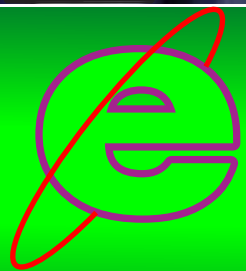


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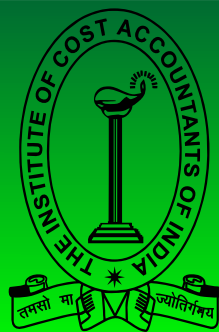
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## Bulletin

VOL: 3, No.: 7, July, 2018 ISSUE

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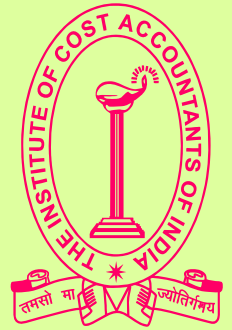
Behind every successful business decision, there is always a **CMA**



# Message from The Chairman

*CMA Manas Kumar Thakur*

**Chairman,  
Training & Education Facilities (T& EF) Committee**



**CMA MANAS KUMAR THAKUR**

Chairman, T & EF Committee  
Directorate of Studies  
President (2016-2017)



**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**  
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## MESSAGE FROM THE CHAIRMAN

Dear Students,

***“Education is our passport to the future, for tomorrow belongs to the people who prepare for it today”.***

Always desire to learn something useful. Learn as much as you can while you are young, since life becomes too busy later. Focus on making yourself better not on thinking that you are better. Hard work doesn't guarantee success but improves its chances. If you are willing to learn, no one can help you but if you are determined to learn, no one can stop you. Learning is not child's play; we cannot learn without pain. ***“Success consists of going from failure to failure without loss of enthusiasm”.***

I believe that one mark of a good educator is the ability to lead. Just believe in yourself. Even if you don't, pretend that you do and at some point you will. Learning is the eye of the mind. Never stop learning because life never stops teaching.

The Directorate of Studies is providing all round necessary support to you for your educational achievement. You should take your necessary help from the publications of D.O.S. like Revised Study Materials, Revisionary Test Papers (RTPs), Work Book, Mock Test Papers (MTPs), and E-bulletin where both academicians and industry experts are contributing towards your growth. I am really thankful to them.

***“Education is the best friend. An educated person is respected everywhere. Education beats the beauty and the youth”.*** A man without education is like a building without foundation. So, education is not a problem, it is soul crafting and it is an opportunity.

Best of luck for all your future endeavour,

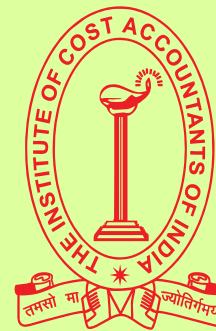
**CMA Manas Kumar Thakur**

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

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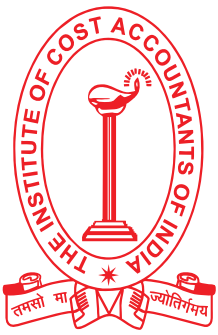
“Behind every successful business decision there is always a CMA”





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# KNOWLEDGE Update



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



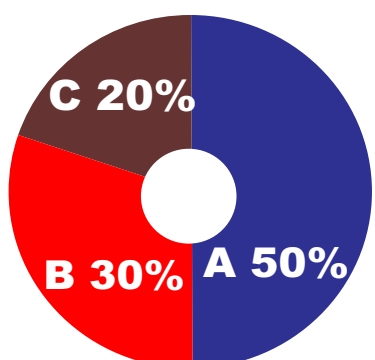


# *Your Preparation Quick Takes*

**GROUP: 3, PAPER: 13**

## **CORPORATE LAWS & COMPLIANCE (CLC)**

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**Syllabus Structure**  
A Companies Act 50%  
B Other Corporate Laws 30%  
C Corporate Governance 20%

**Learning Objectives:***Read the Study Material minutely.*

- For details or if you don't understand Study Material or the section is important to identify the topic, then refer to Bare Act, otherwise reference to Bare Act is not necessary. For Company Law, book by Avtar Singh is recommended. For other laws Institute Study Material is sufficient.
- The words used in any of the texts as mentioned above should be understood by immediate reference to the Dictionary.
- The main points coming out in any of the provisions should be either underlined or written in separate copy which has to be repeated again and again.
- Theoretical knowledge should be adequate and clear before solving practical problems.
- Don't write wrong English. It changes the meaning and therefore answer may be wrong even when the student's conception is clear. Also don't make spelling mistakes.

**Formation of a company****1.0 Nature of Business Organisation in India**

There are various types of organisation doing business in India. Profit may not be motive or objective where there is substantial Govt, investment. This sector is also called social sector as it caters to the needs of the society'

We may categorize as follows on the basis of ownership.

(i) Public sector: This sector comprises of the following.

Govt Departments like Railways, Ordnance factories, Postal services etc.

- (a) (ii) statutory corporations set up and run by the Govt. i.e. Reserve Bank of India created by Reserve Bank of India Act, 1934.
- (b) companies with majority holding by central government/ state government having independent management by board of directors.

(iii) joint sector where govt. have investment is between 26 to 50%.

**4.1 Concept of Corporate body and business entities**

Corporate body means any organisation which is registered under any law and is a separate independent organisation, having separate identity in vis a vis the persons who have formed it. This gives a juristic recognition to the entity, which is called a juristic person.

Being a separate identity, it can have its management, Board, bank account, books of account, can sue others and can be sued in its name,

Secondly, a corporate body will exist permanently unless it is dissolved in the process of law.

In India we have following types of entities both business and non-business.

**4.1. (i) Sole Proprietorship:-**

Proprietorship means "ownership". Sole proprietorships are businesses with single ownership. There is no difference in assets and liabilities of the business with assets and liabilities of the person. Business is not considered to be separate entity for taxation purpose. Being single owner all business decisions are taken by the owner who is single liable to other parties.

**4.1. (ii) Partnership:-**

When two or more persons decide to do something for gain it is called partnership business. Business is called firm and assets and liabilities are shared among the partners in accordance with their shareholding pattern.

**4.1. (iii) Limited Liability Partnership:-**

It is a partnership in which some or all partners have limited liabilities. In this type of partnership one partner is not responsible for the misconduct or negligence of other partner.

**4.1. (iv) Society:-**

Society is a registered body under Society Registration Act of each state, which is created for any philanthropic, charitable or for promotion of sports and culture. Societies are charitable institutions for promotion of sports and culture. Societies are non-profit organizations i.e. the intention is not to make profit and members shall not derive any income. Surplus generated shall be used for the objective of the company.

**4.1. (v) Trust:-**

Trust is a corporate body created under the Indian Trust Act where the creator transfers some assets and appoints a trustee or more than one trustee called board of trustees to run the trust with given objectives and beneficiaries as the trust deed.

**4.1. (vi) Cooperative:-**

Cooperatives are registered bodies where the owners are also the beneficiaries and are guided by regulations made by exact state. In case of cooperative banks only the shareholders can be the customers.

**4.1. (vii) Company:-**

Company is an artificial juristic person having a corporate identity with a name and registered under the Companies Act, 1956 or was existing when the Act came into force i.e. 01.04.1956. Apart from the above body of individuals (BOI) and Association of Persons (AOP) though not legal entities are recognized as entities under the Income Tax Law.

**Company Law-****5.1 Introduction: -**

On 01.04.1956, the Companies Act, 1956 was introduced which remained effective till 2013 when Companies Act, 2013 was replaced with the 1956 Act. Before 1956, Companies Act of 1913 was effective. The 1913 as well as 1956 Act was more or less replica of the British Company Law. There were many amendments to the act which now is a history.

**5.2 Scheme of the Act:-**

Companies Act, 2013 got its assent on 18<sup>th</sup> December 2013 from Lok Sabha, 8<sup>th</sup> August, 2013 from Rajya Sabha and 29<sup>th</sup> August, 2013 from President of India. Companies Act, 2013 is an attempt for reducing the substantive portion of the Companies Act, 1956. There are 470 sections, 29 Rules and 7 Schedules of the Companies Act, 2013. For every Chapter there is a Rule. The Rules are read along

with the chapters which gives an elaborate description for the sections. 98 sections have been made effective as on 12<sup>th</sup> of September, 2013 and the remaining sections have been made effective by Ministry of Corporate Affairs (MCA).

### 5.3. Formation of company

#### 5.3.1. Promotion of a company:

As per Companies Act, 2013 persons whose name appears in the prospectus or identified by the company in the annual return, has control directly or indirectly over the affairs of the company either as a shareholder or a director and according to whose direction, advice or instructions the Board of Directors are accustomed to act. A person should not be regarded as a promoter if he/she acts in its personal capacity.

As per the Securities Exchange Board of India (SEBI) persons who are in control of the issuer or are instrumental in the formulation of a plan or programme pursuant to which specified securities are offered to the public. The persons whose name appears in the offer document are known as promoters.

#### 5.3.2. Promoters' Agreement/ Memorandum of Understanding (MOU):

When promoters decide to do a business in the nature of a company, they will be meeting and deciding on various issues and ultimately they will choose to make a Memorandum of Understanding (MOU) though it is not mandatory. Promoters or any of the promoters can make contracts in his own name for the benefit of the proposed company. Once registered, promoter will disclose the contracts. Promoter is also duty bound to disclose any interest in the company to any interested person and will not make any secret profit.

Promoters can also make an agreement which will mention various issues relating to formation of the company and rights and liabilities of the company inter se.

Promoters may decide to prepare and sign a Memorandum of Understanding or Memorandum of Agreement (also called Promoters Agreement) while MOU is not enforceable under the law. Having an MOU or MOA is not mandatory and promoters may decide to prepare two initial documents.

- Memorandum of Understanding (MOU)
- Memorandum of Association (MOA)

The steps which are required to be complied in order to start a company are as follows:

1. application for name
2. memorandum of association and articles of association
3. list of first directors if not mentioned in articles with particulars.
4. an agreement proposed to be entered with the md
5. declaration of compliance
6. affidavit by each director that he has not been convicted.

### 5.4. Memorandum of Association:

Memorandum of Association of a company is the constitution or charter of the company and contains the powers of the company.

#### (i) Name Clause:

The promoter will make an application for name and three (3) names shall be given to the Registrar of Companies (ROC) under whose jurisdiction, the registered office of the company will be situated. The Registrar of Companies (ROC) will approve the name or can suggest changes in the name. ROC will not approve a name which is considerable. The name so available will be valid for six months by which application for registration should be made by the name of the promoters. In case of public Ltd Company the name

should be suffixed with "Ltd" and in case of private company by "Private Ltd". International brands works like National Hindustan Corporation etc are not allowed. Name should be in relation with the object.

#### (ii) Situation clause:

Memorandum of Association must mention the name of the state in which the registered office of the company is situated. However within 15 days of registration the full address to be intimated to ROC all communication shall be sent in that address. Every company must have a registered office from the date in which its starts its operation or the date of its incorporation.

#### (iii) Object clause:

Main object: It is the most important clause in Memorandum of Association. It states the purpose for which the company is formed. It defines the scope of activities of a company and limits the operations of the company. A Company cannot go beyond the Main object.

#### (iv) Capital clause:

The companies which are limited by shares should contain this clause in the Memorandum of Association. This clause contains the amount of capital with which the company is registered i.e. the authorized capital.

#### (v) Liability Clause:

This clause mentions the liabilities of the members of the company. The liability of a member is limited to the portion of unpaid share capital.

#### (v) Subscription clause:

Memorandum must be signed by the subscribers. The subscribers must mention the number of shares registered in their name.

### 5.5. Articles of Association:

The Articles of Association contains the internal rules and regulation of the company. The provisions of the AOA must not be in conflict with the provisions of the Memorandum of Association. In case such a conflict arises, the MOA will prevail.

Normally, every company has its own AOA. However, if a company does not have its own AOA, the model AOA specified in Schedule I- Table A of the Companies Act, 1956 will apply.

#### 5.5.1. Certificate of Incorporation

(Conclusive evidence that the company has been formed)

Corporate Identification No. (CIN) will be issued which is to be mentioned on the signboard at the entrance of all offices, stations, letter heads, vouchers, bills and stationaries.

### 6.0. Types of Companies

#### (a) Govt. Company:-

As per definition 2(45) of the Companies Act, 2013 a Govt. company means a company in which not less than (minimum) 51% of the paid up share capital is held by Central Govt. or State Govt. or partly by Central Govt. and partly by State Govt. A subsidiary of a Govt. company is also a Govt. company. There are few exemptions available to such companies where some further compliance is also required to be done by such companies. It is a separate legal entity and not a department of Govt. Govt. controls these companies both as a shareholder and also as an administrative ministry.

#### (b) Holding and Subsidiary company:-



As per definition in section 2(46) and 2(87) of the Companies Act, 2013 a company shall be considered to be a holding company if the other company controls the composition of the Board or holds more than half of the shares with voting rights. So there are two test of holding subsidiary relationship. In one case, management control is the basis of holding subsidiary relationship, where majority of director can be appointed and removed by the holding company. Such stipulation shall be there in the Articles of Association of the subsidiary company where it surrenders the right to appoint and remove directors to the other company regardless of shareholding.

© **Investment company:**

This is a type of company whose principle business is the acquisition of holding and dealing of shares, stock and other securities.

**(d) Non-profit (Section 8 co.):**

This type of companies are an association as limited company having charitable objects to promote commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment etc. They do not have any word 'Limited' or 'Private Limited' suffixed to their name. Any profit or income derived from this company is used to promote the objects of the company.

**(e) sectoral companies**

these type of companies both Companies Act and Sector Specific Act applies.

*companies (banking/nbfc/insurance/electricity)*

**(f) Indian/Foreign: Registered In India-** Indian companies registered outside India and having place of business in India.

**(g) guarantee company:** Shareholders guarantee to pay more as share capital in case of requirement at the time of winding up.

**(h) unlimited company:** The companies which are with unlimited liability.

**(i) One Person Company:** A single and natural person can incorporate an One Person Company who is a resident and a citizen of India. The company should have minimum of one director. The company can have maximum of 15 directors.

**(j) private/public company**

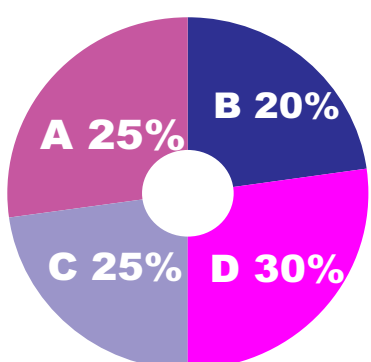
| Serial No. | Points of difference | Private                             | Public   |
|------------|----------------------|-------------------------------------|--|
| 1          | Shareholders         | Min-2, max-3                        | Min 7, no max.   |
| 2          | Directors            | Min-2, max.-15                      | Min.-3, max.-15 (may be increased with special resolution) |
| 3          | Finance              | Cannot raise from public            | Can raise  |
| 4          | Transfer of shares   | May be restricted                   | Cannot be restricted                                       |
| 5.         | Name                 | Use the suffix Pvt .Ltd.            | Suffix public Ltd.   |
| 6.         | Members              | 2 (Two), Maximum 200 (Two Hundred). | 7 (Seven)  |

# *Your Preparation Quick Takes*

**GROUP: 3, PAPER: 14**

## **STRATEGIC FINANCIAL MANAGEMENT (SFM)**

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### **Syllabus Structure**

- A Investment Decisions 25%
- B Financial Markets and Institutions 20%
- C Security Analysis and Portfolio Management 25%
- D Financial Risk Management 30%

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

**Learning objectives:**

After studying this section on Strategic Financial Management, you will be able to:

- understand the concept of efficient market
- know three different forms of pricing efficiency of the market
- apply auto-correlation test and run test to examine weak form of pricing efficiency

## Strategic Financial Management

The crucial criteria of the pricing efficiency of any market are: (i) there is a free flow of information to all market participants in an identical manner, (ii) a sufficient number of investors have access to relevant information, (iii) any new relevant information is quickly and accurately impounded in prices.

According to Fama (1970), there are three different forms of pricing efficiency of the market, namely, (a) weak-form of efficiency, (b) semi-strong-form of efficiency, and (c) strong-form of efficiency. In case of weak-form of efficiency all historical price and trading volume information are reflected in the current stock prices. Semi-strong-form of efficiency asserts that all publicly available information along with information about past market behaviour are fully impounded in prices. Strong-form of efficiency suggests that securities prices reflect all relevant information i.e., insider information along with the publicly available information and historical information.

Among these three levels of market efficiency the first one can be considered as the random walk hypothesis (RWH). Actually, the nature of stock prices was tested empirically in the name of random walk model and later on empirically observed random walk behavior of stock prices was theorized in the form of efficient market hypothesis. According to the weak form of the efficient market hypothesis, the historical price changes cannot be used to predict future price movements in any meaningful way if successive stock price changes are independent of one another and the price changes are identically distributed random variable. In order to explain the random walk hypothesis (RWH), Eugene F. Fama (1970) pointed out, the use and development of the concepts of the 'Fair Game' or 'Expected Returns' model or the 'Sub-martingale' Price Formation model.

A statistical process which has the property that the expected future value of a random variable is independent and also not less than its past value it is said to be a sub-martingale stochastic process. The RWH requires that successive price changes should be the outcome of a fair game and sub-martingale process. A market will be pricing efficient if share prices follow sub-martingale stochastic process which can be expressed symbolically as follows:

$$E(P_{j,t+1} / \theta_t) = [1 + E(R_{j,t+1} / \theta_t)] P_{j,t} \text{----- (1)}$$

$$\text{As it can be postulated that } E(R_{j,t+1} / \theta_t) \geq 0 \text{----- (2)}$$

$$\text{From (1) we get } E(P_{j,t+1} / \theta_t) \geq P_{j,t} \text{----- (3)}$$

where  $P_{j,t}$  is the price of  $j$ th stock at time  $t$ ,  $P_{j,t+1}$  is the price of the  $j$ th stock at time  $t+1$ ,  $\theta_t$  is the set of available relevant information at time  $t$  and  $R_{j,t+1}$  is the return on the  $j$ th stock at time  $t+1$ .

Expression (1) states that given the information set tomorrow's share price as well as tomorrow's share return are random variables by which the price formation expression can be built up. Expression (2) denotes that expected future return to a prospective buyer must not be negative. Combining expressions (1) and (2) we get the expression (3) which actually denotes the sub-martingale process. This process implies that in a pricing efficient market none can earn super normal profit consistently over time by using present day's relevant information and here it is better to follow the strategy of simple 'buy and hold' for earning long-run normal return.

It is observed from the literature on the measurement of weak form

of pricing efficiency in the stock market, that researchers have applied various techniques, namely normality test, autocorrelation test, stationarity test, run test, etc. The autocorrelation test and run test are explained below:

### **Autocorrelation Test**

Autocorrelation coefficient provides a measure of relationship between the value of random variable in time ( $t$ ) and its value in  $k$  period earlier or later (for any lagged or lead value of  $K$ ). If a series is random, the autocorrelations between  $p_t$  and  $p_{t-k}$  for any lag are close to zero and the successive values of a time series are not related to each other. To determine whether an autocorrelation coefficient of order  $K$  is significantly different from zero,  $t$  test is applied. On the basis of the estimated coefficients of autocorrelation, uniform and consistent result may not be derived. To overcome this problem, the joint test of autocorrelation coefficients (related to the test of market efficiency) has been proposed by Hull which is as follows:

$$Q_H = n \sum_{j=1}^p w_j r_j^2$$

Where  $n$  = number of observations,  $j$  = length of lag,  $w_j = (n-2) / (n-j)$  and  $r_j$  = estimated autocorrelation coefficient for a lag  $j$  (i.e.,  $j^{\text{th}}$  order autocorrelation coefficient). This  $Q_H$  statistic approximately follows  $\chi^2$  distribution with  $p$  degree of freedom.

### **Run Test**

Beside this autocorrelation test, the randomness of the occurrence of sample members in a series is tested by Run Test. To examine the randomness of a given series on share prices, total number of runs ( $r$ ), number of positive price changes of share prices ( $n_1$ ) and number of negatives price changes of share prices ( $n_2$ ) have been counted. After getting this information, the mean value of runs ( $\mu_r$ ) and the standard error ( $\sigma_r$ ) of runs ( $r$ ) are calculated by using the following formulae:

$$\mu_r = [(2 n_1 n_2) / (n_1 + n_2)] + 1 \text{ and } \sigma_r = \frac{1}{2} \sqrt{\{nn(2 n_1 n_2 - n_1 - n_2)\} \div \{(n_1 + n_2)^2 (n_1 + n_2 - 1)\}}$$

The appropriate test statistic for runs under  $H_0$  (which implies randomness in the series) is  $R_0 = (r - \mu_r) / \sigma_r$  which approximately follows  $Z$  distribution.



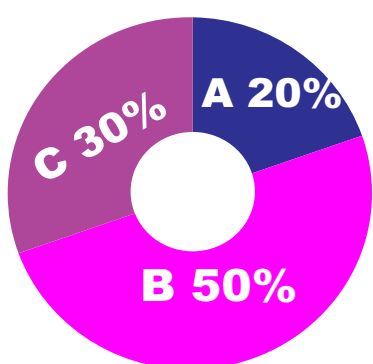
# *Your Preparation Quick Takes*

**GROUP: 3, PAPER: 15**

## **STRATEGIC**

### **COST MANAGEMENT- DECISION MAKING (SCMD)**

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#### **Syllabus Structure**

- A** Cost Management **20%**
- B** Strategic Cost Management  
Tools and Techniques **50%**
- C** Strategic Cost Management -  
Application of Statistical Techniques  
in Business Decisions **30%**

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

**Learning Objectives:**

*The Strategic cost management framework provides a clear plan of attack for addressing costs and decisions that affect them. It helps to get answers on:*

- *Is there a plan for strategic cost management?*
- *Have the controlling functions for each significant cost in the organization been identified?*
- *Are there resources devoted to finding or obtaining new approaches to breaking cost barriers?*
- *Is cost modelling being used or is there an active effort to develop or buy cost modelling capability?*

## Insights into Transportation

### **Transportation Problem**

The transportation problem, a special type of Linear Programming Problem, is used to find the optimal way in which a product produced at various plants or sources can be transported to various destinations (demand points). The objective of the problem is to find the amount of commodity to be transported from each source to each destination so that the destination requirements within the operating production capacity constraints are satisfied at minimum transportation cost. Various methods have been developed to solve the transportation problem and obtain an optimal solution, such as the modified distribution (MODI) method. In order to proceed with these methods, it is necessary to obtain the initial feasible solution. One can use a similar techniques used in solving the assignment problem to find the initial feasible solution for the transportation problem.

### **Mathematical Formulation of the Transportation Problem**

A homogenous product available at a finite number of origins  $m$  is to be transported to a finite number of destinations  $n$ . The total amount available at each of these origins is known and the total quantity required at each of the destinations is known. The unit transportation cost from each origin to each destination is given. The question here is to determine the amount of the products to be transported from these origins to destinations so as to minimize the total transportation cost. Thus, the underlying assumptions are:

- The total supply of the product from origin  $i$  is  $a_i$ , where  $i = 1, 2, \dots, m$
- The total quantity demanded for the product at destination  $j$  is  $b_j$ , where  $j = 1, 2, \dots, n$
- The transportation cost of sending one unit of the product from origin  $i$  to destination  $j$  is  $c_{ij}$ , where  $i = 1, 2, \dots, m$  and  $j = 1, 2, \dots, n$ .
- The amount of product transported from origin  $i$  to destination  $j$  is  $x_{ij}$ , where  $i = 1, 2, \dots, m$  and  $j = 1, 2, \dots, n$ .

The decision variable of the problem is the amount of goods needed to be transported from each origin to each destination, which is  $x_{ij}$ .

### **Terminology**

**Feasible Solution:** A set of non-negative values  $x_{ij}$ ,  $i=1, 2, \dots, m$ ;  $j = 1, 2, \dots, n$  that satisfies no. of rows to no. of columns is called a feasible solution to the transportation problem.

**Basic Feasible Solution:** An initial feasible solution with an allocation of  $(m + n - 1)$  number of variables,  $x_{ij}$ ,  $i=1, 2, \dots, m$ ;  $j = 1, 2, \dots, n$ , is called a basic feasible solution.

**Optimum Solution:** A feasible solution (not necessarily basic) is said to be optimum if it minimizes the total transportation cost.

**Balanced or Unbalanced Transportation Problems:** A transportation problem can be balanced or unbalanced. It is said to be balanced if the total demand of all the warehouses equals the amount produced in all the factories. If in reality, capacity is greater than requirement, then a dummy warehouse may be used to create desired equality. If capacity is less than requirement, then a dummy factory may be introduced. The transportation cost in both the

dummy cases is assumed to be zero. Where the number of rows and columns are not equal, it is called unbalanced transportation problem.

**Loops in Transportation Table:** In a transportation table, an ordered set of four or more cells is said to form a loop if any two adjacent cells in the ordered set lie either in the same row or in the same column. Moreover, every loop has an even number of cells. It may be noted that a feasible solution to a transportation problem is basic if and only if the corresponding cells in the transportation table do not contain a loop.

**Degeneracy of a Transportation Problem:** When the quantities are allocated to cost cells within the matrix and if such allocations are less than  $m + n - 1$  allocations (where 'm' stands for no. of rows and 'n' stands for no. of columns), such a situation is said to be Degeneracy of a Transportation Problem.

### **Methods of Solving Transportation Problem**

The following are the methods of solving transportation problem:

1. The north-west corner rule
2. Lowest cost entry method
3. Vogel's approximation method

### **North West Corner Method (NWCN)**

The simplest of the procedures used to generate an initial feasible solution is NWCN. It is so called because we begin with the north west or upper left corner cell of our transportation table. Various steps of this method can be summarized as under:

#### **Step 1:**

Select the north west (upper left-hand) corner cell of the transportation table and allocate as many units as possible equal to the minimum between available supply and demand requirement, i.e.,  $\min(s_1, d_1)$ .

#### **Step 2:**

Adjust the supply and demand numbers in the respective rows and columns allocation.

#### **Step 3:**

- (a) If the supply for the first row is exhausted, then move down to the first cell in the second row and first column and go to step 2.
- (b) If the demand for the first column is satisfied, then move horizontally to the next cell in the second column and first row and go to step 2.

#### **Step 4:**

If for any cell, supply equals demand, then the next allocation can be made in cell either in the next row or column.

#### **Step 5:**

Continue the procedure until the total available quantity is fully allocated to the cells required.

### **Least Cost Method (LCM)**

The allocation according to this method is very useful as it takes into consideration the lowest cost and therefore, reduces the computation as well as the amount of time necessary to arrive at the optimum solution. Various steps of this method can be summarized as under:

#### Step 1:

- (a) Select the cell with the lowest transportation cost among all the rows or columns of the transportation table.
- (b) If the minimum cost is not unique, then select arbitrarily any cell with this minimum cost.

#### Step 2:

Allocate as many units as possible to the cell determined in step 1 and eliminate that row (column) in which either supply is exhausted or demand is satisfied.

#### Step 3:

Repeat steps 1 and 2 for the reduced table until the entire supply at different factories is exhausted to satisfy the demand at different warehouses.

#### Vogel's Approximation Method (VAM)

This method is preferred over the other two methods because the initial basic feasible solution obtained is either optimum or very close to the optimum solution. Therefore, the amount of time required to arrive at the optimum solution is greatly reduced. Various steps of this method are summarized as under:

#### Step 1:

Compute a penalty for each row and column in the transportation table. The penalty for a given row and column is merely the difference between the smallest cost and the next smallest cost in that particular row or column.

#### Step 2:

Identify the row or column with the largest penalty. In this identified row or column, choose the cell which has the smallest cost and allocate the maximum possible quantity to the lowest cost cell in that row or column so as to exhaust either the supply at a particular source or satisfy demand at a warehouse. If a tie occurs in the penalties, select that row/column which has minimum cost. If there is a tie in the minimum cost also, select that row/column which will have maximum possible assignments. It will considerably reduce computational work.

#### Step 3:

Reduce the row supply or the column demand by the amount assigned to the cell.

#### Step 4:

If the row supply is now zero, eliminate the row, if the column demand is now zero, eliminate the column, if both the row supply and the column demand are zero, eliminate both the row and column.

#### Step 5:

Recompute the row and column difference for the reduced transportation table, omitting rows or columns crossed out in the preceding step.

#### Step 6:

Repeat the above procedure until the entire supply at factories are exhausted to satisfy demand at different warehouses.

#### Quick Take

Transportation is a method of quantitative analysis adopted to solve business problems relating to physical distribution of products whereby companies minimise costs and as a consequence maximise profits.

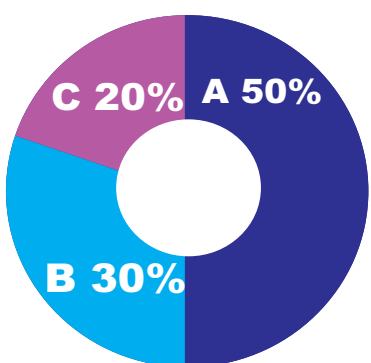


# *Your Preparation Quick Takes*

**GROUP: 3, PAPER: 16**

## **DIRECT TAX LAWS AND INTERNATIONAL TAXATION (DTI)**

CA Vikash Mundhra  
He can be reached at:  
[vikash@taxpointindia.com](mailto:vikash@taxpointindia.com)



### **Syllabus Structure**

- A Advanced Direct Tax Laws **50%**
- B International Taxation **30%**
- C Tax Practice and Procedures **20%**

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


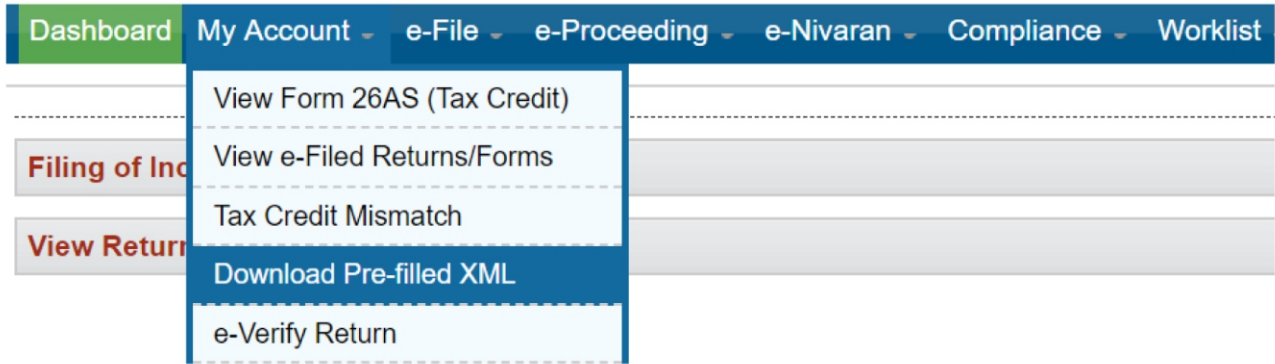
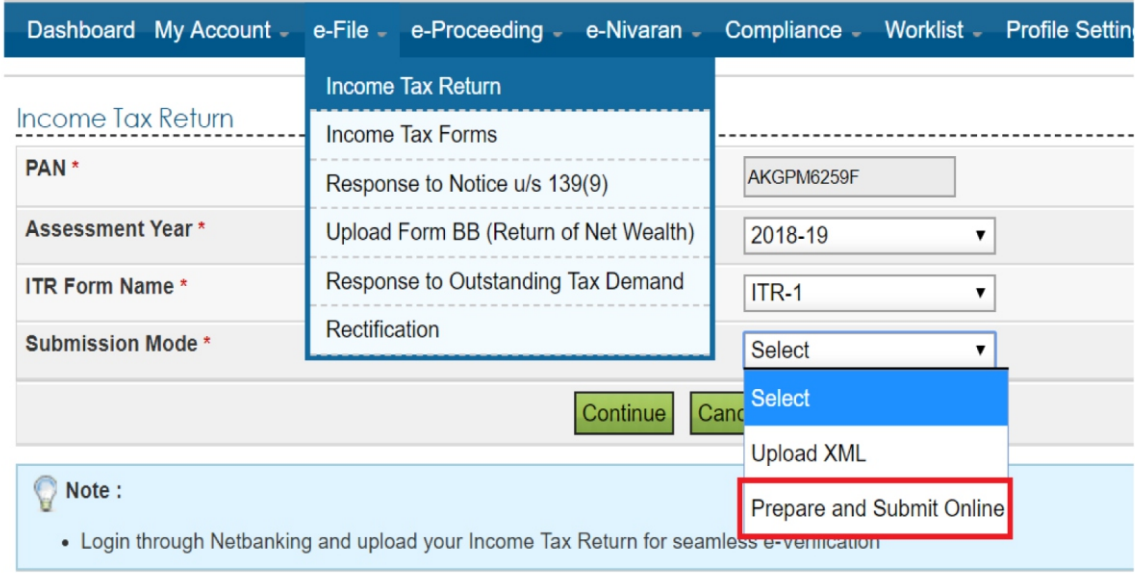


**Learning Objectives:**

- To develop basic idea about the problem of International double taxation
- To get acquainted with the methods of reliefs
- To have acquaintance with the basic provisions of the provisions of the Indian Income-tax Act regarding reliefs for double taxation.

## Income Tax Return 1 : Preparation and Filing

### Initial Steps

|                 |  |
|-----------------|--|
| <b>Step - 1</b> | <p>Register yourself with <a href="https://www.incometaxindiaefiling.gov.in/home">https://www.incometaxindiaefiling.gov.in/home</a> (see top-right). For registration purpose keep your PAN card handy along with mobile number and email address. If you are already registered, then ignore this step and just to step 2 directly.</p>  |
| <b>Step - 2</b> | <p>After successful registration, login to <a href="https://www.incometaxindiaefiling.gov.in/home">https://www.incometaxindiaefiling.gov.in/home</a> (see top-</p>   |
| <b>Step - 3</b> | <p>Download pre-filled XML. If you want to fill everything afresh then ignore this step.</p>   |
| <b>Step - 4</b> | <p>If one is required to file ITR 1 or ITR 4, he may prepare and submit his ITR online:</p>    |

## Income Tax Return 1 : Preparation and Filing

### Initial Steps

However, in this steps table, the guide is for preparing ITR through offline utilities. One can also prepare ITR online.

Download applicable ITR from the portal. Two types of utility of the form is available for download viz. excel utility and java utility. Download either of them

- For excel utility, you need to enable macro on the downloaded excel file
- To run java utility, java should be installed on your system
- To download java freely, please visit <http://www.oracle.com/technetwork/java/javase/downloads/index.html>

Income-tax department has launched "e-Proceeding" facility to conduct proceedings electronically. It enables seamless flow of Letter(s)/Notice(s)/Communication, Questionnaire(s), Order(s) etc. between Income Tax Department and taxpayer without taxpayer visiting income tax office. [Click here to know more](#)

**Salient Features**

- 24/7 online submission of response
- Zero cost of submission
- Reduce compliance burden to the assessee
- Eco friendly

**News & Updates**

26/05/2018 **New!**  
All ITRs for AY 2018-19 are now available for e-Filing

**Download**

Offline Utilities ( Updated on 26/05/18) **New!**

**Offline Utilities** Schema

**Instructions:**

- Select the Assessment Year
- Download and extract the zip file containing the utilities to the folder and open the utility
- System Requirements
  - Excel Utilities: Macro enabled MS-Office Excel version 2007/2010/2013 on Microsoft Windows 7 / 8 /10 with .Net Framework (3.5 & above)
  - Java Utilities : Microsoft Windows 7/8/10, Linux and Mac OS 10.x with JRE (Java Runtime Environment) Version 8 with latest updates. JRE can be downloaded from <http://www.oracle.com/technetwork/java/javase/downloads/index.html>

**Income Tax Return Preparation Utilities**

Assessment Year: 2018-19

| ITR   | Description  | Excel Utility                     | Version Release Date | Java Utility                      |
|-------|--|-----------------------------------|----------------------|-----------------------------------|
| ITR 1 | For individuals being a resident other than not ordinarily resident having Income from Salaries, one house property, other sources (Interest etc.) and having total income upto Rs.50 lakh | <a href="#">Download (2083KB)</a> | PR2<br>20/04/2018    | <a href="#">Download (1411KB)</a> |
| ITR 2 | For Individuals and HUFs not having income from profits and gains of business or profession  | <a href="#">Download (3878KB)</a> | PR1<br>26/05/2018    | <a href="#">Download (901KB)</a>  |

Now we are proceeding with java utility. After downloading java utility, unzip it and save in another file. Ensure that java is already installed in your computer.

Open executable JAR file.

## Preparation and Submission of ITR 1 through Java Utility

### Who can file ITR 1

An individual satisfying following conditions can file ITR 1

- During the relevant previous year, he is a resident other than not ordinarily resident.
- His income consists of income from
  - salaries,
  - not more than one house property,
  - other sources (like interest etc.)
- His total income is upto ₹ 50 lakh.
- Agricultural income should not exceed ₹ 5,000/-



What are the details you need when you're e-filing your income tax returns?

- Basic information such as PAN, Aadhar card number, address with pin code, etc.
- Details of all the bank accounts held by you during the relevant financial year viz. name of the bank, account number and IFSC code of the branch.
- Computation of income i.e., details of income from salaries, interest on deposit, interest on saving bank deposits, etc. and details of all deduction, which is claimed by you under chapter VIA i.e., deductions u/s 80C to 80U (e.g., if you are claiming deduction u/s 80G for donation then keep donation receipts with you)
- Details of payment of tax by way of TDS, advance tax and self-assessment.

However, if you have downloaded prefilled XML file of your ITR, then few of them is automatically filled.

What's the next step after you've e-filed your income tax returns?

- After online submission of the return one need to verify it through any of the following way:
- By sending signed copy of ITR-V to Centralized Processing Center, Income tax Department, Bangalore through normal or speed post.
  - e-verify by using OTP / EVC send to mobile which is linked with Aadhaar / Net-banking account

How do I pay tax to the government?

You can pay tax directly through <https://onlineservices.tin.egov-nsdl.com/etaxnew/tdsnontds.jsp> using your Net banking account / Debit Card with challan 280. Payment of advance tax and self-assessment tax shall be made through Tax information Network website being maintained by NSDL.

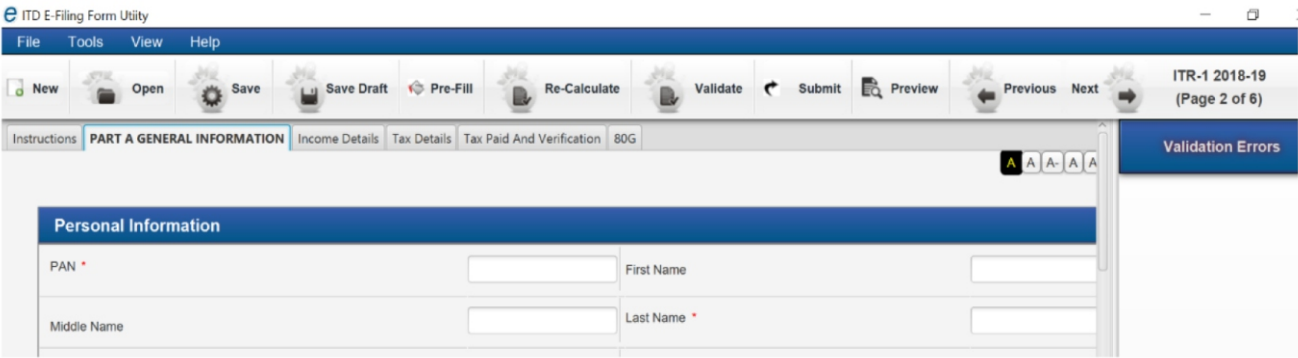
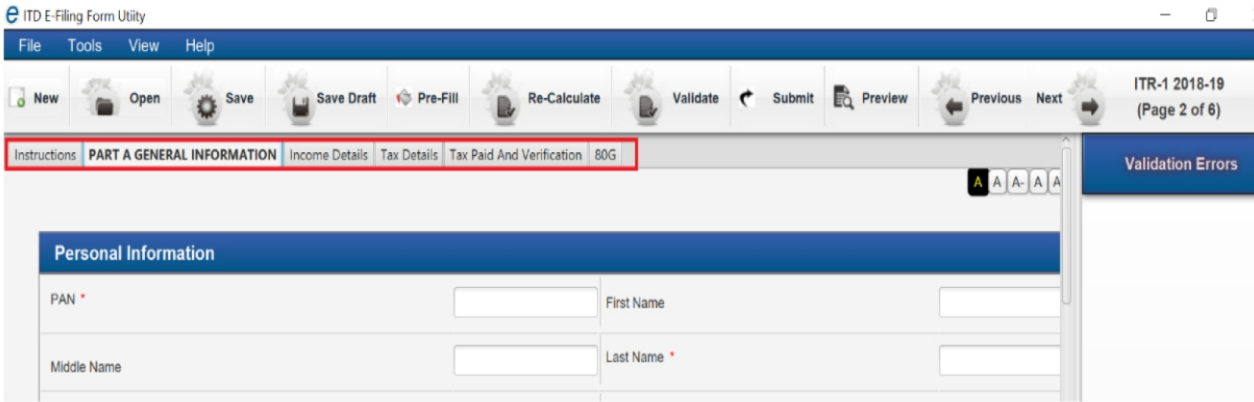
My company deducted TDS. Do I still have to file my tax return?

Yes. You need to file a tax return to show that you've paid all the tax you needed to pay. However, you don't need to pay tax again. In other words, your gross tax liability shall be reduced by TDS credit and advance tax already paid by you.

Is it necessary to attach any documents along with return of income?

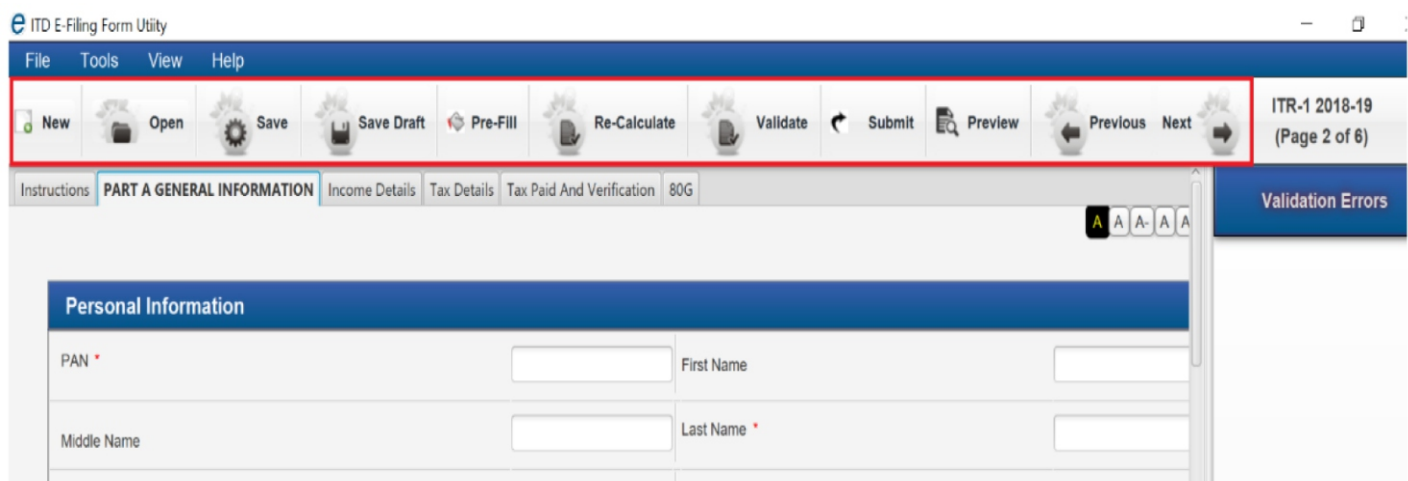
You are not required to attach any document alongwith return of income. However, you need to keep all your documents (proof of investment against which deduction is claimed, TDS certificate, etc.) and should be produced before the tax authorities when demanded.

How to file ITR 1 through Java utility

|          |  |
|----------|--|
| Step - 1 | Once you open the executable JAR file, you will get following screen<br>   |
| Step - 2 | In the utility there are 6 pages: <ul style="list-style-type: none"><li>• Instructions</li><li>• General Information</li><li>• Income Details</li><li>• Tax Details</li><li>• Tax Paid and Verification</li><li>• 80G</li></ul>  |

Functionalities of the utility are controlled from tabs.

- New
- Open
- Save
- Save Draft
- Pre-fill
- Re-calculate
- Validate
- Submit
- Preview
- Previous and next



Step - 2

If you have downloaded Pre-filled XML, then first press the “Pre-Fill” tab and give the path to saved pre-filled xml. You can see, general information and tax details are already filled.  
If you don't have pre-filled xml, in that case, start with inserting general information.  
This page is divided into 3 sub-part

- Personal Information
- Address
- Filing Status

After filling personal information and address fill the filing status:


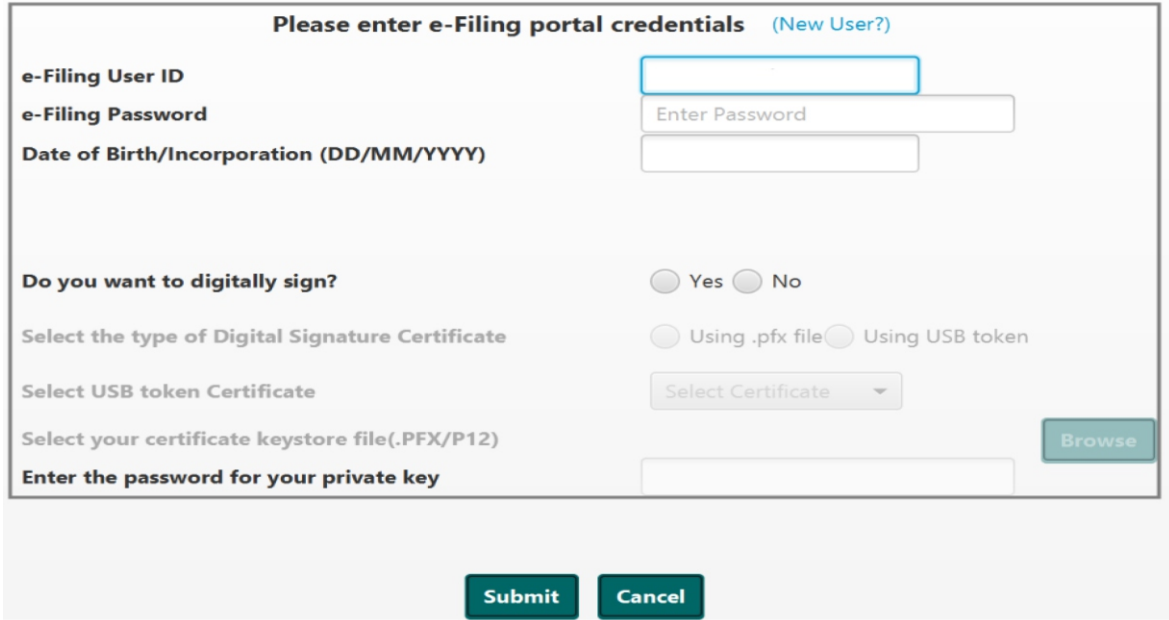
| Filing Status   |            |
|---|------------|
| Employer category (If in employment)  | Select     |
| Return filed  | Select     |
| Whether original or revised return?   | Select     |
| If under section: 139(5) - revised return:  |            |
| Original Acknowledgement Number   |            |
| Date of filing of Original Return(DD/MM/YYYY)   | DD/MM/YYYY |
| If under section: 139(9) - return in response to defective return notice:                     |            |
| Original Acknowledgement Number   |            |
| Date of filing of Original Return (DD/MM/YYYY)  | DD/MM/YYYY |
| Notice Number   |            |
| If filed in response to notice u/s 139(9)/142(1)/148/153A/153C, enter the date of such notice | DD/MM/YYYY |
| Are you governed by Portuguese Civil Code as per section 5A ?                                 | No         |
| If Yes, Fill PAN of the Spouse  |            |

In employer category drop down: Select type of your employer

- Government
- PSU
- Others
- Not Applicable

In return filed drop down: Select section under which return is filed.

- If you are filing your return within due date then select sec. 139(1). The due date of filing return in your case is 31<sup>st</sup> July 2018
- If you are filing your return after due date then select sec. 139(4)
- In case you are filing revised return then select sec. 139(5). Once you select to file revised return, you need to fill acknowledgement number of original return filed by you along with date of filing original return
- In case you are filing your return in response to notice u/s 139(9) of defective return (i.e., earlier you have filed your return but there are some information or details which is required to be furnished but you fails to provide such details, in that case you may get a notice u/s 139(9) to remove that defect within time provided in the notice). In that case too, you need to furnish few more details like acknowledgement number of original return filed by you along with date of filing original return, notice number, date of notice.

|                 |   |
|-----------------|---|
| <b>Step - 3</b> | <p>After filling general information page now fill “Income Details” page. This page is also further divided into 3 sub-parts.</p> <ul style="list-style-type: none"> <li>Gross Total Income</li> <li>Deductions and taxable total income</li> <li>Computation of tax payable</li> </ul>  <p>Here you are required to fill details of your income and section wise claim of deduction under chapter VIA.</p>  |
| <b>Step - 4</b> | <p>After filling income and deduction details, now fill “Tax Details”. Here, you need to fill details of TDS, TCS, Advance Tax paid and self assessment tax paid. Please note that if you are using prefill options, then details of TDS, TCS and advance tax is already filled. However, you need to verify the details.</p>   |
| <b>Step - 5</b> | <p>After filling details of prepaid tax and other tax paid, now go to next tab “Tax Paid and Verification”. Here, tax details are auto filled and that part of the page is linked with earlier page. In this page you are also required to fill following details:</p> <ul style="list-style-type: none"> <li>Exempt Income: Nature of exempt income and amount</li> <li>Bank Details: Details (IFSC, name of the bank and account number) of all bank accounts (excluding dormant account) held in India at any time during the previous year is required to be filled.</li> <li>Verification and time &amp; place.</li> </ul> |
| <b>Step - 6</b> | <p>If an assessee is claiming deduction under section 80G, he needs to fill one extra page “80G”. Details of donee (like name, address, PAN) and amount of donation is required to be given.</p>  |
| <b>Step - 7</b> | <p>For saving the form, there are two options:</p> <ul style="list-style-type: none"> <li>Save as draft: As name suggest, the form is saved as draft (don't upload this file)</li> <li>Save as XML: This is final saving of the form for upload. If any error message displayed, you need to rectify.</li> </ul>  |
| <b>Step - 8</b> | <p>After generating XML, you can proceed for filing return with following options:</p> <ul style="list-style-type: none"> <li>Press Submit Button given in the navigation bar of the form after filling password. You will get confirmation message of successful message.</li> </ul>  <ul style="list-style-type: none"> <li>Alternatively, you can upload your xml file by visiting e-filing portal.</li> </ul>   |
| <b>Step - 9</b> | <p>Once return is filed, we need to verify it by any of the following mode:</p> <ul style="list-style-type: none"> <li>by sending signed copy of ITR-V to Bangalore through ordinary post or speed post within 120 days</li> <li>by e-verify</li> </ul> <p>After successful verification, filing of your return is complete.</p>  |

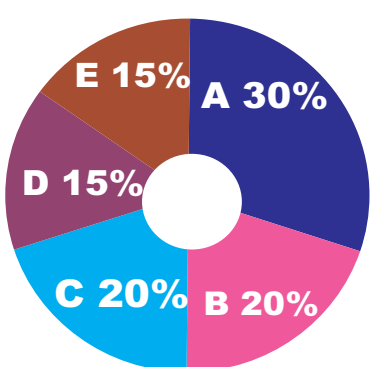


# *Your Preparation Quick Takes*

**GROUP: 4, PAPER: 17**

## **CORPORATE FINANCIAL REPORTING (CFR)**

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### **Syllabus Structure**

- A GAAP and Accounting Standards 30%**
- B Accounting if Business Comminations & Restructuring 20%**
- C Consolidated Financial Statements 20%**
- D Developments in Financial Reporting 15%**
- E Government Accounting in India 15%**

**Learning Objectives:**

After studying the present section of Corporate Financial Reporting you will be able to:

- Understand the basic concept of 'Business Combination'.
- Learn the way to compute 'Goodwill' or 'Gain on Bargain Purchase'.
- Comprehend the process of determining the 'contingent consideration'.

## Corporate Financial Reporting

Business combinations are governed by the newly issued Ind AS 103 which is markedly different from the erstwhile AS 14 i.e. 'Accounting for Amalgamation'. The scope of Ind-AS 103 is much wider as compared to that of AS 14. As per Ind-AS 103, the term business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants and business combination is a transaction or event under which the acquirer receives the *control* (power to govern the financial and operating policies of an entity so as to obtain benefits from its activities) of one or more businesses. *Acquisition method* is required to be employed to account for the business combination. The following steps are required to be followed in under *Acquisition Method*.

|               |   |
|---------------|---|
| <b>Step 1</b> | Identifying the acquirer  |
| <b>Step 2</b> | Determining the acquisition date  |
| <b>Step 3</b> | Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire |
| <b>Step 4</b> | Recognising and measuring goodwill or a gain from a bargain purchase  |
| <b>Step 5</b> | Classifying the assets acquired and liabilities assumed   |
| <b>Step 6</b> | Disclosure  |

### **Goodwill/Gain on Bargain Purchase**

One important issue in the acquisition method is the measurement of Goodwill. It is defined as an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. The following steps to be followed for computing Goodwill

| Particulars  | Rs. |
|--|-----|
| The consideration transferred measured in accordance with Ind-AS 103, which generally requires acquisition-date fair value   | *** |
| <b>Add:</b> The amount of any non-controlling interest in the acquire measured in accordance with Ind-AS 103   | *** |
| <b>Add:</b> In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.                       | *** |
| Total  | *** |
| <b>Less:</b> the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with Ind-AS 103 Goodwill (if positive) | *** |
| OR   |     |
| Gain from a bargain purchase (if negative)   | *** |

For example consider the following example:

**Example 1: M Ltd. acquired 70% shares of N Ltd in exchange of a consideration of Rs. 200000. Fair value of the net identifiable assets of N Ltd. is Rs. 250000. Now let us compute the value of goodwill.**

**Solution:**

| Particulars  | Rs.    |
|--|--------|
| The consideration transferred measured in accordance with Ind-AS 103, which generally requires acquisition-date fair value                                   | 200000 |
| <b>Add:</b> The amount of any non-controlling interest in the acquire measured in accordance with Ind-AS 103 (250000 × 30 %)                                 | 75000  |
| <b>Add:</b> In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree. | NA     |

|   |        |
|---|--------|
| Total   | 275000 |
| <b>Less:</b> the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with Ind-AS 103 | 250000 |
| Goodwill  | 25000  |

*Alternatively, the same value of goodwill can be computed in the following manner:*

| Particulars  | Rs.    |
|--|--------|
| The consideration transferred measured in accordance with Ind-AS 103, which generally requires acquisition-date fair value | 200000 |
| <b>Less:</b> Proportional net asset available to the acquirer( $250000 \times 70\%$ )                                      | 175000 |
| Goodwill   | 25000  |

**Example 2:** In the Example 1, let us assume that the fair value of the net identifiable assets of N Ltd. is Rs. 400000.

**Solution:**

| Particulars  | Rs.    |
|--|--------|
| The consideration transferred measured in accordance with Ind-AS 103, which generally requires acquisition-date fair value | 200000 |
| <b>Less:</b> Proportional net asset available to the acquirer ( $400000 \times 70\%$ )                                     | 280000 |
| Gain on bargain purchase   | 80000  |

**Example 3:** In addition to the information given in Example 1, let us assume that the market price of the shares of N Ltd. is given as Rs. 200 per share with 1000 number of shares outstanding. What will be the value of goodwill if the non-controlling interest is computed based on the market information?

**Solution:**

| Particulars   | Rs.    |
|---|--------|
| The consideration transferred measured in accordance with Ind-AS 103, which generally requires acquisition-date fair value                                      | 200000 |
| <b>Add:</b> The amount of any non-controlling interest in the acquire measured in accordance with Ind-AS 103 ( $1000 \text{ shares} \times ₹ 200 \times 30\%$ ) | 60000  |
| <b>Add:</b> In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.    | NA     |
| Total   | 260000 |
| <b>Less:</b> the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with Ind-AS 103     | 250000 |
| Goodwill  | 10000  |
| Gain on bargain purchase [Assuming the Fair Value of the Net Assets as ₹ 280000 as per Example 2]   | 20000  |

Now let us consider the issue of 'contingent consideration' which may be an integral and intrinsic part of the fair value of the total consideration transferred. an obligation of the acquirer to transfer additional assets or equity interests to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met. The consideration the acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The acquirer shall recognise the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree. Let us try to make out with an example:

**Example 4:** X Ltd. and Y Ltd. entered into an agreement whereby the former would acquire the later by the way of issuing 100000 shares of its own to the shareholders of Y Ltd. The agreement also contains the following contingent consideration clause.

That X Ltd. will issue another 10000 shares if the sales revenue during the 1<sup>st</sup> year after the combination exceeds Rs. 60 Lakhs.

Fair value of the net assets of Y Ltd. is Rs. Rs. 40 Lakhs. The market price of the shares of X Ltd. is Rs. 100 each as on acquisition date.

Given,



The probability of Sale revenue equals to or less than Rs. 60 Lakhs is 30% and the appropriate rate of discount is 10%. Determine the value of contingent consideration. Also show goodwill if any.

**Solution:**

| Particulars                                   | Calculation                          | Amount (Rs.) |
|---|--------------------------------------|--------------|
| Fair value of purchase consideration          | (100000 shares × ₹ 100)              | 10000000     |
| Fair value of contingent consideration        | (10000 shares × ₹ 100 × 70% × 0.909) | 636300       |
| Fair Value of consideration                   |                                      | 10636300     |
| Less: Fair Value of the net asset transferred |                                      | 4000000      |
| Fair value of Goodwill                        |                                      | 6636300      |

Note: PV of Re.1 @ 10% rate at 1<sup>st</sup> year end is 0.909

**Example 5:** Let us assume that the contingent consideration (during the 1<sup>st</sup> year of post-combination operation) agreement is:

| Sales Revenue                                 | Shares to be issued | Chance factor |
|---|---------------------|---------------|
| Equals to Rs. 60 Lakhs                        | Nil                 | 0.30          |
| More than Rs. 60 Lakhs but upto Rs. 80 Lakhs  | 2000                | 0.40          |
| More than Rs. 80 Lakhs but upto Rs. 100 Lakhs | 3000                | 0.20          |
| More than Rs. 100 Lakhs                       | 5000                | 0.10          |

**Solution:**

| Particulars                                   | Calculation  | Amount (Rs.) |
|---|--|--------------|
| Fair value of purchase consideration          | (100000 shares × ₹ 100)  | 10000000     |
| Fair value of contingent consideration        | (2000 shares × ₹ 100 × 0.40 × 0.909 + 3000 shares × ₹ 100 × 0.20 × 0.909 + 5000 shares × ₹ 100 × 0.10 × 0.909) | 172710       |
| Fair Value of consideration                   |  | 10172710     |
| Less: Fair Value of the net asset transferred |  | 4000000      |
| Fair value of Goodwill                        |  | 6172710      |

**Example 6:** In continuation with the Example 5, it is also given that dividend of Rs. 3 per share will be paid for the 1<sup>st</sup> year of post-combination business operation.

**Solution:**

| Particulars                                   | Calculation   | Amount (Rs.) |
|---|---|--------------|
| Fair value of purchase consideration          | (100000 shares × ₹ 100)   | 10000000     |
| Fair value of contingent consideration        | (2000 shares × ₹ 100 × 0.40 × 0.909 + 3000 shares × ₹ 100 × 0.20 × 0.909 + 5000 shares × ₹ 100 × 0.10 × 0.909) – (2000 shares × ₹ 5 × 0.40 × 0.909 + 3000 shares × ₹ 5 × 0.20 × 0.909 + 5000 shares × ₹ 5 × 0.10 × 0.909) | 163575       |
| Fair Value of total consideration             |   | 10163575     |
| Less: Fair Value of the net asset transferred |   | 4000000      |
| Fair value of Goodwill                        |   | 6163575      |

**Example 7:** In continuation with the Example 6, let us assume that X Ltd. acquired 80% of Y Ltd. Total number of shares outstanding was 750000 and the market price as on the date of acquisition is Rs. 84 each. What will be the value of Goodwill?

| Particulars  | Calculation   | Amount (Rs.) |
|--|---|--------------|
| Fair value of purchase consideration                 | (100000 shares × ₹ 100)   | 10000000     |
| Fair value of contingent consideration               | (2000 shares × ₹ 100 × 0.40 × 0.909 + 3000 shares × ₹ 100 × 0.20 × 0.909 + 5000 shares × ₹ 100 × 0.10 × 0.909) – (2000 share × ₹ 5 × 0.40 × 0.909 + 3000 share × ₹ 5 × 0.20 × 0.909 + 5000 shares × ₹ 5 × 0.10 × 0.909) | 163575       |
| Fair value of Non-controlling interest               | (75000 shares × ₹ 85 × 20%)   | 1275000      |
| Total  |   | 11438575     |
| <b>Less:</b> Fair Value of the net asset transferred |   | 4000000      |
| Fair value of Goodwill                               |   | 7438575      |

# *Your Preparation Quick Takes*

**GROUP: 4, PAPER: 18**

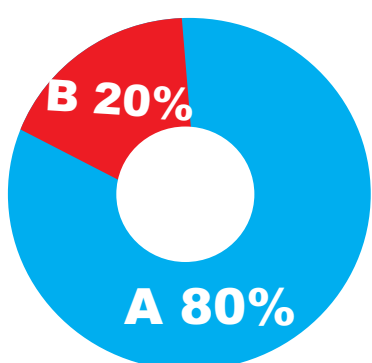
## **INDIRECT TAX LAWS & PRACTICE (ITP)**

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### **Syllabus Structure**

**A** Advanced Indirect Tax -  
Laws & Practice **80%**

**B** Tax Practice and Procedures **20%**



**Learning objectives:**

After studying this section, you will have an understanding of:

- An overview of the GST Council;
- Formation of the GST Council;
- Setting-up of the GST Council and GST Council Secretariat;
- An overview of the GST Council Secretariat;
- Members of the GST Council;
- Provisions regarding functioning of the GST Council;
- Decision-making areas of the GST Council.

## Goods and Services Tax Council - An Overview

### Introduction

Goods and Services Tax has been introduced in India on July 1, 2017. This event has changed the indirect tax scenario of the country. The introduction of this tax required the formation of a governing body that would look after the administration of this levy and make important decisions for its smooth functioning. This led to the formation of the GST Council and the GST Council Secretariat.

### GST Council - An Overview

- Goods and Services Tax Council is a constitutional body that has been formed for the purpose of making necessary recommendations to the Union Government and State Governments on issues related to Goods and Services Tax. In simple words, this GST Council happens to be the governing body for regulating and overseeing the Goods and Services Tax in India.
- This GST Council happens to be a joint forum of the Centre and the States.
- The vision and mission of the GST Council are:
  - **Vision:** To establish highest standards of co-operative federalism in the functioning of GST Council, which is the first constitutional federal body vested with powers to take all major decision relating to GST.
  - **Mission:** Evolving by a process of wider consultation, a Goods and Services Tax structure, which is information technology driven and user friendly.

### Formation of the GST Council

- The process for creation of this governing body commenced when The Constitution (One Hundred and Twenty-second Amendment) Bill, 2016, for introduction of Goods and Services Tax (GST) was accorded assent by the President of India on September 8, 2016, and the same got notified as the Constitution (One Hundred and First Amendment) Act, 2016.
- As per Article 279A(1) of the amended Constitution, a council (called the GST Council) had to be constituted by the President of India within 60 days of the commencement of Article 279A.
- The notification in this respect was issued on September 10, 2016 for bringing into force Article 279A with effect from September 12, 2016.

### Setting-up of the GST Council and GST Council Secretariat

- Following the assent of GST Bill, the Union Cabinet in a meeting held on September 12, 2016 approved setting-up of GST Council and setting-up of its Secretariat.
- Moreover, the Union Cabinet in its meeting held on September 12, 2016 decided the following:

- Secretary (Revenue) would be appointed as Ex-officio Secretary of the GST Council;
- Chairman, Central Board of Excise and Customs would be included as a permanent invitee (non-voting) to all proceedings of the GST Council.
- Creation of one post of Additional Secretary to the GST Council in the GST Council Secretariat (at the level of Additional Secretary to the Government of India), and four posts of Commissioner in the GST Council Secretariat (at the level of Joint Secretary to the Government of India).

- Further, the Union Finance Minister Shri Arun Jaitley also decided to call the First Meeting of the GST Council on September 22 and 23, 2016 in New Delhi.

### GST Council Secretariate - An Overview

- The GST Council is managed by the GST Council Secretariat.
- The GST Council Secretariat has its office in New Delhi.
- The GST Council Secretariat is manned by officers taken on deputation from both the Central and State Governments.
- The organisational structure of the GST Council Secretariat includes:
  - Additional Secretary – Head of the GST Council Secretariat;
  - Joint Secretary (Central) – Section Head of the GST Council Secretariat;
  - Joint Secretary (State) – Section Head of the GST Council Secretariat;
  - Director/ Deputy Secretary (under each Joint Secretary);
  - Under Secretary (under each Director/ Deputy Secretary).
- In the first meeting held on September 12, 2016 for creation of the GST Council, the Cabinet decided to provide adequate funds for meeting the recurring and non-recurring expenses of the GST Council Secretariat, the entire cost for which shall be borne by the Central Government.

### Members of GST Council

As per Article 279A, the GST Council is a joint forum of the Centre and the States. Accordingly, the members of the GST Council have representatives from both the Centre and the States. As per Article 279A, the members of the Council are:

- 1) The Union Finance Minister (as Chairman);
- 2) The Union Minister of State, in-charge of Revenue or Finance (as Member);
- 3) The Minister in charge of Finance or Taxation or any other Minister, nominated by each State Government to the GST Council (as Members).

**NB:** The Members of the Goods and Services Tax Council (referred to in 2 and 3 above) shall choose one amongst themselves to be the Vice-Chairperson of the Council for such period as they may decide.

**Provision regarding functioning of the GST Council**

The important provisions regarding the functioning of the GST Council are highlighted hereunder:

- One-half of the total number of Members of the Goods and Services Tax Council shall constitute the quorum at its meetings.
- Every decision of the GST Council shall be taken at a meeting, by a majority of not less than three-fourths of the weighted votes of the members present and voting, in accordance with the following principles, namely:
  - a) the vote of the Central Government shall have a weightage of one third of the total votes cast, and
  - b) the votes of all the State Governments taken together shall have a weightage of two-thirds of the total votes cast, in that meeting.
- No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of:
  - a) any vacancy in, or any defect in, the constitution of the Council; or
  - b) any defect in the appointment of a person as a Member of the Council; or
  - c) any procedural irregularity of the Council not affecting the merits of the case.
- The GST Council shall determine the procedure in the performance of its functions.
- While discharging the functions conferred by this article, the Goods and Services Tax Council shall be guided by the need for a harmonized structure of goods and services tax and for the development of a harmonized national market for goods and services.
- The Goods and Services Tax Council shall establish a mechanism to adjudicate any dispute:
  - a) between the Government of India and one or more States; or
  - b) between the Government of India and any State or States on one side and one or more other States on the other side; or
  - c) between two or more States, arising out of the recommendations of the Council or implementation thereof.

**Decision making areas of the GST Council**

- As per Article 279A(1) of the amended Constitution, the GST Council will make recommendations to the Union and the States on important issues relating to the Goods and Services Tax.
- The various areas on which the GST Council would make recommendations include the following:
  - Taxes, cesses, and surcharges to be included under the GST;
  - Goods and services which possibly will be subject to GST, or exempted from GST;
  - Model GST laws;
  - The threshold limits i.e. maximum value of turnover for function of GST;
  - Principles of levy;
  - Rates of GST (including floor rates in bands, special rates for raising additional resources during natural calamities/ disasters etc.);
  - The GST Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.
  - Apportionment of IGST;
  - Principles associated with place of supply;
  - Special provisions with respect to the eight north-eastern states, Himachal Pradesh, Jammu and Kashmir, and Uttarakhand; and other associated matters.
  - Any other matters pertaining to the implementation and regulation of GST in India.

# *Your Preparation Quick Takes*

**GROUP: 4, PAPER: 19**

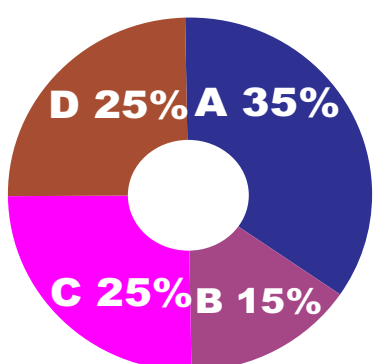
## **COST & MANAGEMENT AUDIT (CMAD)**

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### **Syllabus Structure**

- A Cost Audit 35%**
- B Management Audit 15%**
- C Internal Audit, Operational Audit and other related issues 25%**
- D Case Study on Performance Analysis 25%**

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



**Learning Objectives:**

- To verify the correctness of the cost accounting records.
- To find out whether the principles of cost accountancy have been fully and correctly applied in maintaining cost records.
- To search for the deficiencies in the cost record system of the company.
- To attain efficiency in cost accounting systems and procedures

## **Standards on Cost Auditing - Its Importance and Implication**

Cost audit is an independent examination of cost records maintained by the company. The cost records are to be maintained by the company as per the principles prescribed in CRA – 1, which are mandatory for the companies as prescribed in Rule – 3 of Companies (Cost Records and Audit) Rules, 2014.

The Cost Auditor appointed as per Provisions of section 148 of The Companies Act, 2013, for the audit of the cost records, has to abide by the Cost Auditing Standards while carrying the cost audit of the Company. The report of the cost auditor given in Form – CRA - 3 in pursuant to Rule 6(4) of Companies (Cost Records and Audit) Rules, 2014, must be in “compliance to the cost auditing standards” issued by The Institute of Cost Accountants of India with the approval of the Central Govt. Therefore, it is mandatory for the Cost Auditor to understand and follow the Cost Auditing Standards, while conducting the cost audit, as default in complying with the provisions make the cost auditor liable for punishment. The Companies Act, 2013 has prescribed penalties for the auditor as per section 143 (13) for an amount of Rupees 1 lakh to Rupees 25 Lakhs for which all the partners are severally and jointly liable.

Cost Auditing Standards provides the guidelines and procedures to be followed by the Cost Auditor during the conduct of Cost Audit. It ensures maintenance of the professional integrity, quality of audit and compliance of procedure and reporting.

There are four (4) Cost Auditing Standards so far made mandatory by the Ministry of Corporate Affairs. Another 15 Cost Auditing Standards are finalized by the Cost Auditing Standards Board and are forwarded to the Ministry of Corporate Affairs for approval. The first four standards are effective for audits on or after September 11, 2015. Each Auditing Standards provides its application guidance. The four Cost Auditing Standards with their essential characters are described below.

### **Cost Auditing Standard - 101 - Cost Auditing Standard on Planning an Audit of Cost Statements**

- This Standard deals with the auditors' responsibility to plan an audit of cost statements, records and other related documents. The auditor shall prepare and document the overall audit strategy and audit plan.
- The Cost Auditor shall consider all relevant factors. These relevant factors include:
  - (a) Results of preliminary activities such as letter of appointment and legal formalities regarding his appointment
  - (b) Knowledge from previous audits and other engagements with the auditee.
  - (c) Knowledge of business
  - (d) Nature and scope of the audit
  - (e) Statutory deadlines and reporting format
  - (f) Relevant factors determining the direction of the audit efforts
  - (g) Nature, timing and extent of resources required for the audit.
- The Cost Auditor shall plan the nature, extent and timing of the direction and supervision of audit team members and the review of their work. Audit team means all personnel performing an engagement, including any experts contracted by the firm in connection with that engagement.

- The Cost Auditor shall document the overall audit strategy, the audit plan and any significant changes made therein during the audit engagements and the reasons for the changes.

### **Cost Auditing Standard - 102 - Cost Auditing Standard on Cost Audit Documentation**

- The objective of this Standard is to guide the members to prepare documentation that provides:
  - (a) A sufficient and appropriate record of the basis for the Cost Auditor's Report; and
  - (b) Evidence that the audit was planned and performed in accordance with Cost Auditing Standards and applicable legal & regulatory requirements.
- The cost auditor as part of the audit documentation shall record audit procedures performed, relevant audit evidence obtained, and conclusions reached. The documentation usually contains checklists (of compliance with relevant rules), audit programs of verification of each cost elements (Material cost, Employees cost, Repairs cost etc.), analysis for true & fair view of costs, audit query list, letters of conformation.
- Audit documentation may be in paper form or electronic form. Where it is in electronic form, special care may be required to protect against accidental deletion, or tampering.
- The Cost Auditor shall prepare audit documentation that is sufficient to enable another competent person, having no previous connection with the said audit, including person undertaking peer review to understand:
  - (a) Conformance of audit procedures performed with legal and regulatory requirements;
  - (b) Conformance to Cost Auditing Standards
  - (c) The results of audit procedures performed
  - (d) The audit evidence obtained
  - (e) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.
- The Cost Auditor shall record the discussions of significant matters with client personnel and outsiders in the manner of minutes of discussion with persons involved with the management of the company and the third parties in relation to the audit.
- The Cost Auditor shall record any departure from the standard requirement in a Cost Auditing Standard.

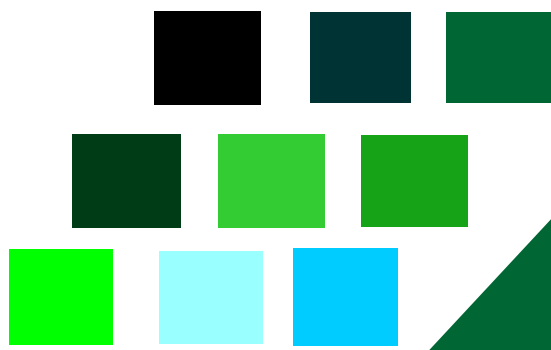
### **Cost Auditing Standard - 103 - Cost Auditing Standard on Overall Objectives of the Independent Cost Auditor and the Conduct of an Audit in Accordance with Cost Auditing Standards**

- The Cost auditor's overall objectives are to obtain reasonable assurance about whether the cost statements as a whole are free from material misstatement, whether due to fraud or error, and to enable the auditor to express an opinion whether the Cost Statements are prepared, in all material respects, in accordance with the applicable Cost reporting framework, Cost Accounting Standards(CAS) and Generally Accepted Cost Accounting Principles (GACAP) as issued by the Institute, and give a true and fair view of the Cost of a product, activity or service.

- The cost auditor shall have an understanding of the entire text of the Cost Auditing Standard, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.
- The cost auditor shall not represent compliance with the cost auditing standards in the cost auditor's report unless the auditor has complied fully with all of the Cost Auditing Standards relevant to the audit.
- The auditor shall obtain sufficient and appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which the auditor's opinion is based.
- The cost auditor shall determine whether the Cost Reporting Framework followed by management in preparing cost statements is in line with the Companies Act and the Rules prescribed thereunder
- An attitude of professional scepticism is necessary throughout the cost audit process for the auditor to reduce the risk of overlooking unusual circumstances, of over generalizing when drawing conclusions from cost audit observations, and of using faulty assumptions in determining the nature, timing and extent of the cost audit procedures and evaluating the results thereof.
- The cost auditor is responsible for forming and expressing an opinion on the Cost Statements.

**Cost Auditing Standard - 104 - Cost Auditing Standard on Knowledge of Business, its Processes and the Business Environment**

- This standard deals with obtaining the knowledge of the client's business, its processes and business environment to develop a reasonable assurance in order to express an opinion on the cost statements
- The cost auditor should obtain an understanding of the nature of the entity, relevant industry, regulatory, and other external factors including the applicable cost and financial reporting framework, the entity's selection and application of cost accounting policies, internal controls relevant to the audit.
- The cost auditor shall identify and assess the risks of material misstatement at the cost statement level.
- While understanding controls that are relevant to the audit, cost auditor should evaluate the design of those controls and determine whether they have been implemented properly, by performing procedures in addition to discussions with the entity's personnel.
- The cost auditor should understand the related cost accounting records, supporting information and specific accounts in the financial statements that are used to initiate, record, process and report transactions; this includes the correction of incorrect information and how information is transferred primarily to the accounting system and subsequently to cost accounting statement.

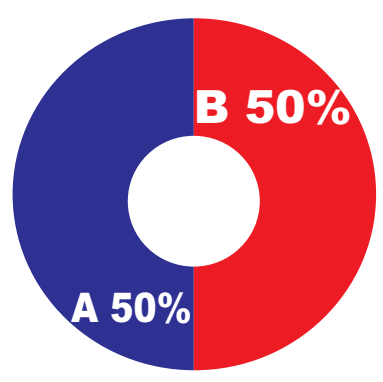
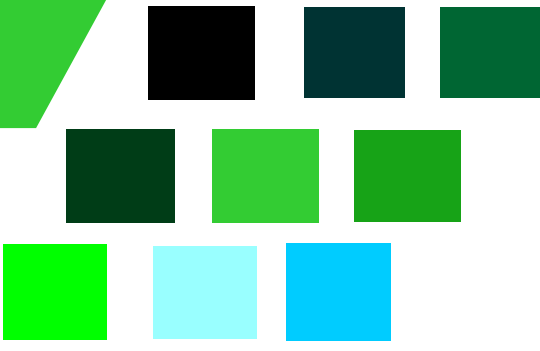


# *Your Preparation Quick Takes*

**GROUP: 4, PAPER: 20**

## **STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION (SPBV)**

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**Syllabus Structure**  
A Strategic Performance Management 50%  
B Business Valuation 50%



### Learning Objectives:

After studying this section on Strategic Performance Management and Business Valuation, you will be able to:

- understand the concept of valuation of bond
- derive the value of bond

## Strategic Performance Management and Business Valuation

### Valuation of Bond

Bonds promise to pay coupons to their holders at regular intervals and to repay the principals on maturity date. Thus, the value of a bond is nothing but the present value of all cash flows that will be received by their owner. The present value of the bond is calculated as follows:

$$B = \frac{C}{(1+i)} + \frac{C}{(1+i)^2} + \dots + \frac{C}{(1+i)^{n-1}} + \frac{C + B_n}{(1+i)^n} \quad (1)$$

$$= \sum_{t=1}^n \frac{C}{(1+i)^t} + \frac{B_n}{(1+i)^n} \quad (2)$$

Where,

B = Present value of the bond or fair price of the bond,

$B_n$  = Face (on the reimbursement) value of the bond,

C = Annual fixed coupon payment,

n = Maturity of the bond, i.e., the number of years remaining until maturity,

i = market determined interest / discount rate or required rate of return on a bond with this risk class and maturity.

From expression (1), we can write

$$B = \frac{C}{(1+i)} \left[ 1 + \frac{1}{(1+i)} + \dots + \frac{1}{(1+i)^{n-1}} \right] + \frac{B_n}{(1+i)^n} \quad (3)$$

The term in bracket is a geometric series of the form

$1 + a + \dots + a^{n-1}$  where  $a = \{1 / (1+i)\}$ , i.e.,

Sum:  $S_{n-1} = 1 + a + a^2 + \dots + a^{n-1}$

$$\Rightarrow aS_{n-1} = a + a^2 + \dots + a^n$$

$$\Rightarrow S_{n-1} - aS_{n-1} = 1 - a^n$$

$$\Rightarrow S_{n-1}(1-a) = 1 - a^n$$

$$\Rightarrow S_{n-1} = \{ (1 - a^n) / (1 - a) \} \quad (4)$$

Using the expression of (4.4) in (4.3) we can write

$$B = \frac{C}{(1+i)} \frac{1 - (1/(1+i))^n}{1 - (1/(1+i))} + \frac{B_n}{(1+i)^n}$$

$$= \frac{C}{(1+i)} \frac{(1+i)^n - 1}{(1+i)^n - 1} \frac{1}{1+i-1} + \frac{B_n}{(1+i)^n}$$

$$= \frac{C}{(1+i)} \frac{1 - [1/(1+i)^n]}{(1/(1+i))} + \frac{B_n}{(1+i)^n}$$

$$= \frac{C}{(1+i)} \times \left\{ 1 - \frac{(1+i)}{(1+i)^n} \right\} \times \frac{1}{i} + \frac{B_n}{(1+i)^n}$$

$$= \frac{C}{(1+i)} \left[ 1 - \frac{1}{(1+i)^{n-1}} \right] + \frac{B_n}{(1+i)^n} \quad (5)$$

Let us first check whether it has the right value at maturity. For  $n = 0$ ,  $1 - \{1 / (1+i)^n\}$  is equal to zero and  $B_n / (1+i)^n$  becomes  $B_n$ . So the value of the bond is at its par. When maturity is infinity, the bond is called a perpetual, i.e., when  $n \rightarrow \infty$ ,  $B$  tends towards  $(c/i)$ . Thus, the value of a perpetual bond will be:

$$\lim_{n \rightarrow \infty} B = \frac{C}{i}$$

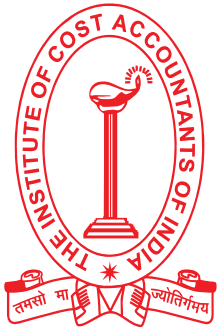
In practice the bond's value is usually quoted per unit of value of  $B_n$ . Let us divide  $B$  by  $B_n$

$$\frac{B}{B_n} = \frac{(C/B_n)}{i} \left[ 1 - \frac{1}{(1+i)^n} \right] + \frac{1}{(1+i)^n} \quad (6)$$

This formula is very useful, because it can be seen that the value of a bond (relative to its par value) is simply the weighted average between the coupon rates divided by the rate of interest on the one hand, and the number 1 on the other and the weights are just the coefficients  $[1 - \{1/((1+i)^n)\}]$  and  $\{1/((1+i)^n)\}$  which add up to 1. The formula (6) also shows that the value of a default-less bond depends upon two variables that are not in the control of its owner: the rate of interest ( $i$ ) and the remaining maturity ( $n$ ).

The expression (6) also shares two fundamental properties of bonds as stated below:

- (i) since the bond's value (relative to its par value) is always between  $\{(c/B_n)/i\}$  and 1, the price of the bond will be above par if and only if the coupon rate is above the rate of interest. Conversely, it will be below par if and only if the coupon rate is below the rate of interest.
- (ii) when maturity  $n$  diminishes, the weights of 1, i.e.,  $\{1/((1+i)^n)\}$  becomes larger and longer, so the value of the bond tends towards its par value, to become equal to 1 when maturity  $n$  becomes zero. This process will be accomplished by a decrease in value if initially the bond is above par and by an increase in value if initially the bond is below par.



# Communication Proficiency

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## 01.00 Communication

**Canon of Communication: Reception = Perception** Communication, in literal terms, means transfer of information from one person to another. The word 'Communication' is derived from the Latin word '*communis*', to share, participate plus the suffix - '*ion*' an act or process; thus meaning to share and transmitting data. Communication is a process that involves an exchange of information, thoughts, ideas and emotions.

The components of a communication process are: a sender who encodes and sends the message, the channel through which the message is sent, and the receiver who decodes the message, processes the information and sends an appropriate reply via the same channel back to the sender. Communication can occur via various processes and methods. There can be various types of communication depending on the channel used and the style adopted. However, the Canon of Communication hinges on the unique equation:  $\text{Reception} = \text{Perception}$ .

Even though the whole process of communication may seem so simple, the effectiveness of each type depends to a great extent on certain internal and external environmental factors and also the communicator's ability to send, receive, decode and send a response. This is why the field of communication has been and continues to be widely studied and is given a place of importance in every walk of life.

## 02.00 Communication Channels

Based on the channels used for communicating, the process of communication can be broadly classified as verbal communication and non-verbal communication.

|             |   |
|-------------|---|
| Verbal {    | • Oral and Written Communication                |
| Nonverbal { | • Body Language, Facial expressions and visuals |

### 02.01 Verbal Communication

Verbal communication includes oral and written communication. The communication process conducted through spoken words is referred to as oral communication. In today's world, the emergence of different forms of media has led to the oral communication process to take place through different channels like telephones, teleconferences, video conferences, etc. Spoken conversations or dialogs are influenced by voice modulation, pitch, volume and even the speed and clarity of speaking. Written communication can be either via snail mail, or email. The effectiveness of written communication depends on the style of writing, vocabulary used, grammar, clarity and precision of language.

|           |                |
|-----------|----------------|
| Oral {    | • Spoken Words |
| Written { | • Mail         |

### 02.02 Nonverbal Communication

Non-verbal communication includes body language, facial expressions and visuals diagrams or pictures. Body language refers to the overall body language of the person who is speaking, which will include the body posture, the hand gestures, and the overall body movements. Also, gestures like a handshake, a smile or a hug can independently convey emotions and do not need to be accompanied by words. Facial expressions too play a major role in communication. Even expressions on a person's face say a lot about the individual's mood. Nonverbal communication can also be in the form of pictorial representations, signboards, or even photographs, sketches and paintings.

| Body Language                      | Facial Expressions    | Visuals  |
|------------------------------------|-----------------------|--|
| • Posture, Gestures, and Movements | • Expressions on face | • Pictorial representations, signboards, photographs, sketches and paintings |

## 03.00 Communication Styles

Based on the style of communication, there can be two broad categories: formal communication and informal communication. Both of them have their own set of characteristic features.

|            |                         |
|------------|-------------------------|
| Formal {   | • Business & Corporates |
| Informal { | • Friends & Family      |



### 03.01 Formal Communication

Formal Communication includes all the instances where communication has to occur in a set formal format. Typically, this can include all sorts of business or corporate communication. The style of communication in this form is very formal and official. Official conferences, meetings and written memos and corporate letters are used for this form of communication. It can also occur between two strangers when they meet for the first time. Hence, formal communication is straightforward, official and always precise and has a stringent and rigid tone to it.

### 03.02 Informal Communication

Informal communication includes instances of free and unrestrained conversation between people who share a casual rapport with each other. It requires two people to have a similar wavelength and hence occurs between friends and family. It does not have any rigid rules or guidelines. The conversations need not necessarily have boundaries of time, place or even subjects. An example is friendly chats with loved ones which can simply go on and on.

### 04.00 Importance of Communication

Could it be an avenue of Business, Workplace, Leadership or Relationship; communication plays a vital role. There is more to communication than just talk and gesture. To quote a visionary, "It is impossible to speak in such a way that you cannot be misunderstood". Faulty or incomplete communication can completely mar the purpose of communicating and may result in damaging consequences. This is where understanding how important communication is and communicating the right way comes into picture.

#### 04.01 Communication in Business

The success of any business lies as much in networking and building sound professional relationships as it does in individual tact and business acumen. Communication is a crucial decisive factor in business relations. It is very important to say the right things at the right time and at the right place when dealing with any of the stakeholders such as promoters, managers, employees, customers, shareholders, media and even competitors.

Any miscommunication or ambiguity can pour pails of cold water on your hard work and ruin your chances of survival in today's competitive business environment. Maintaining professional etiquette in oral and written business communication is of utmost importance and must not be taken lightly. Effective communication skills in business go a long way in scaling your financial success.

#### 04.02 Communication in the Workplace

The most difficult part of running an organization is managing the human resources. This is one resource which doesn't work on any isolated principle of management, economics, psychology or any other social science! This is the most random and volatile resource which must be managed with great dexterity to reach the desired organizational goals.

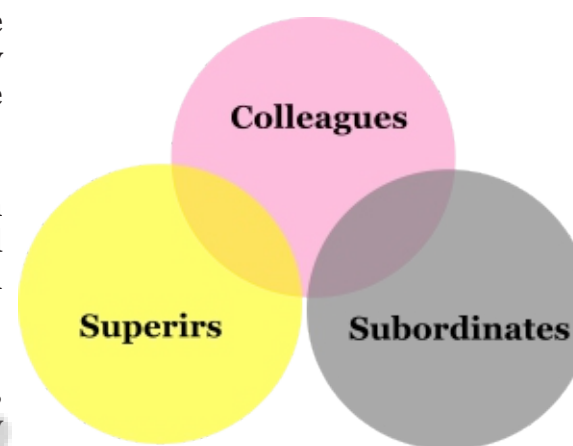
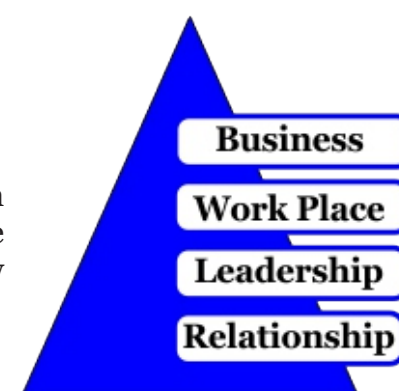
The salience of communication in the workplace is manifold, as it involves communication along vertical, horizontal and parallel organizational levels and such communication should always follow the hierarchy prescribed by the organization. A breach of the hierarchical channel of communication is known as a *Gang Plank* and should be avoided as much as possible.

Communication in the workplace involves interpersonal communication between colleagues, superior and subordinate and vice versa and workplace communication skills come handy in many situations. A clear understanding of the purpose of such communication, especially if it is of a vertical nature, along with the expectations of the sender and receiver are extremely important for the smooth running of an organization.

#### 04.03 Communication in Leadership

A leader is expected to represent the followers and motivate them to reach heights of success through individual and collective effort. Communication is the best equipment a leader can employ to achieve this goal. Even ideals resting upon strong principles can fall flat and fail to motivate due to lack of effective communication skills. History is galore with examples of many national leaders who have moved the masses by their life-changing speeches and powerful writings! Abraham Lincoln and Mahatma Gandhi are prominent examples of outstanding leadership through effective communication.

*Abraham Lincoln and Mahatma Gandhi are prominent examples of outstanding leadership through effective communication.*



#### 04.04 Communication in Relationships

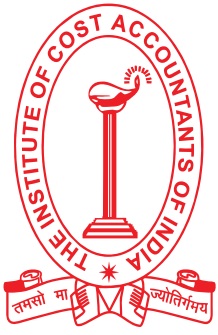
It is probable that we all have, some time or the other, experienced certain roadblocks and voids in our relationships owing to a lack of communication. Lack of communication in relationships result in frustrations, misunderstandings, unrealistic expectations, guilt and can create personal differences. It is difficult for people who share their lives with each other to coexist for long without having regular and smooth communication for oiling the machinery of the relationship. Relationship communication problems can only be solved through active and effective communication.

*It is difficult for people who share their lives with each other to coexist for long without having regular and smooth communication for oiling the machinery of the relationship.*

#### 05.00 Quick Take

Communication is an art and also a science that needs to be articulated with zeal and diligence.





# **PRACTICAL** **Advice**

## **ABOUT YOUR STUDIES - FINAL COURSE**

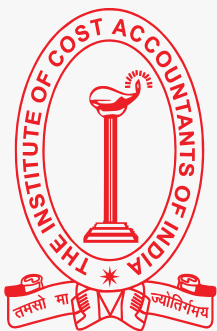
Practical support, information and advice to help you  
get the most out of your studies.

**Read Study  
Notes  
MTPs**

**Solve  
Exercises  
given in  
Study Note**

**Assess  
Yourself**

**Appear For  
Examination**



# SUBMISSION



## Updation of E-Mail Address/Mobile:

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

Dear Students,

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

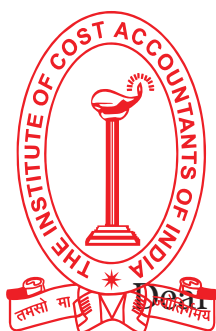
We have noted your queries and your requests will definitely be carried out. Further, requesting you to go through the current edition of the bulletin. All the areas will be covered gradually. Expecting your responses further to serve you better as we believe that there is no end of excellence! One of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

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

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





# Message from Directorate of Studies

Dear Students,

We have stepped into 2018 and with new enthusiasm for the future to come, it is also a time to reflect on the year gone by and the beautiful moments shared with all. Express your gratitude and spare your thoughts for all who have supported you and remember to make a new year resolution to do much better in every sphere of your life.

***'Learn from yesterday, Live for today, Hope for tomorrow'***

For the smooth and flawless preparation. Directorate of Studies have provided meaningful tips which will help you to gain sufficient knowledge about each subject. "Tips" are given in this E-bulletin by the knowledge experts for the smooth encouragement in your preparation. We are sure that all students will definitely be benefitted by those tips and that will help them to brush up their knowledge and also to swim across.

Take the course seriously from the very beginning but don't be panicky. Please try to follow the general guidelines, mentioned below; which may help you in your preparation.

## **Essentials for Preparation:**

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

Please refer the links mentioned below :

For Mock Test Papers (MTP) : [http://icmai.in/studentswebsite/mtp2016\\_j18\\_fnd.php](http://icmai.in/studentswebsite/mtp2016_j18_fnd.php)

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

**Wishing you all BEST OF LUCK in your forthcoming Examination.**

***Be Prepared and Get Success;***

### **Disclaimer:**

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

# Snapshot



Glimpses of Northern Regional Students Convention - 2018 on the theme 'Skills Towards Excellence' organised by NIRC of the Institute on 25th May, 2018 at New Delhi.



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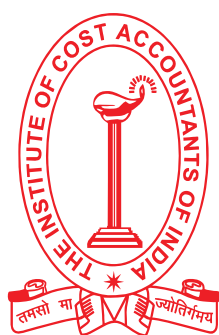
Heartiest Congratulations to Team CMA for winning "CMA Challenger Cricket Cup 2018" by beating Hewlett Packard -HP Team in Finale held in Delhi on 2nd June, 2018.



Glimpses of Programme on 'Company Law & NCLT' and Members' meet with President organized by the Hyderabad Chapter of the Institute on 08th & 9th June, 2018 in Hyderabad.



Glimpses of National Seminar on the theme "New Eras in CMA Profession: Goods & Services Tax and Insolvency & Bankruptcy Code, 2016" organized by



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