCLT may call an EGM.

REQUIREMENTS FOR HOLDING AN EGM

- Members must be given a notice period of 21 days.
- There is an exception to this rule, however. Where 95% of the voting members agree, the EGM can be held at a shorter notice.

QUORUM REQUIRED FOR EGM

- Unless otherwise specified in the company's Articles, the following number of members is required for a quorum.
- For a public enterprise: five persons present; and
- For any other company: two members present personally.

Demand for poll

Sec 109. (1) Before or on the declaration of the result of the voting on any resolution 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 check 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, from 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.



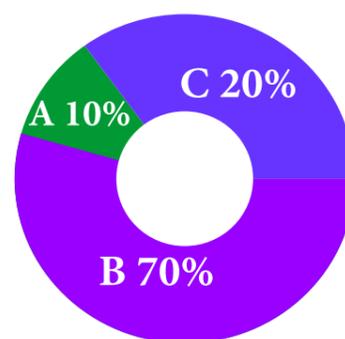


GROUP: I, PAPER: 7

DIRECT TAXATION (DTX)

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Your Preparation Quick Takes



Syllabus Structure

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

Learning Objectives:

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

Income From Other Sources

1. A receipt shall be taxable under this head if such income does not specifically fall under any one of the other four heads of income.
2. **Basis of chargeability:** Income under this head shall be chargeable on 'accrual' or 'cash' basis depending on the method of accounting regularly followed by the assessee.
3. **Casual Income:** Winning from lotteries, crossword puzzles, etc. are taxable under this head. Tax is charged on such income at a flat rate of 30% plus surcharge (if any) plus cess.
4. **Income from letting of machinery, plant or furniture** is charged to tax under this head, if such income is not chargeable under the head "Profits and gains of business or profession".
5. **Composite rent:** If letting of building is inseparable from letting of machinery, furniture, etc. then income from such letting is charged to tax under the head "Income from other sources" otherwise Income from house property.
6. **Family pension:** It is taxable under the head "Income from other sources" after allowing standard deduction to the minimum of a) $\frac{1}{3}^{\text{rd}}$ of such pension; or b) ₹ 15,000.
7. **Gift:** Following receipts by any person shall be considered as his income:
 - a) If any sum is received without consideration in excess of ₹ 50,000 during the previous year;
 - b) If an immovable property is received without consideration and the stamp duty value exceeds ₹ 50,000, the stamp duty value of such property;
 - c) If an immovable property is received with consideration and the stamp duty value of such property exceeds such consideration by higher of the following:
 - (i) ₹ 50,000; or
 - (ii) An amount equal to 10% of the consideration
- the difference between the stamp duty value and the consideration;
 - d) If movable properties are received without consideration and the aggregate fair market value of such properties exceeds ₹ 50,000, the whole of aggregate fair market value of such properties;
 - e) If movable properties are received for consideration which is less than the aggregate fair market value of properties by an amount exceeding ₹ 50,000, the difference between the aggregate fair market value and the consideration

Exceptions:

- (a) Gift received from any relative.
 - (b) Gift received on the occasion of the marriage of the individual.
 - (c) Any sum of money which is received under a will or by way of inheritance.
 - (d) Any sum of money which is received in contemplation of death of the payer
 - (e) Any sum of money which is received from - local authority, any fund or foundation or university or other educational institutions or hospital or other medical institutions or any trust or institution referred u/s 10(23C) or a registered trust or institution;
 - (f) Receipts from an individual by a trust created or established solely for the benefit of relative of the individual.
 - (g) Receipts by way of distribution at the time of total or partial partition of HUF;
 - (h) Shares received in a consequence of demerger or amalgamation of a company or business reorganization of a co-operative society
8. **Share premium received by a company**, not being a company in which public is substantially interested, in excess of fair market value of issued shares shall be considered as income of the issuing company.
 9. **Interest on securities** is charged to tax u/s 56. However, if such securities are held as stock, then taxed u/s 28.
 10. **Interest on delayed receipt of compensation or enhanced compensation** shall be taxable in the year of receipt after deducting standard deduction @ 50% of such income.
 11. **Bond Washing Transactions:** Where an assessee transfers the securities before the due date of interest and reacquires the same, then the interest received by the transferee will be deemed to be the income of the transferor.
 12. **Sale at cum interest price:** Where a person has had at any time during the previous year any beneficial interest in securities & on the sale of such security income received by him is less than the income from such securities on day to day basis, then the income from such securities for such year shall be deemed to be the income of such person.
 13. **Bonus Stripping:** Where any person acquires any unit (original unit) within a period of 3 months prior to the record date and is allotted bonus unit on such date and such person transfers original unit within a period of 9 months after such date, then any loss arising to him shall be ignored and the amount of loss so ignored shall be deemed to be the cost of acquisition of such bonus unit held by him on the date of such sale or transfer.

14. Income on Deep Discount Bond

A) Income on Deep discount bond (issued before 15/2/2002):	
Bond is redeemed	<ul style="list-style-type: none"> Interest income = Redemption price - Issue Price Taxable: In the year of redemption
Bond is transferred before maturity	<ul style="list-style-type: none"> Capital gain = Sale Price - Issue Price Taxable: In the year of such transfer
B) Income on Deep discount bond (issued on or after 15/2/2002):	
Bond is neither transferred nor matured	<p><u>Interest income in the year in which assessee acquired such bond</u> Income = MV at the end of the 1st year - Original cost.</p> <p><u>Interest income in subsequent years</u> Income = MV at the end of the year - MV at the beginning of the year.</p>
Bond is redeemed	Interest income = Redemption price - Value as on the last valuation date immediately preceding the maturity date
Bond is transferred before maturity	Capital gains: Sale price - Cost of the bond (including income, if any, already offered to tax by such transferor up to the date of transfer)

15. Dividend: As per sec. 2(22),

- Any distribution of accumulated profits, which results in the release of assets of the company.
- Any distribution of Debenture, debenture-stock, deposit certificates in any form whether with or without interest to its shareholders (equity as well as preference); and Shares to preference shareholders by way of bonus, to the extent to which company possess accumulated profit.
- Distribution made on liquidation to the extent to which company possess accumulated profit immediately before liquidation.
- Distribution made on reduction of capital of the company to the extent it possess accumulated profit.
- Any loan or advance by a company (in which public are not substantially interested) to the extent of accumulated profit (excluding capitalized profit) to its equity shareholder holding not less than 10% of voting power in the company or to a concern of which such shareholder is a member and has substantial interest in such concern or to any person on behalf of or for the benefit of such specified shareholder.

Tax treatment: Dividend or income from units shall be taxable in the hands of shareholders or unit holders at the applicable rate. No deduction shall be allowed from dividend income, or income in respect of units of mutual fund or specified company, other than deduction on account of interest expense and in any previous year. Further, such deduction shall not exceed 20% of the dividend income or income from units included in the total income for that year without this deduction

16. Specific disallowance: **Following expenditures shall not be deducted from any income under this head**

- Any personal expenses of the assessee.
- Any interest which is payable outside India on which tax has not been deducted at source.
- Any salary payable outside India on which tax has not been deducted at source.
- 30% of any payment made to a resident on which TDS provision is applicable without deducting TDS as referred u/s 40(a)(ia)
- Any amount paid as Wealth tax or Income tax.
- Any amount specified u/s 40A e.g. payment to relative in excess of requirement; or cash payment in excess of ₹ 10,000.
- No deduction in respect of any expenditure shall be allowed in computing the income by way of any winnings from lotteries, etc.

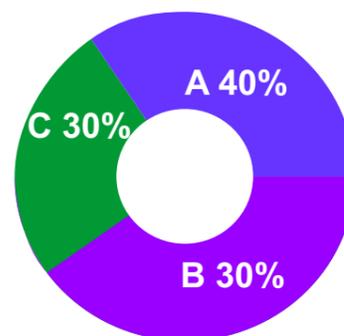
- Deemed Profits:** Where an allowance or deduction has been allowed for any year in respect of loss, expenditure or trading liability incurred by the assessee; and subsequently, any amount is obtained, as revocation of such loss, expenditure or remission of liability, whether in cash or in any other manner, during any previous year, then such amount received or amount remitted shall be charged to tax.



GROUP: I, PAPER: 8
COST ACCOUNTING
(CAC)

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Your Preparation Quick Takes



Syllabus Structure

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

Learning Objectives:

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

COST ACCOUNTING

An effective cost accounting system is very much essential for managing the organization. It is known that the topic Cost Accounting is very vast and varied. Cost Accounting, by exercising control over the total business operations, enables the management to reduce wastages, leakages, increase efficiency and productivity with a view to maximizing the gains or minimizing the losses of a concern. A manager cannot avoid decision making even if the decision is to be nothing in a particular situation. Every decision making is focused towards a target goal and without sufficient data decision will lack purpose. An effective decision consumes minimum amount of resources to achieve the desired target. During present days we are leaving 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 role of Cost Accountants in this regard plays a vital part all over the world. Starting as a branch of Financial Accounting, Cost Accountancy has made a remarkable progress during the last few decades.

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. This paper is a scoring paper out of the eight papers in the intermediate course of the institute. It is observed from my past experience that 70% to 80% of the total questions are set from practical problems and the rest is out of theoretical part. Although only 20% questions are set from theoretical part but a greater emphasis should be given on theoretical part, as most of the students are very much weak in theory. For that the students are requested to go through the theory very carefully for easy understanding the topics and solving the problems. 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.

I have suggested some **suggestions** based on my personal experience -

1. The students should have a well defined plane for completing the syllabus as well as its revision.
2. Try to go through your Study Note and know the syllabus properly.
3. A plane 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 total syllabus is segregated into **Six Chapters**. The first chapter relates to the basic concept of cost accounting, beside its other two branches viz, Financial Accounting and Management Accounting. This part discusses the objectives, important, limitation of installation of costing system. Different methods and technique of cost accounting are also discussed in this chapter. 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. Controlling of labour cost is the most important function of administration. In case of group bonus schemes sometimes the students fill difficulty to find out the clue to solve the problem. Difference between primary distribution and secondary distribution should be properly understood. The students should understand the clues given to them. You should read the scope and objectives of different Cost Accounting Standards in details. It will help to grasp the concept of cost accounting clearly.

This chapter is related to Cost Book-keeping, which includes integrated accounting system also. In the cost books, only nominal accounts, i.e. income and expenses, losses and gains, etc, and to some extent, real accounts are recorded. Costing department is concerned with income and expenditure relating to business carried on. The transactions are recorded on the basis of double entry principles. 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 is associated with Contract Costing, which is used when job or orders are undertaking in the factory or workshop and

when contracts are taken for building a house, construct roads, bridges, dams etc. 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 relates to the Operating Costing. Here 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. It is very important to calculate the 'Composite Unit' for finding the solution of the problems. For ascertaining cost, a suitable cost unit to be selected very carefully.

The chapter Marginal Costing is not a particular method of cost ascertainment but a technique dealing with nature and behavior of cost and their effect upon the profitability of an organization. It explains the cost-volume-profit relationship of a product. 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.

In the chapter 'Standard Costing', variances are analyzed in details according to their originating causes. The technique provides a valuable guidance to the management in several managerial functions, such as formulating policies, in determining the price of a product. The chapter helps the management to fix responsibility for each department in order to identify the activities or areas of exceptions. Standard Costing, an accounting technique, came to be developed as a systematic method of comparing the actual cost with the predetermined standard of cost and performance. Any problem on standard cost for working out different variances can be worked out by using a standard format applicable to all variance analysis.

The next chapter is related to 'Budget and budgetary control'. The term budget can be expressed as a pre-determined plan of action in details. Budgetary control requires preparation of 'Flexible Budget', 'Functional Budgets' and 'Cash Budget' for taking necessary actions. Both theoretical and practical problems may be set from this chapter. The students can easily understand the problems, if theory remains clear. The students are also suggested to go through the theoretical parts-like, concept of Zero based Budgeting, behavior and classification of Budgets etc. very carefully. All functional budgets are summarized into master budget consisting of a Budgeted Profit and Loss Account, a Balance Sheet and Cash Flow Statement. A common mistake is to incorrectly deduct closing stocks and opening stocks when preparing Production and Material Purchased Budget.

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.

Selection of the method of remuneration to workers is the most complex problem nowadays from the view point of both workers as well as employers. There are not any single method which is acceptable to both. Hence prosperity of a concerned depends on the joined and the coordinated efforts of both the employers and employees. There are various methods of wage payments. Here we have solved a problem relating to payment of wages and finding the rate of wages.

Problem :

Two work women, Mita and Kakoli, produce the same product using the same material. Their normal wage rate is also the same. Mita is paid bonus according to Rowan System, while Kakoli is paid bonus according to the Halsey System. The time allowed to make the product is 200 hours. Mita takes 120 hours while Kakoli takes 160 hours to complete the product. The factory overhead rate is Rs. 5 per woman hour actually worked. The factory cost for the product for Mita is Rs. 14,560 and for Kakoli it is Rs. 15,200..

You are required to

- Find the normal rate of wages
- Find the cost of materials
- Prepare a statement comparing the factory cost of the products as made by the two workwomen.

Solution

Factory overhead :

Mita	=	120 hrs	×	Rs. 5	=	Rs. 600
Kakoli	=	160 hrs	×	Rs. 5	=	Rs. 800

Assumed that :

Cost of Material	=	M
Cost of Labour	=	W

$$\therefore \text{Factory Cost} = M + W + 1400 = 14560 + 15200$$

Labour Cost :

$$\text{Mita} = \text{Hours worked} \times \text{Rate per hour} + \frac{\text{Time Saved}}{\text{Time Allowed}} \times \text{Hours worked} \times \text{Rate per hour}$$

$$= [120 + 80/200 \times 120] \text{Rate per hour}$$

$$= (120 + 48) \text{Rate per hour (RH)} = 168 \text{ RH}$$

$$\text{Kakoli} = \text{Hours worked} + 50\% (\text{Time Save} \times \text{Rate per hour})$$

$$= 160 + 50/100 (40 \times \text{RH}) = 180 \text{ RH}$$

$$(a) \text{ So, } M + 168 \text{ RH} + 600 = 14560 \quad \dots\dots\dots (I)$$

$$M + 180 \text{ RH} + 800 = 15200 \quad \dots\dots\dots (ii)$$

$$\text{Or } M + 168 \text{ RH} = 13960$$

$$M + 180 \text{ RH} = 14400$$

$$\text{Or } 12 \text{ RH} = 440$$

$$\begin{aligned} \therefore \text{RH} &= 440/12 = \text{Rs. } 36.67 \\ \text{(b) Material Cost} &= M + 168 \times 36.67 = 13960 \\ \text{Or, } M + 6160 &= 13960 \\ \text{Or, } M &= 7800 \\ \text{Mita: } E &= \text{HW} \times \text{RH} + \text{TS/TA} \times \text{HW} \times \text{RH} \\ &= 120 \times 36.67 + 80/200 \times 120 \times 36.67 = 6.160 \\ \text{Kakoli: } K &= \text{HW} \times \text{RH} + 50\% (\text{TS} \times \text{RH}) \\ &= 160 \times 36.67 + 50/100 (40 \times 36.67) = 6.600 \end{aligned}$$

Statement of Cost of Products

	Mita	Kakoli
Cost of Material	Rs. 7800	Rs. 7800
Labour Cost	Rs. 6160	Rs. 6600
Factory Overhead	Rs. 600	Rs. 800
	<u>Rs. 14560</u>	<u>Rs. 15200</u>

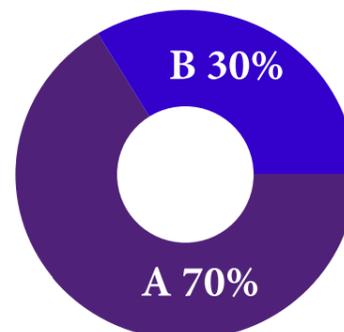




GROUP: II, PAPER: 9, Part- i
OPERATIONS
MANAGEMENT & STRATEGIC
MANAGEMENT (OMSM)
Operations Management

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Your Preparation Quick Takes



Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

Learning Objectives:

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

Operations Management

In this issue and next issue we will discuss on Facility Layouts.

Facility layouts refers to the arrangement of departments, workstations, machines, storage areas, aisles and common areas within an existing or proposed facility. The basis objective is to provide within the facility a smooth flow of work, material, people and information through the system.

A poor layout results:

- ▶ Continuous losses in material handling;
- ▶ Poor space utilization;
- ▶ More generation of scrap;
- ▶ Less capacity utilization;

So besides smooth flow of work, material, people and information effective layouts also:

- Minimise material handling costs;
- Utilise space efficiently;
- Utilise labour efficiently;
- Eliminate bottlenecks during operation;
- Facilitate proper and effective communication between workers, between workers and their supervisors, or between workers and customers;
- Reduce operation cycle time and customer service time;
- Eliminate unwanted wasted or redundant movement;
- Provide smooth hindrance free entry and exit to material, machines, products, people;
- Provide effective safety and security aspects to the system;
- Promote product and service quality;
- Improved maintenance activities;
- Provide flexibility to adopt changes;
- Improved capacity utilization.

Requirements for effective facilities layout are different in—

- Manufacturing plants;
- Commercial establishments-Shops, Offices, Banks etc.
- Service facilities - Hospitals, Post offices etc.
- Residential complexes - Homes, Apartments.
- Cities, Towns;
- Recreational facilities - Park Theatres.

One of the prime source of cost reduction opportunity is a well-planned facility layout

In a manufacturing sector Facility layout i.e. Plant layout needs to be designed in such a way that the total operation could be carried out in the most efficient way. The principles considered for designing a plant layout are:

Arrangement of machines, equipment and work areas should be made in such a way that the material could move smoothly along in a straight line as possible

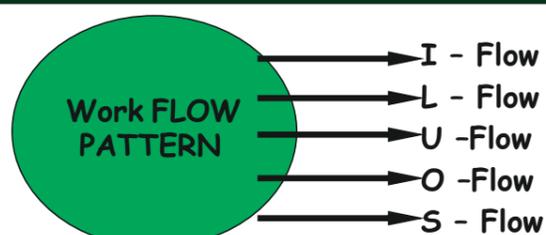
Eliminate all possible delays in work movement

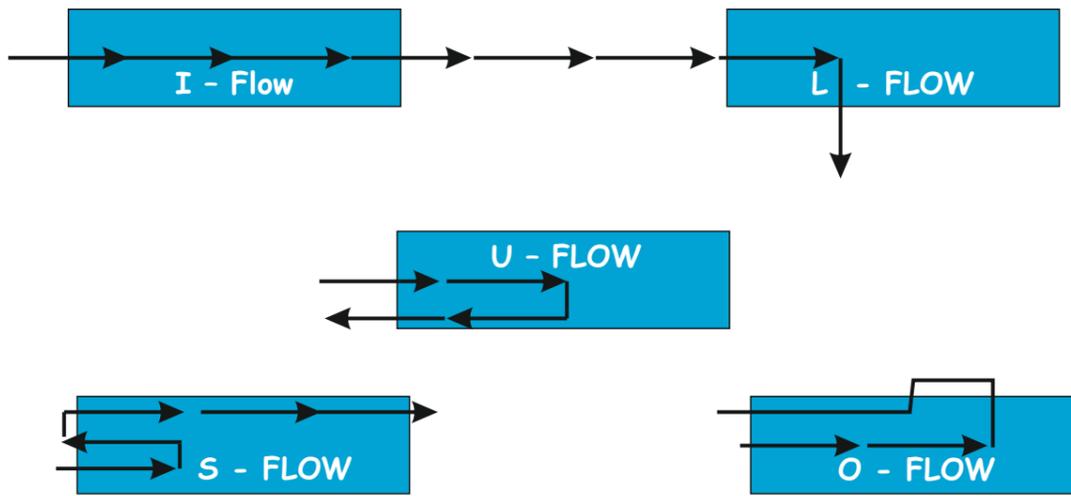
Flow should be planned in such a manner that the work while passing through an area could be properly identified with little possibility of getting mixed up with other works.

Maintenance department conducive to highest quality needs to be properly located.

There shall be minimum spacing between machines after allowance for movement of men and materials has been made.

Allow for maximum flexibility, safety and security

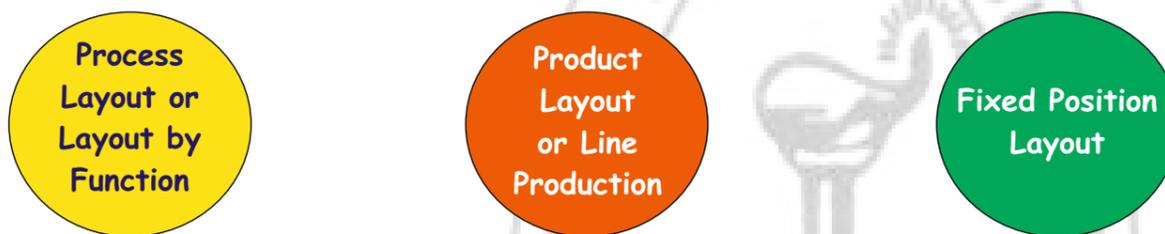




Costs associated with a decision on plant layout are -

1. Cost of movement of materials from one work area to another;
2. Cost of space;
3. Cost of production delay, if any, which are the indirect costs;
4. Cost of spoilage of materials;
5. Cost of labour dissatisfaction and health risks;
6. Cost of changes required, if the operational conditions change in the future. This is long term cost;
7. Cost of customer dissatisfaction due to poor service (quality, delivery, flexibility, responsiveness) which may be due to poor layout;

There are three different kinds of layouts, depending upon the method of production.



Process Layout:

- ▶ Also known as functional layouts;
- ▶ Group similar activities together in departments or work centers according to the process or function they perform. e.g. Milling machine in one group, drilling in another group;
- ▶ Particularly useful where the volume of work is low but variety is wide. Like Job work or Batch production;
- ▶ Provide tremendous flexibility in the sequence of operation because as the jobs are of wide variety the sequence of operation for one job is different from that of another job;
- ▶ Characterized by intermittent operations because as the jobs are of wide variety some operations are required for one job whereas for other job the same are not required;
- ▶ The equipment in each department attend to any product that is taken to them. These equipment are, therefore, called general purpose machines;
- ▶ In manufacturing firm require flexible material handling equipment that can follow multiple paths, move in any direction and carry large loads of in-process goods;
- ▶ In service firm require large aisles for customers to move back and forth and ample display space to accommodate different customer preferences;

Advantages:

- ▶ Variety of products can be produced without incurring additional costs;
- ▶ Effective supervision is possible since the facilities are grouped together on functional basis;
- ▶ Since works are of great varieties job satisfaction to workers and supervisors is generally higher with greater challenge;
- ▶ As machines are of general purpose type so machine failures do not seriously affect production schedules and a small maintenance team can look after the maintenance work;
- ▶ Since the general purpose machines are grouped together idle time of machines and operators can be better controlled and better time-shared thereby increasing machine and labour utilization.

Disadvantages:

- ▶ Inefficient system;
- ▶ Jobs or customers do not flow through the system in an orderly manner, backtracking is common, movement from department to department can take a considerable amount of time and queues tend to develop;
- ▶ Each new work require different operation set up for its particular processing requirement;
- ▶ Workload of workers often fluctuate - from queues of jobs or customers waiting to be served to idle time between jobs or customers.
- ▶ Requirement of large storage space to accommodate large amount of in process inventory;
- ▶ Large amount of in - process inventory because material moves from work center to work center in batches waiting to be processed;
- ▶ The plant looks like warehouse;
- ▶ High material handling costs because works have to move longer distances even with back track also before completion;
- ▶ Higher skilled labour are required because of large variety of jobs;
- ▶ Because of large variety of work large number of inspection staff are required;
- ▶ Production planning and control are quite complicated requiring more paper work and control systems;

Application:

- ▶ Where work require few days or weeks to produce & several different products are produced in small quantities (Job work);
- ▶ When production capacity is limited and there is a need to load different kinds of equipment to their full or near full capacity;
- ▶ When average number of operations on products are not too many and the handling costs are small;

Illustration:

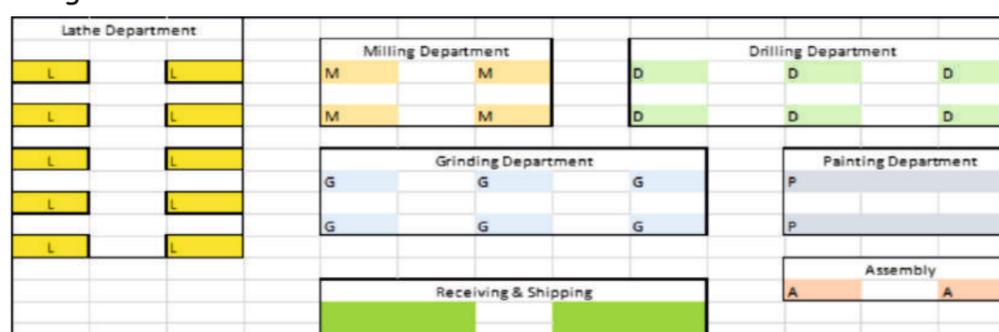
System	Departments/ Service centers
Machine Shop	Receive, stores, drill, lathe, mill, grind, heat-treatment, inspection , assembly etc.
Hospital	Receiving, emergency , wards, intensive-care, maternity, surgery, laboratory, X-ray, cash etc
Diagnostic center	Initial processing, ENT, Pathology, ECG, USG etc

When Jobs or services with different varieties are required to be produced/provided Process Focused layout system is must. Why?

Because of several varieties jobs/services require processing may be of same nature but of different degrees or of different nature but with same degree. Say one job (X) may require heat treatment for 30 minutes whereas one another job (Y) may require it only for 10 minutes. If we try to specialize according to the processing requirement of each type of order (separate heat treatment unit for X and Y) we would have to duplicate many kind of expensive skills and equipment and that may push the investment level to abnormally high. So to obtain reasonable utilization of personnel and equipment we need process focused system wherein we assemble the skills and machines for performing a given function in one place and then route the items being processed to the appropriate functional centers. This arrangement facilitates reduction in investment level besides other advantages.

The major layout concern for a process layout is where to locate the departments or service centers in relation to each other. Should the drilling department be located adjacent to mill department? In a hospital should the emergency be located to Cardiology department? Although each job or customer potentially has a different route through the facilities, some paths will be more common than others. Past information on customer orders and projections of customer orders can be used to develop patterns of flow through the plant. The locations depend on the need for one pair of facilities to be adjacent (or close) to each other relative to the need for other pairs of facilities to be adjacent or close to each other.

A process layout in manufacturing:



The major layout concern for a process layout is where to locate the departments or machine centers in relation to each other.

Although each job or customer potentially has a different route through the facility, some paths will be more common than others.

Past information on customer orders and projections of customer orders can be used to develop patterns of flow through the shop.
A process layout in Service:

Women's Section		Children's Section		Men's Section
Formal		Dresses		Formal
Informal		Toys		Infomal
Cosmetics		Reception & Billing		Cosmetics

Choose the correct answer:

- Q 1.**
In a processed focused systems the item being processed
- normally goes through same processing sequence with same work done;
 - normally goes through same processing sequence with different work done; ;
 - normally goes through variable processing sequence with different work done;
 - normally goes through variable processing with same work done;
- Q 2.**
Which of the following require large aisles for customers to move back and forth and ample display space to accommodate different customer preferences?
- Medical Clinic;
 - Lathe Machine Shop;
 - Municipal office;
 - Big bazar mall;
- Q 3.**
A good plant layout should be
- flexible enough to take care of probable future changes;
 - accommodative to protect against space constraint;
 - rigid enough to follow same processing sequence;
 - insensitive to location of departments in relation to each other;
- Q 4.**
Which one of the following is not an advantage to process layout?
- Process layout makes size of maintenance team small;
 - Process layout increases job satisfaction for workers;
 - Process layout facilitates job working with more varieties without additional costs ;
 - Process layout produces product with more floor area per unit of product;
- Q 5.**
In a plant loading different machines to their near full potential under limited production capacity requires
- Line production layout system;
 - Fixed production layout system;
 - Functional layout system;
 - Combination of Line and Fixed production layout;
- Q 6.**
Which one of the following is not the result of effective layout
- Effective communication between customers and supervisors;
 - Increased capacity utilisation;
 - Improved maintenance activities;
 - Minimized material handling costs;
- Q 7.**
Which one of the following is the feature of Functional layout
- Job handling costs are high;

- ii) Different kinds of equipment at partial load;
- iii) Voluminous job works with several varieties;
- iv) No specialization as per processing requirement of different jobs;

Q 8.

Process focused functional layout is suitable for

- i) Process production;
- ii) Batch production;
- iii) Process production with several joint products;
- iv) Batch production with single variety;

Q 9.

Which one of the following is not the requirement of functional layout

- i) Higher skilled labour for variety of jobs;
- ii) large number of inspection staff;
- iii) Less storage space as job volumes are small;
- iv) More paper work as production planning is complicated;

Q 10.

Which of the following is appropriate for functional layout:

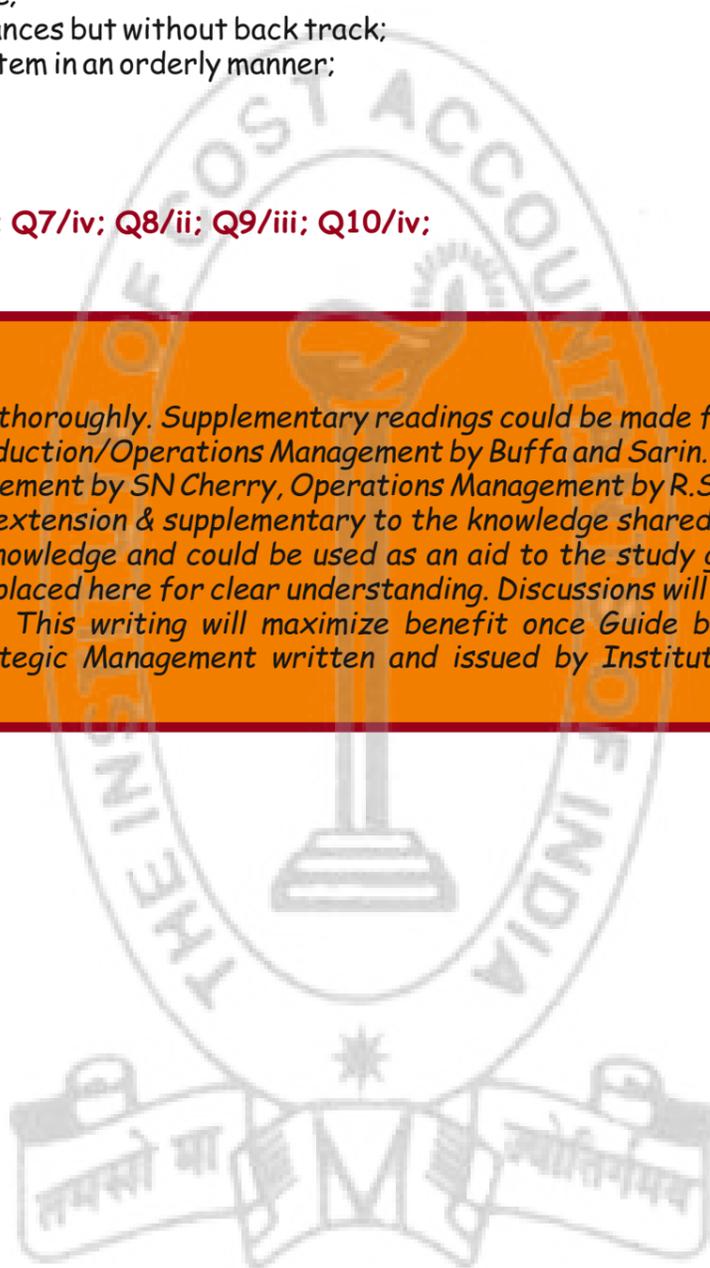
- i) Each new work require same operational set up;
- ii) The plant looks like a cold storage;
- iii) Works have to move longer distances but without back track;
- iv) Jobs do not flow through the system in an orderly manner;

Ans:

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

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, Discussions are made here as an extension & supplementary to the knowledge shared on the topic in study guide. This is for updating of knowledge and could be used as an aid to the study guide. Few MCQ type examples on this portion are also placed here for clear understanding. 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.

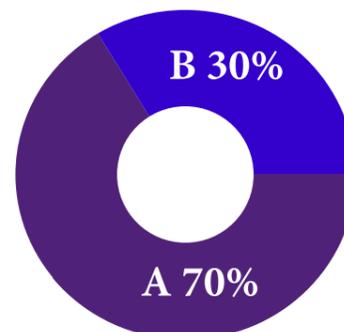




GROUP: II, PAPER: 9, Part- ii
OPERATIONS
MANAGEMENT & STRATEGIC
MANAGEMENT (OMSM)
Strategic Management

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Your Preparation Quick Takes



Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

Learning Objectives:

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

STRATEGIC MANAGEMENT

- Stability strategy is a -----strategy:**
 - Corporate level
 - Business level
 - Functional level
 - Strategic level
- The slowest way to grow a business is likely to be through:**
 - Merger
 - Outsourcing
 - Internal development
 - Strategic alliance
- The value chain is subdivided into two main headings. Those are primary activities and:**
 - Peripheral activities
 - Support activities
 - Secondary activities
 - Outsourced activities
- What is the purpose of an activity map?**
 - A system to facilitate better time planning
 - It is used in business process reengineering to show how the different activities of an organization are linked together
 - It is used to identify and understand strategic capability by mapping how the different activities of an organization are linked together
 - A list of activities undertaken by an organization.
- Which of the following statements is not true regarding corporate strategies?**
 - They are concerned with the broad and more long-term issues of the organization
 - They are concerned with how the organization is going to compete in a specific business or industry
 - They are concerned with the direction the organization is headed
 - They are concerned with the business(es) that the organization is in and the businesses they want to be in.
- Buying another company by one company means:**
 - Joint venture
 - Acquisitions
 - Amalgamation
 - Merger
- Which environment can create new market and new business segments?**
 - Political environment
 - Economic environment
 - Socio cultural environment
 - Technological environment
- Which of the following statements best describes the concept of strategic awareness?**
 - Managers understanding of the organizations history, competencies, and current strategy
 - Managers understanding of current strategy and its effectiveness
 - Managers understanding of the strategic options available to the organization
 - Managers understanding the organizations strategy, its effectiveness
- What is the recommended length of an effective mission statement?**
 - One page
 - Less than 200 words

- C. One sentence of 10 to 20 words
D. There is no recommendation it can be as long as the management wants

10. Which type of strategies are of particular importance to Global companies?

- A. Corporate
B. Functional
C. Competitive
D. Corporate & competitive

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

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

12. Internal audit is done:

- A. Before external audit
B. After external audit
C. Parallel to external audit
D. Vertical to external audit

13. The magnitude and changes that may affect an organization is survival is owing to all of the following except:

- A. Merger-mania
B. Demographics
C. E-commerce
D. Dubious firms

14. A possible and desirable future state of an organization is called:

- A. Mission
B. Vision
C. Strategy implementation
D. Strategy formulation

15. What do cash cows symbolize in BCG matrix?

- A. Remain diversified
B. Invest
C. Stable
D. Liquidate

Answer

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





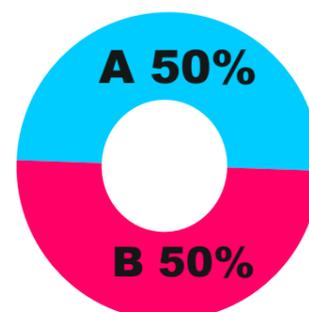
GROUP: II, PAPER:10

COST & MANAGEMENT

ACCOUNTING AND FINANCIAL
MANAGEMENT(CMFM)

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Your Preparation Quick Takes



Syllabus Structure

A Cost & Management Accounting 50%

B Financial Management 50%

Learning Objectives:

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

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

The following information are provided to you for a month in respect of a workshop :

- | | |
|---|--------------------|
| i) Overhead cost variance | - Rs.1,400 adverse |
| ii) Overhead volume variance | - Rs.1,000 adverse |
| iii) Budgeted hours | - 1,200 hrs. |
| iv) Budgeted overhead | - Rs.6,000 |
| v) Actual rate of recovery of overheads | - Rs.8 per hour |

What shall be the :-

- 1) Standard (or Budgeted) Fixed Overhead Rate per Hour : (a) Rs.2 (b) Rs.3 (c) Rs.4 (d) Rs.5
- 2) Standard F.OH for Actual Production : (a) Rs.4500 (b) Rs.5000 (c) Rs.5500 (d) Rs.6000
- 3) Standard Hour for Actual Production : (a) 1000 Hrs. (b) 1100 Hrs. (c) 1200 Hrs. (d) 1300 Hrs.
- 4) Actual Fixed OH : (a) Rs.6200 (b) Rs.6300 (c) Rs.6400 (d) Rs.6500
- 5) Actual Hour for Actual Production : (a) 700 Hrs. (b) 800 Hrs. (c) 900 Hrs. (d) 1000 Hrs.
- 6) Fixed OH Expenditure Variance : (a) Rs.400 A (b) Rs.400 F (c) Rs.450 F (d) Rs.450 A
- 7) Fixed OH Efficiency Variance : (a) Rs.900 A (b) Rs.900 F (c) Rs.1000 A (d) Rs.1000 F
- 8) Fixed OH Capacity Variance : (a) Rs.2,000 F (b) 2,000 A (c) 2,100 A (d) Rs.2,100 F

Answer :

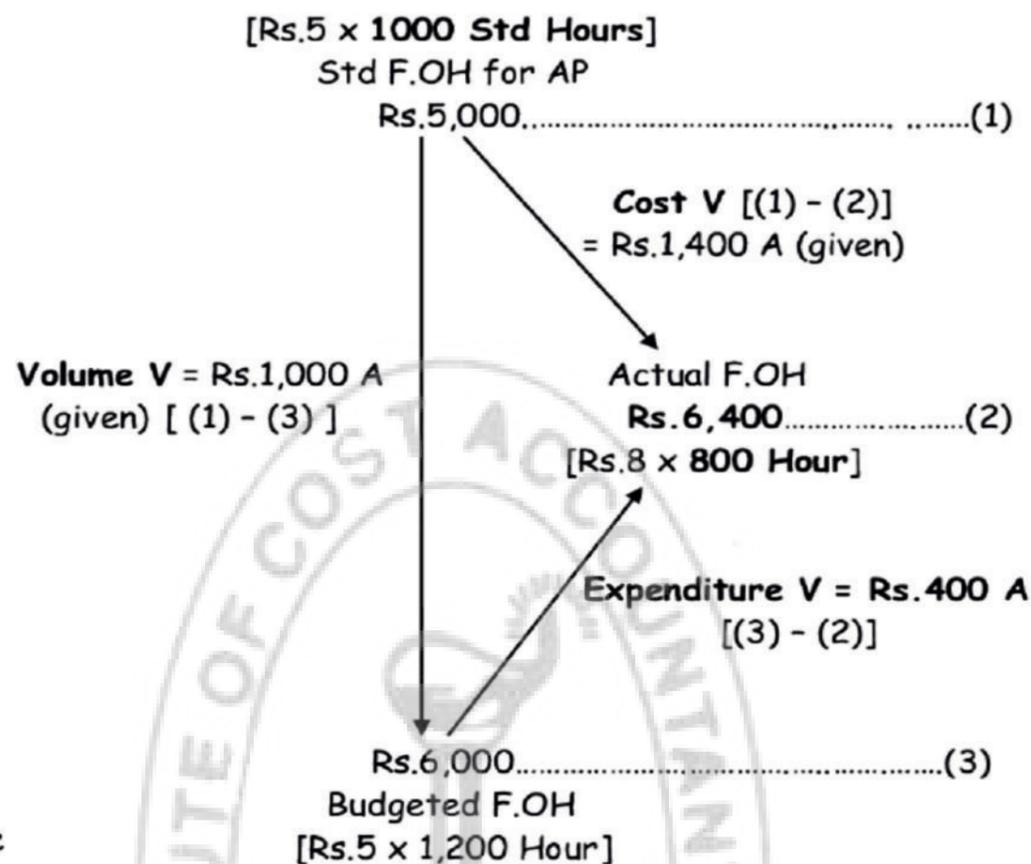
- | | | |
|------------------|------------------|------------------|
| 1) (d) Rs.5 | 2) (b) Rs.5000 | 3) (a) 1000 Hrs. |
| 4) (c) Rs.6400 | 5) (b) 800 Hrs. | 6) (a) Rs.400 A |
| 7) (d) Rs.1000 F | 8) (b) Rs.2000 A | |

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

Working Note : 1



*Std Fixed OH Rate
[Budgeted F.OH / Budgeted Hour] (given)
[Rs.6,000 / 1,200 Hour]

We find,

Rs.6,000	Budgeted F.OH
(-) 1,000	Volume V (A) (given)
5,000	Std.F.OH for AP

*Std Hour for AP = 1,000
[Std F.OH for AP / Std Rate per Hour]
[Rs.5,000 / Rs.5 = 1,000 Hour]

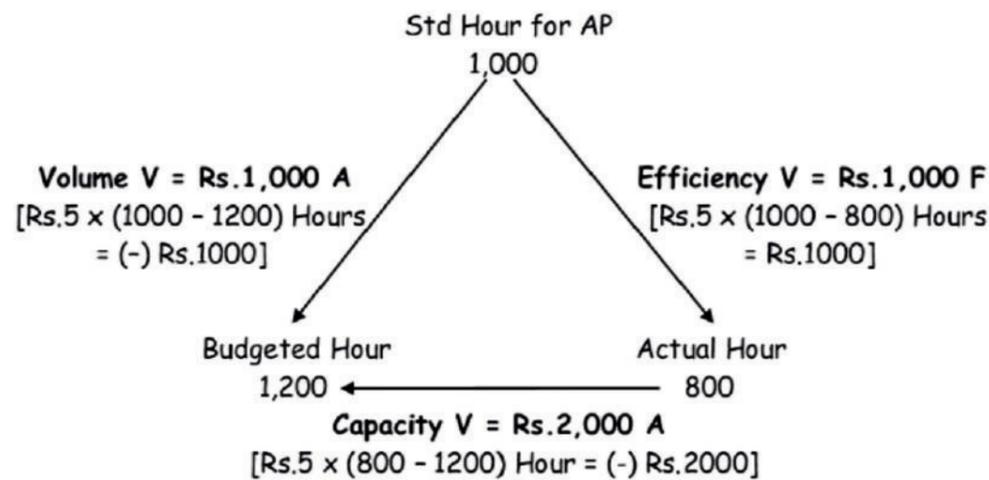
We find,

Rs.5,000	F.OH for AP
(+) 1,400	Cost V (A) (given)
6,400	Actual F.OH

*Hence Actual Hour for AP = 800
[Actual F.OH / Actual F.OH Rate per Hour]
[Rs.6,400 / Rs.8 (given)]

*F.OH Expenditure V = Rs.400 A
[Budgeted F.OH - Actual F.OH]
[Rs.6,000 - Rs.6,400]

Working Note : 2

**Question No. - 2 (Comprehensive)**

A company producing a standard product is facing declining sales and dwindling profits. It has therefore decided to introduce a standard cost system to control cost. To motivate workers to improve productivity the management has also decided to introduce an incentive scheme under which employees are paid 20% of the standard cost of materials saved and also 40% of the labour time saved valued at standard labour rate.

The following are the details of the standard cost of the product:

	Standard cost per unit	(Rs.)
Direct material	10 Kg @ Rs.12	120
Direct labour	3 Hr @ Rs.10	30
Variable overheads	3 Hr @ Rs.5	15
Fixed overheads (based on a budgeted output of 10,000 Units)		25
Total standard cost per unit		190

Selling price per unit Rs.240.

During one particular month 9,600 units of the product were manufactured and sold incurring the following actual cost:

		Cost (Rs.)
Direct material	90,000 kg.	1210000
Direct labour	25,000 hrs.	254000
Variable overheads	25,000 hrs.	147000
Fixed overheads		250000
	Total cost	1861000
	Net profit	419000
	Sales	2280000

What shall be the :-

REG. MATERIAL

- 1) Standard Quantity for Actual Production : (a) 95000 kg (b) 96000 kg (c) 97000 kg (d) 98000 kg
- 2) Standard Cost of Actual Production (SCAP) : (a) Rs.11,52,000 (b) Rs.11,53,000 (c) Rs.11,54,000 (d) Rs.11,55,000
- 3) Standard Cost of Actual Quantity : (a) Rs.10,60,000 (b) Rs.10,70,000 (c) Rs.10,80,000 (d) Rs.10,90,000
- 4) Price Variance : (a) Rs.1,30,000 F (b) Rs.1,30,000 A (c) Rs.1,40,000 A (d) Rs.1,40,000 F
- 5) Usage V : (a) Rs.71,000 A (b) Rs.71,000 F (c) Rs.72,000 A (d) Rs.72,000 F
- 6) Cost V : (a) Rs.58,000 A (b) Rs.58,000 F (c) Rs.60,000 A (d)

Rs.60,000 F

REG. LABOUR

- 7) Standard Hour for Actual Production : (a) 28,600 Hr. (b) 28,700 Hr. (c) 28,800 Hr. (d) 28,900 Hr.
- 8) Standard Cost of Actual Production (SCAP) : (a) Rs.2,87,000 (b) Rs.2,88,000 (c) Rs.2,89,000 (d) Rs.2,90,000
- 9) Wage Rate Variance : (a) Rs.4000 A (b) Rs.4000 F (c) Rs.4500 A (d) Rs.4500 F
- 10) Efficiency Variance : (a) Rs.37,000 A (b) Rs.37,000 F (c) Rs.38,000 A (d) Rs.38,000 F
- 11) Cost Variance : (a) Rs.30,000 A (b) Rs.30,000 F (c) Rs.34,000 F (d) Rs.34,000 A

REG. VARIABLE OVERHEADS

- 12) Standard Hour for Actual Production : (a) 28800 Hrs. (b) 28900 Hrs. (c) 29000 Hrs. (d) 29100 Hrs.
- 13) Standard Overhead for Actual Production : (a) Rs.1,41,000 (b) Rs.1,42,000 (c) Rs.1,43,000 (d) Rs.1,44,000
- 14) Expenditure Variance : (a) Rs.22,000 F (b) Rs.22,000 A (c) Rs.25,000 A (d) Rs.25,000 F
- 15) Efficiency Variance : (a) Rs.19,000 F (b) Rs.19,000 A (c) Rs.20,000 A (d) Rs.20,000 F
- 16) Total Cost Variance : (a) Rs.2500 A (b) Rs.2500 F (c) Rs.3000 A (d) Rs.3000 F

REG. FIXED OVERHEADS

- 17) Standard Overheads for Actual Production : (a) Rs.2,40,000 (b) Rs.2,50,000 (c) Rs.2,60,000 (d) Rs.2,70,000
- 18) Expenditure Variance : (a) Rs.5000 A (b) Rs.5000 F (c) Rs.6000 A (d) Rs.NIL
- 19) Volume Variance : (a) Rs.10,000 F (b) Rs.10,000 A (c) Rs.11,000 A (d) Rs.11,000 F
- 20) Total Cost Variance : (a) Rs.9000 F (b) Rs.9000 A (c) Rs.10000 F (d) Rs.10000 A

REG. SALES

- 21) Budgeted Sales : (a) Rs.23,00,000 (b) Rs.24,00,000 (c) Rs.25,00,000 (d) Rs.26,00,000
- 22) Standard Sales on Actual Quantity sold : (a) Rs.23,04,000 (b) Rs.23,05,000 (c) Rs.23,06,000 (d) Rs.23,07,000
- 23) Sales Volume Variance : (a) Rs.96,000 F (b) Rs.96,000 A (c) Rs.97,000 A (d) Rs.97,000 F
- 24) Sales Price Variance : (a) Rs.23,000 A (b) Rs.23,000 F (c) Rs.24,000 F (d) Rs.24,000 A
- 25) Sales Value Variance : (a) Rs.1,15,000 F (b) Rs.1,15,000 A (c) Rs.1,20,000 A (d) Rs.1,20,000 F

REG. WORKERS' BONUS

- 26) The Amount of Bonus earned by the workers : (a) Rs.29,600 (b) Rs.29,700 (c) Rs.29,800 (d) Rs.29,900

Answer :

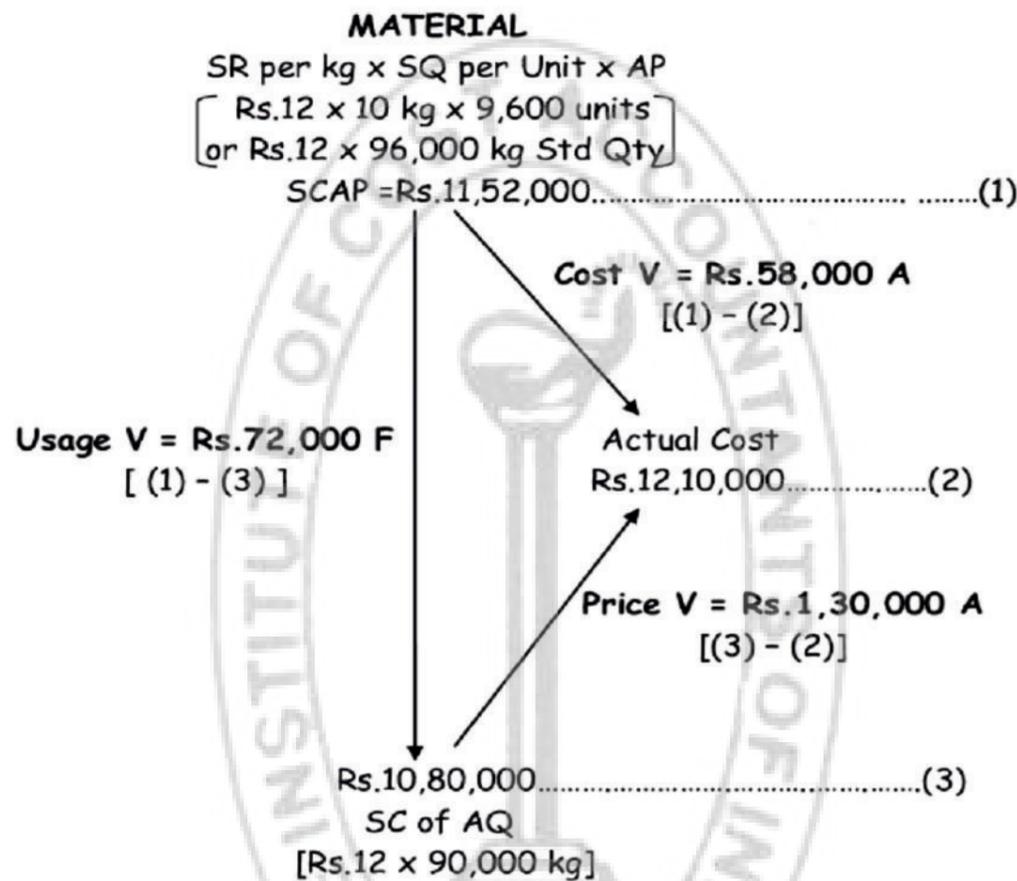
- | | | |
|----------------------|---------------------|---------------------|
| 1) (b) 96,000 Kg | 2) (a) Rs.11,52,000 | 3) (c) Rs.10,80,000 |
| 4) (b) Rs.1,30,000 A | 5) (d) Rs.72,000 F | 6) (a) Rs.58,000 A |
| 7) (c) 28,800 Hrs. | 8) (b) Rs.2,88,000 | 9) (a) Rs.4,000 A |
| 10) (d) Rs.38,000 F | 11) (c) Rs.34,000 F | 12) (b) 28,800 Hrs |
| 13) (d) Rs.1,44,000 | 14) (b) Rs.22,000 A | 15) (a) Rs.19,000 F |

- | | | |
|-----------------------|---------------------|----------------------|
| 16) (c) Rs.3,000 A | 17) (a) Rs.2,40,000 | 18) (d) NIL |
| 19) (b) Rs.10,000 A | 20) (d) Rs.10,000 A | 21) (b) Rs.24,00,000 |
| 22) (a) Rs.23,04,000 | 23) (b) Rs.96,000 A | 24) (d) Rs.24,000 A |
| 25) (c) Rs.1,20,000 A | 26) (a) Rs.29,600 | |

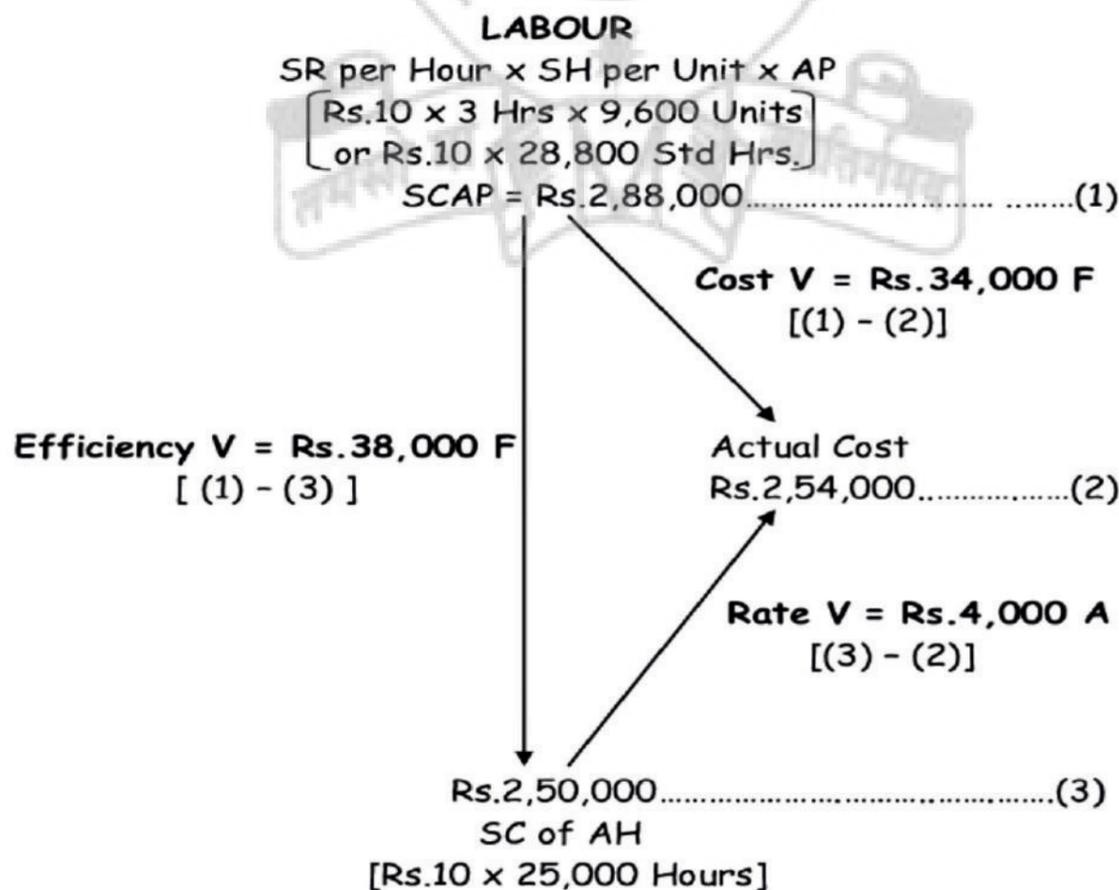
Solution with Working Notes

Basic data : Actual Production (AP) = 9,600 units.

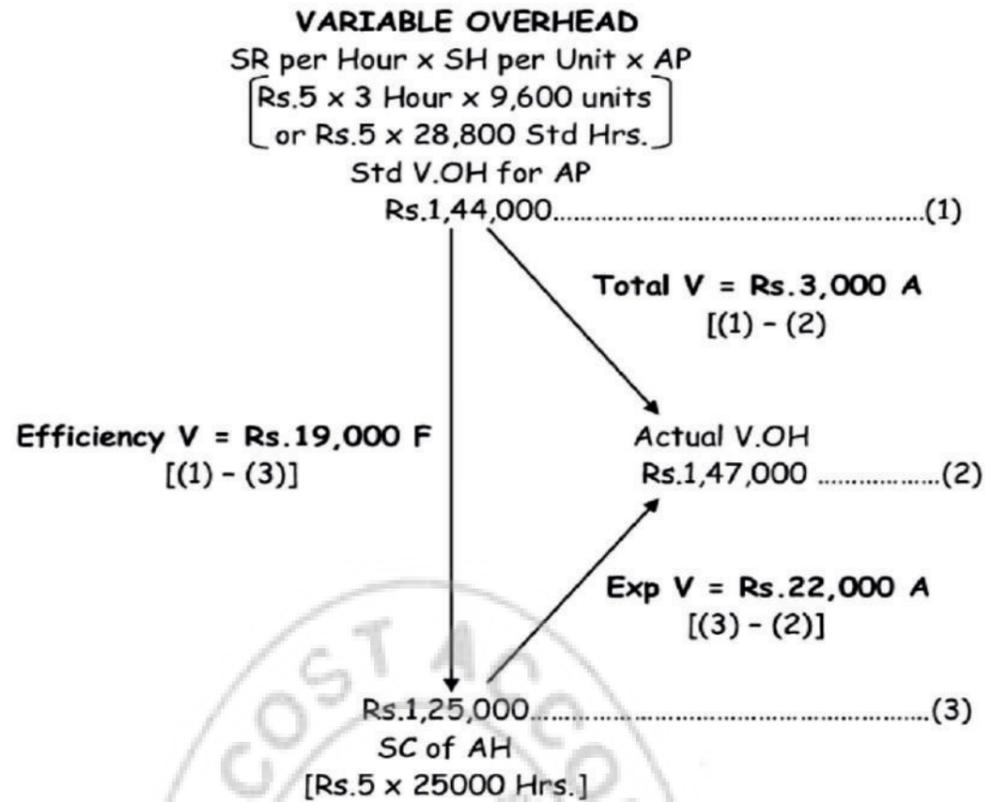
Working Note - 1



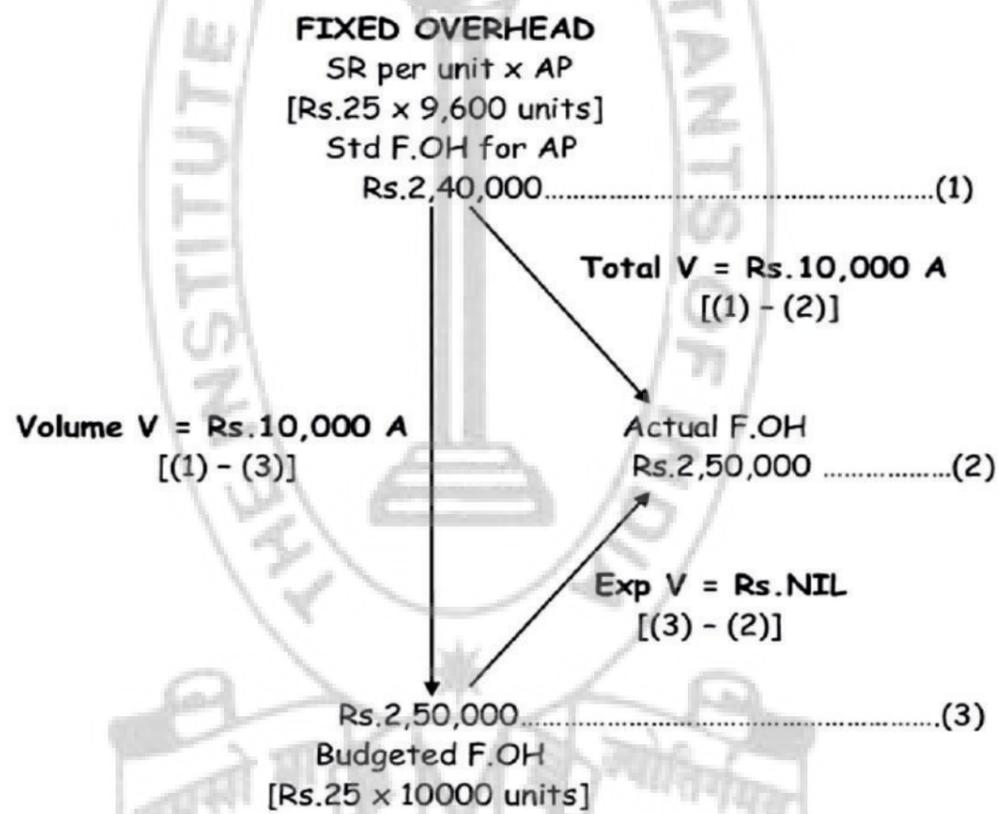
Working Note - 2



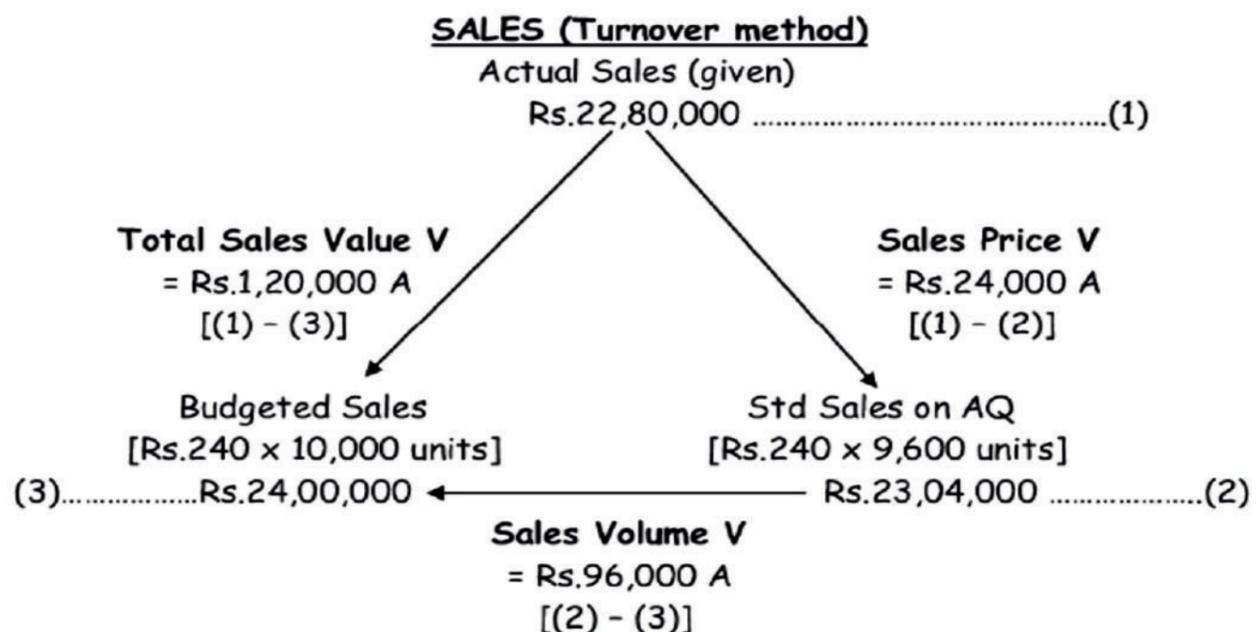
Working Note - 3



Working Note - 4



Working Note - 5



Working Note - 6**Bonus amount earned by workers = Rs.29,600**

Material Usage V	= Rs.72,000 F. 20% thereof Rs.14,400
Labour Efficiency V	= Rs.38,000 F. 40% thereof <u>Rs.15,200</u>
	Rs.29,600

*** In case Sales Margin Method is applied, the Sales Price V would be the same i.e. Rs.24,000 A. Of course, Sales Margin Volume V and Sales Margin Value V would differ from above.

FOR UNDERSTANDING OF STUDENTS

Reconciliation of Standard Profit & Actual Profit		(Amount in Rupees)
W.N.	Standard Profit (Rs.50 x 9,600 units)	4,80,000
	Std Profit per Unit [Rs.240 - Rs.190]	
5	Sales Price V	24,000 A
		4,56,000
	Cost Variance	
1	Material	58,000 A
	Price V	1,30,000 A
	Usage V	72,000 F
2	Labour	34,000 F
	Rate V	4,000 A
	Efficiency V	38,000 F
3	Variable Overhead	3,000 A
	Expenditure V	22,000 A
	Efficiency V	19,000 F
4	Fixed Overhead	10,000 A
	Expenditure V	NIL
	Volume V	10,000 A
		37,000 A
	Actual Profit	4,19,000

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) Rs.52 - Rs.48 = (+) Rs.4 = Rs.4 Favourable Variance, shown as Rs.4 (F)
- 2) Rs.52 - Rs.61 = (-) Rs.9 = Rs.9 Adverse or Unfavourable Variance, shown as Rs.9 (A)

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

- 1) Diagram works as a road map which leads one to reach destination in the easiest way.
- 2) Diagrams are simple, easy to understand and use.
- 3) Solution can be arrived at within the shortest possible time.

- 4) Nature of Variance (Favourable or Adverse) emerges automatically due to in-built system.
- 5) Inter-relationship of related Variances are clearly visible and understood.
- 6) Inconsistency in on-going computation is promptly detected for correction.
- 7) It is easier to memorize the diagrams than a bunch of confusion-raising formulae.

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



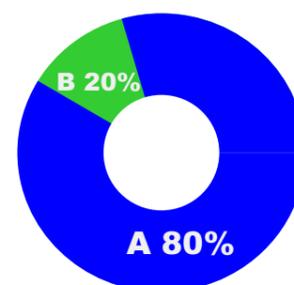


GROUP: II, PAPER:11

INDIRECT TAXATION (ITX)

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

Your Preparation Quick Takes



Syllabus Structure

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

Learning objectives:

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

GST MCQs

GST from July 18 on pre-packed, labelled food items, hospital rooms above ₹5000.

Nirmala Sitharaman the finance minister and her state counterparts, had pruned the exemption list and imposed tax on a host of goods and services

Customers will have to pay 5% GST on pre-packed, labelled food items like atta, paneer and curd, besides hospital rooms with rent above ₹5,000 from Monday with the GST Council's decision coming into force.

In addition, hotel rooms with tariff of up to ₹1,000/day, maps and charts, including atlases, will attract a 12% Goods and Services Tax (GST), while 18% GST will be levied on tetra packs and fees charged by banks for the issue of cheques (loose or in book form).

Last month, the GST Council, chaired by Union Finance Minister Nirmala Sitharaman and comprising her State counterparts, had pruned the exemption list and imposed tax on a host of goods and services.

The Council, based on an interim report of the Group of Ministers (GoM) on rate rationalisation, had also removed duty inversion for goods where the taxes on inputs were higher than those on the output.

Tax rates on products such as printing, writing or drawing ink; knives with cutting blades, paper knives and pencil sharpeners; LED lamps; drawing and marking out instruments will be hiked to 18% on Monday, from 12% currently, to correct the inverted duty anomaly.

Also, solar water heaters will now attract 12% GST as compared to 5% earlier.

Some services such as work contracts for roads, bridges, railways, metro, effluent treatment plants and crematoriums too will see tax going up to 18% from the current 12%.

Besides, taxes will be cut on ostomy appliances and on transport of goods and passengers by ropeways to 5% from July 18, from 12%

Renting of truck, goods carriage where the cost of fuel is included will now attract a lower 12% rate as against 18%.

GST exemption on the transport of passengers by air to and from northeastern states and Bagdogra will be restricted to economy class only.

Services rendered by regulators such as RBI, IRDA and SEBI will be taxed at 18% and so will be renting of a residential dwelling to business entities.

Bio-medical waste treatment facilities shall attract 12% GST, while non-ICU hospital rooms exceeding ₹5,000/day will be levied 5% GST, without input tax credit, to the extent of the amount charged for the room.

Besides, individuals will only be able to claim GST exemption for training or coaching in recreational activities relating to arts or culture or sports.

Also, electric vehicles, whether or not fitted with a battery pack, would be eligible for the concessional GST rate of 5% from July 18.

AMRG & Associates Senior Partner Rajat Mohan said healthcare services by a clinical establishment have enjoyed a tax-neutral status under Indian tax laws for decades now.

The government has now notified that all such clinical establishments including hospitals, nursing homes, and sanatoriums would be liable to pay tax on the gross room rentals which is more than ₹5,000 per day.

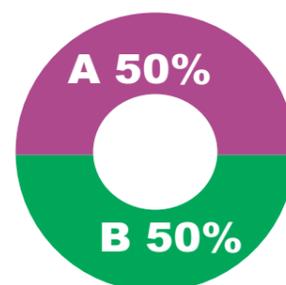
"The striking question which comes to mind regarding the amendment is that since the treatment provided by the medical establishments is a composite supply, different elements of the referred transaction cannot be vivisected artificially for imposing new tax liabilities. Underlying notification seems to be ultra vires the provision of section 8 that mandates a single tax on all composite supply transactions."



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

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Dept. Of Commerce,
M.B.B.College, Tripura
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malay_nayak@ymail.com

Your Preparation Quick Takes



Syllabus Structure

- A Accounts of Joint Stock Companies 50%
- B Auditing 50%

Learning Objectives:

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

Company Accounts & Audit

Today we may go on some stories pivotal to cash flow statement.

1) What is Cash Flow Statement?

A cash flow statement is a statement depicting company's inflows and outflows of cash during a particular accounting period. The statement shows the impact of operating, financing and investing activities on cash.

Users of financial statements need information on liquidity, viability and financial adaptability of the entity concern. Deriving this information involves the users in making assessment of the future cash flows of the entity.

2) State in brief the positive points favoring cash flow statements.

- As cash flow statements provide information about an enterprise's liquidity it provides information about ability to generate future cash flows which is very meaningful to survival.
- It provides ability to meet enterprise's obligation.
- It eliminates the effect of using different accounting treatments of the same transactions
- It helps to assess the reliability of net profit amount as shown in profit and loss statement
- It enables users to assess why assets and liabilities get changed during an accounting period
- It helps to assess likely future financing needs

3) What are the backdrops of cash flow statements?

- Cash balance of a firm is easily influenced by postponing cash receipts and cash payments
- Cash is a part of working capital, hence it does not show changes in working capital at a glance

4) What is most popular method of preparation of cash flow statements?

Most popular method of cash flow statement is indirect method. Under this method major classes of gross cash receipts and gross cash payments are not shown. Here net profit is adjusted for non cash items like depreciation, goodwill written off etc. Preparation of cash flow under this method will not require any figures from accounting records. Only financial statements are enough for preparation of cash flow.

Listed companies are allowed to use this method for preparation and presentation of cash flow statement.

5) Mention the advantages of indirect method.

- As per clause 32 of listing agreement, listed company should use only indirect method for preparation and presentation of cash flow
- This method shows the change in working capital items more clearly

6) What is the format of cash flow statement as per AS 3

AS 3 lays down a format for the cash flow statement which identifies separately the main activities resulting in cash inflows and outflows. This standard requires three separate categories of cash flows namely operating activities, investing activities and financing activities.

Cash flow from operating activities are derived from the principal revenue producing activities of the enterprise.

The separate disclosure of cash flow from investing activities represent the expenditure for resources intended.

The separate disclosure of cash flow from financing activities is important as it is useful in predicting claims on future cash flows by providers of funds.

7) Give four examples of operating activities

- Cash receipts from the sale of goods and rendering of services
- Cash receipts from royalties, fees, commission and other revenue
- Cash payments to suppliers for goods and services
- Cash payments to and on behalf of employees.

8) Give four examples of investing activities

- Cash receipts on disposal of fixed assets
- Cash receipts on disposal of shares, warrants or debt instruments

- c) Cash payments to acquire fixed assets
- d) Cash payments to acquire share warrants and debt instruments

9) Give four examples of financing activities

- a) Cash proceeds from issuing shares or similar instruments
- b) Cash proceeds from issuing debentures, bonds etc.
- c) Cash payments of dividends
- d) Payment of interest

CMA aspirants should not let down in post monsoon days and puja days. Amidst of enjoying puja they are to carry on the regular study. Students are to go on the exercise of preparation of cash flow statement. Discussion of cash flow statement as presented here may germinate the process of preparation. We hope so in the new financial paradigm, CMAs are most vibrant profession. You are to prepare yourselves accordingly.





PRACTICAL Advice

ABOUT YOUR STUDIES - INTERMEDIATE COURSE

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

START

01

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

**Solve Exercises
given in Study Note**

02

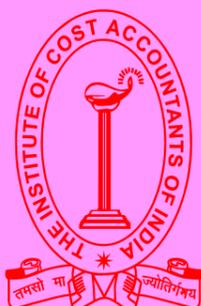
03

Assess Yourself

Appear For Examination

04

FINISHED



SUBMISSIONS



Updation of E-Mail Address/Mobile:

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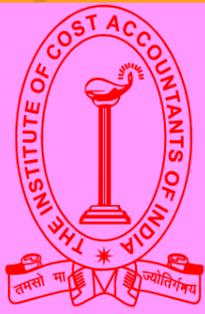
We are very much delighted to receive responses from all of you; for whom our effort is!

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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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

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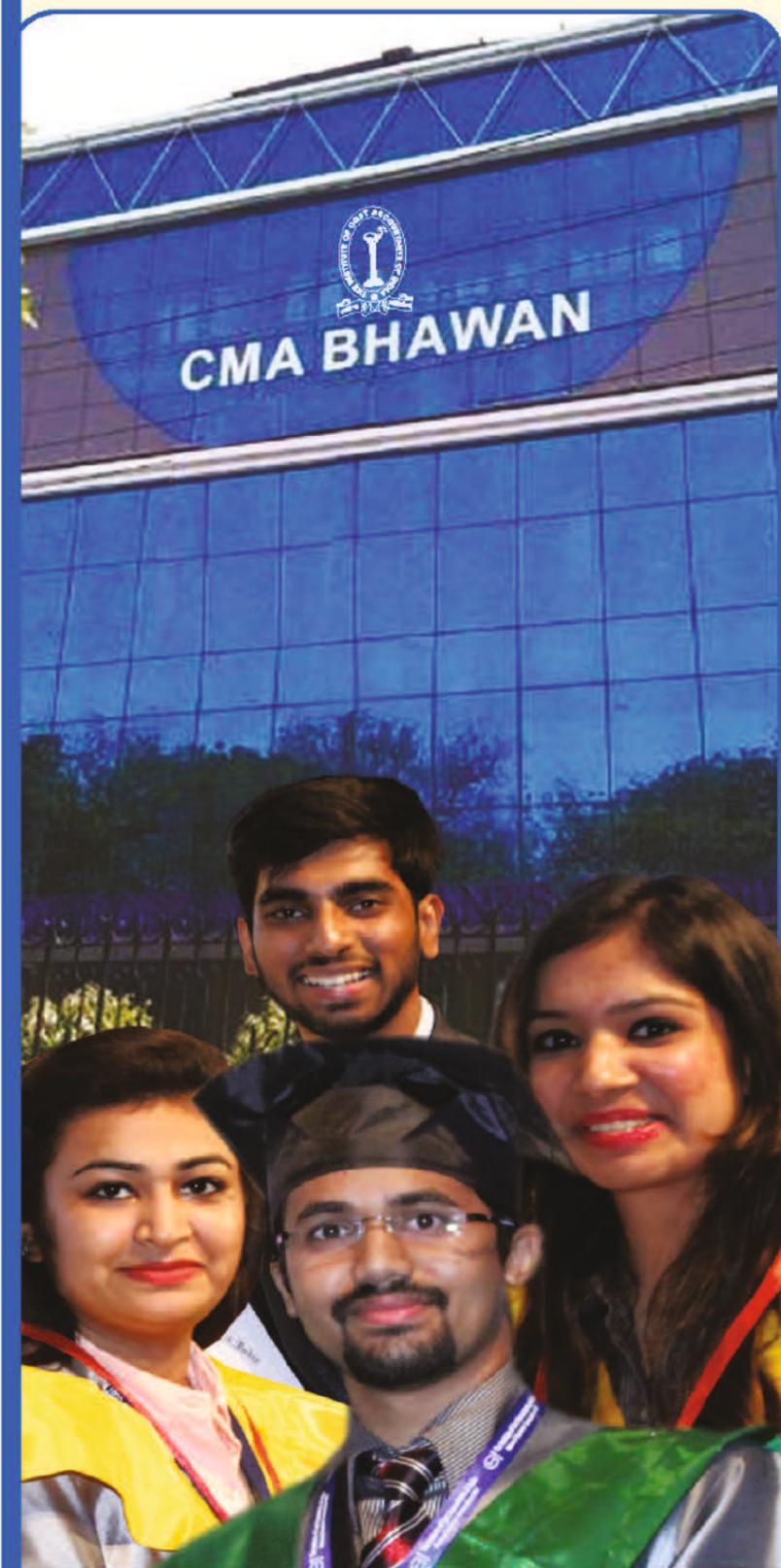
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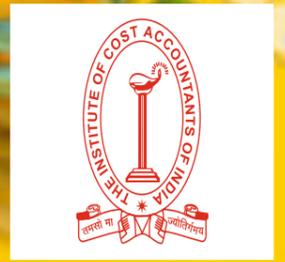
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CTC
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23 Years, Delhi



CMA Priya Kumari Shaw
25 Years, Purulia, West Bengal



CMA Mohit Singla
25 Years, Patiala, Punjab



CMA Manish Gupta
27 Years, Alwar, Rajasthan



CMA Deepak Agarwal
27 Years, Jaipur, Rajasthan



CMA Sudip Bal
31 Years, Kolkata



CMA Dhrubajyoti Saikia
26 Years, Dibrugarh, Assam



CMA Nitish Kumar
29 Years, Bihta, Bihar



CMA Reshma Nelson
25 Years, Kochi, Kerala

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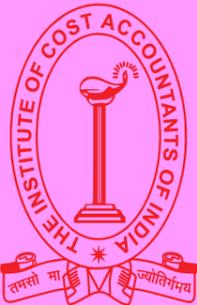
CMA Vijender Sharma
Vice President

CMA Debasish Mitra
Chairman - Members in Industry and Placement Committee

The Institute of Cost Accountants of India

Behind Every Successful Business Decision, there is always **CMA**

Few Snapshots



Glimpses of the CMA-FPO Symposium organised by the Institute's Task Force on Agri Cost Management on the theme "Cost Optimisation and Returns Maximisation throughout the Agricultural Value Chains" on 14th August 2022 at Nagpur.



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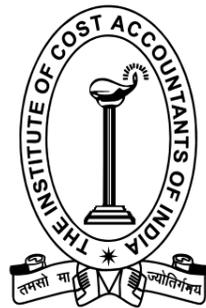
SAFA Foundation Day Conference on 22 August 2022



Seminar on 'Renewable Energy - The Next Big Revolution!' organized by Members in Industry & Placement Committee on 10th September 2022 at J.N. Bose Auditorium, Kolkata HQ



CMA P. Vasudevan, CGM RBI (2nd from left) along with CMA Chittaranjan Chattopadhyay, Chairman, BFSIB (extreme right), CMA Vijender Sharma, Vice President, ICAI (2nd from right) along with CMA Debashis Mitra, Chairman, Advanced Studies and Placement had a meeting at RBI HQ on 23rd August, 2022



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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