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150 YEARS OF CELEBRATING THE MAHATMA

CMA Student E - Bulletin

FINAL

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Behind every successful business decision, there is always a CMA

Vol: 5, No.: 8.
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Message from The Chairman

CMA Biswarup Basu
Vice President & Chairman,
Training & Education Facilities
and Placement Committee

150 YEARS OF CELEBRATING THE MAHATMA

MESSAGE FROM THE CHAIRMAN

Dear Students,

Greetings!!

"It is easy to stand in the crowd but it takes courage to stand alone" - M.K. Gandhi.

The world after the wave of COVID-19 must be more inclusive, resilient, and sustainable. Today, we live in a world in which inequality between and within countries has grown as a result of businesses' race to the bottom and working poverty among a vast portion of the global workforce. Too many countries suffered the external shocks of COVID-19 without universal social protection, robust public health systems, a plan to reach net-zero carbon emissions by 2050, or a sustainable real economy with quality jobs. Towards this end, our Institute is also taking initiatives to make our students more Globally acceptable.

The Directorate of Studies is working diligently to provide the students with all possible supports and guidance. Live Webinars are being conducted, recorded webinars are also there in the e-library. Answers to the Mock Test Papers (MTPs), updated Work Books, and monthly E-bulletins are uploaded on our website as per the pre-scheduled manner. Eminent academicians and professionals are contributing in their own way to the development of our students despite the odd situation faced by everybody.

Being the Chairman of the Training & Educational Facilities and Placement Committee, I am really thankful to all of them. So, don't give up hope, carry on with your exercises, and try to utilize the facilities and opportunities being offered by the Directorate of Studies.

Foundation Examination of the students will be conducted on 6th September 2020 in online mode only and I wish all the examinees will appear with much confidence, as the unique and exclusive Online Mock Test Platform for CMA Students has been developed and made live by the Directorate of Studies to provide required practice sessions to the students through this portal: https://eicmai.in/MCQ_Portal/login.aspx; as per our records more than 40,000 online mock test examinations have already been conducted through this online platform so far.

Our 'Students' Connect' section is there for the convenience of all our students [https://icmai.in/studentswebsite/Students-E-Services.php].

Recently we have thoroughly revamped our 'Students' Portal' to make it robust, up-to-date and students friendly. Your valuable feedback is always solicited.

We have also introduced World Class Training facilities for the Intermediate Students with SAP Certification, Microsoft Certification, Cambridge University Certification and E-Filing to groom and train them as future-ready professionals.

Self-reliance and confidence is the need of the hour; keep faith for a bright and sparkling future to come.

Always keep in mind that, ***"Strength is Life, Weakness is Death. Expansion is Life, Contraction is Death. Love is Life, Hatred is Death.". – Swami Vivekananda***

Best wishes as always,

CMA Biswarup Basu
Chairman, Training & Education Facilities and Placement Committee

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150 YEARS OF CELEBRATING THE MAHATMA

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

CONTENTS

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150 YEARS OF CELEBRATING THE MAHATMA

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.

YEARS OF CELEBRATING THE MAHATMA

GROUP: iii, PAPER: 13

CORPORATE LAWS & COMPLIANCE (CLC)

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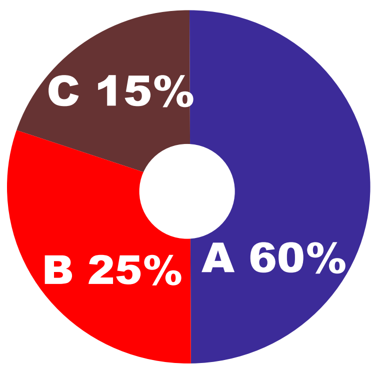
Your Preparation Quick Takes



Syllabus Structure
A Companies Act **60%**
B Other Corporate Laws **25%**
C Corporate Governance **15%**

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.

Competition Act.

1.0 Competition Act, 2002

The Monopolies & Restrictive Trade Practices Act, 1969 is the first enactment to deal with competition issues and came into effect on 1st June 1970.

The Government appointed a committee in October 1999 to examine the existing MRTP Act for shifting the focus of the law from curbing monopolies to promoting competition and to suggest a modern competition law. Pursuant to the recommendations of this committee, the Competition Act, 2002, was enacted on 13th January 2003. It was subsequently amended in 2007.

It provides for different notifications for making different provisions of the Act effective including repeal of MRTP Act and dissolution of the MRTP Commission.

- Under the Act, Competition Commission of India and the Competition Appellate Tribunal have been established.

1.1 Competition Act notification

Certain provisions such as those relating to establishment of the Commission, appointment of Chairperson and Members, appointment of staff, undertaking of competition advocacy have been notified.

Other provisions of the Act are yet to be notified such as those relating to adjudication of anti-competitive practices and regulation of combinations.

1.2 Objectives of the Act

The objectives of the Competition Act are to:

- prevent anti-competitive practices,
- promote and sustain competition,
- protect the interests of the consumers and
- ensure freedom of trade.
- competition advocacy by creating awareness among various levels at Government, industry and consumers.

The objectives of the Act are sought to be achieved through the instrumentality of the Competition Commission of India (CCI) which has been established by the Central Government with effect from 14th October, 2003.

1.3 CCI is a body corporate and shall have a full time chairman with minimum 2 and maximum 6 to 7 members. Commission may appoint Secretary and other officers as may be required.

Functions of Competition Commission of India (CCI)

i) CCI shall prohibit anti-competitive agreements, which determine prices, limit or control markets, bid rigging etc.

ii) Abuse of dominance, through unfair or discriminatory prices or conditions, limiting or restricting production or development, denying market access etc.and regulate combinations (merger or amalgamation or acquisition) which cause or likely cause an appreciable adverse effect or competition through a process of enquiry.

iii) It shall give opinion on competition issues on a reference received from an authority established under any law (statutory authority)/Central Government.

iv) CCI is also mandated to undertake competition advocacy, create public awareness, promote competition, protect interest of consumers and ensure freedom of trade and impart training on competition issues.

v) Inquiry into certain agreements and dominant position by giving notices to the parties.

"Agreement" under the Act

An agreement includes any arrangement, understanding or concerted action entered into between parties. It need not be in writing or formal or intended to be enforceable in law.

1.4 Prohibition of certain agreement

A. Anti-competitive agreement shall be presumed to have appreciable adverse effect on competition and thereby deemed to be restrictive.

- An anti-competitive agreement is an agreement having appreciable adverse effect on competition. Anti-competitive agreements include:-

  agreement to limit production & supply, storage, distribution agreement to allocate markets agreement to fix price bid rigging (manipulating the bids) or collusive bidding (bidding with understanding among the bidders) conditional purchase/sale (tie-in arrangement) exclusive supply/distribution arrangement-limit/restrict/withhold/allocation of an area resale price maintenance refusal to deal

The whole agreement shall be construed as "void" if it contains anticompetitive clauses. However, agreement for restriction for protection of intellectual property shall not fall under this category.

1.5 Abuse of dominance

Dominance refers to a position of strength which enables a dominant firm to operate independently in India of competitive forces or to affect its competitors or consumers or the market in its favour.

- impedes fair competition between firms,
- exploits consumers and makes it difficult for the other players to compete with the dominant undertaking on merit.
- imposing unfair conditions or price, predatory pricing, limiting production/market, creating barriers to entry and applying dissimilar conditions to similar transactions.

1.6 Specific instances of dominanace in Competion Act

(a) directly or indirectly, imposes unfair or discriminatory conditions in purchase or sale of goods or services, including predatory price;

(b) limits, restricts production of goods/ provision of services/ technical development

(c) denial of market access

(d) uses dominant positioning one market to enter into other relevant market.

2.0 Who can make a complaint?

Any person, consumer, consumer association or trade association can make a complaint against anti-competitive agreements and abuse of dominant position.

A **person** includes an individual, Hindu Undivided Family (HUF), company, firm, association of persons (AOP), body of individuals (BOI), statutory corporation, statutory authority, artificial juridical person, local authority and body incorporated outside India.

A consumer is a person who buys for personal use or for other purposes.

3.0 Orders the Commission can pass

- During the course of enquiry, the Commission can grant interim relief restraining a party from continuing with anti competitive agreement or abuse of dominant position

- To impose a penalty of not more than 10% of turn-over of the enterprises and in case of cartel - 3 times of the amount of profit made out of cartel or 10% of turnover of all the enterprises whichever is higher

After the enquiry, the Commission may direct a delinquent enterprise to discontinue and not to re-enter anti-competitive agreement or abuse the dominant position

To award compensation

To modify agreement

To recommend to the Central Govt. for division of enterprise in case it enjoys dominant position.

* Declare an agreement to be void.

* Violation of orders may result to imprisonment.

4.0 "Combination" under the Act and regulation thereof

Combination includes acquisition of shares, acquisition of control by the enterprise over another and amalgamation between or amongst enterprises.

Combination, that exceeds the threshold limits specified in the Act in terms of assets or turnover, which causes or is likely to cause an appreciable adverse effect on competition within the relevant market in India, can be scrutinized by the Commission

4.1 In case of combination the threshold limits are-

For acquisition –

Individual :Combined assets of the firms (acquirer and the enterprise) is more than Rs 2000 Cr. or turnover is more than Rs 6000 Cr. (these limits are US$ 1 billion including at least Rs.1000 Cr. in India and 3 billions including at least 3000 cr. in India in case one of the firms is situated outside India).

group: The limits are more than Rs 8000 Cr or Rs 24000 Cr and US$ 4 billion including at least Rs.1000 Cr. in India and 12 billions including at least Rs.3000 Cr. in India in case acquirer is a group in India or outside India respectively.

CG has exempted enterprise whose control, shares, voting rights or assets are being acquired has assets of value of not more than Rs.350 Cr. and turnover of not more than Rs.1000 Cr.

Turnover means amount on sale of product or rendering of services of similar or substitutable goods or services. Group means two or more enterprises which directly or indirectly exercise 26% or more of voting right in other enterprise or appoint more than 50%of the directors or control affairs of the other enterprise.

4.2 For merger/amalgamation –

the above limit will be valid for mergers also.

Asset means written down book value and shall include intellectual property.

A firm proposing to enter into a combination, may, at its option, notify the Commission in the specified form disclosing the details of the proposed combination within 30 days of such proposal i.e. approval of the board of directors or execution of the agreement or other document for acquisition. No combination shall come into effect until 210 days have passed from the day on which the notice has been given to the Commission or Commission has given no objection, whichever is earlier.

5.0 Procedure for investigation of combinations

If the Commission is of the opinion that a combination is likely to cause or has caused adverse effect on competition,

- It shall issue a notice to show cause the parties as to why investigation in respect of such combination should not be conducted.

- On receipt of the response, if Commission is of the prima facie opinion that the combination has or is likely to have appreciable adverse effect on competition, it may direct publication of details inviting objections of public and hear them, if considered appropriate.

- It may invite any person, likely to be affected by the combination, to file his objections. The Commission may also enquire whether the disclosure made in the notice is correct and combination is likely to have an adverse effect on competition.

5.1 <u>Orders the Commission can pass in case of combinations</u>

It shall approve the combination if no appreciable adverse effect on competition is found
It shall disapprove of combination in case it forms an opinion of appreciable adverse effect on competition
May propose suitable modification in the agreement/arrangement.

5.2 <u>Prohibition of abuse of dominance</u>

i) an enterprise shall be considered to be dominant in the referent market in India, if -

(a) operate independently of competitive forces;
(b) affects the consumer, competitor or the relevant market in its favour.

ii) abuse of dominant position shall mean using of unfair or discriminatory condition in purchase or sale or price of goods and services or restricting quality of production, services or scientific development to prejudice customers, denial of market access, supplementary obligations or predatory pricing.

5.3 <u>Regulation of combinations</u>

i) no person shall enter into combination which causes or likely to cause appreciable adverse effect on competition in the relevant market in India;

ii) persons propose to enter into combination shall give notice to the Commission with 30 days of approval of the proposal by the Board or execution of any agreement;

iii) no combination shall be effective before lapse of 210 days of giving notice or getting approval of the Commission, whichever is earlier;

iv) do not apply to bank, FI, FII or venture capital fund. 7 days notice needs to be given to Commission.

150 YEARS OF CELEBRATING THE MAHATMA

GROUP: iii, PAPER: 14

STRATEGIC FINANCIAL MANAGEMENT (SFM)

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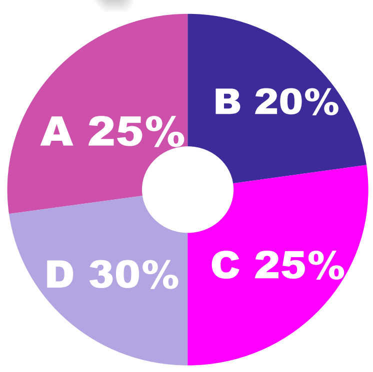
Your Preparation Quick Takes



Syllabus Structure

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

Learning objectives:

After studying this section on Strategic Financial Management, you will be able to:
- understand the direct and indirect quotations
- know the European terms and American terms

Strategic Financial Management

This issue covers MCQs from the entire syllabus of Paper 14.

(i) The NPV of a 5year project is Rs. 250 lakh and PVIFA at 10% for 5 years is 3.79. The Equivalent Annual Benefit of the project is ____________

A. Rs. 65.96 lakh
B. Rs. 947.5lakh
C. Rs. 56.96 lakh
D. Rs. 96.65 lakh

Solution: Answer is (A)
EAB = NPV/ PVIFA = 250/3.79 = Rs. 65.96 lakhs

(ii) The Profitability Index of a project is 1.28 and its cost of investment is Rs. 250000. The NPV of the project is ____________

A. Rs. 75000
B. Rs. 80000
C. Rs. 70000
D. Rs. 65000

Solution: Answer is (C)
PI = Total PV/ Cost of Investment
Or, 1.28 = Total PV/ 250000
Or, Total PV = 320000
NPV = Total PV – Cost of Investment = 320000 – 250000 = Rs.70000

(iii) If project cost = Rs. 12,000, Annual cash flow = Rs. 4,500 Cost of capital = 14%, life = 4 years, PVIFA (14%, 4) = 2.9137, then the sensitivity with respect to the project cost is

A. 9.27%
B. 10.27%
C. 9.72%
D. 10.72%

Solution: Answer is (A)
Let the project cost be X
Then, -X + 4500 *PVIFA (14%, 4) = 0
Or, -X + 4500*2.9137 = 0
Or, X = 13112
So, sensitivity with respect to the project cost = (13112 – 12000)/12000 = 9.27%

(iv) Following information is available regarding a mutual fund:
Return 13%
Risk (S.D. i.e. σ) 15%
Beta (ß) 0.90
Risk Free Rate 10%
The Sharpe Ratio of the mutual fund is:

A. 0.35
B. 0.30
C. 0.25
D. 0.20

Solution: Answer is (D)
Sharpe Ratio = $(R_p - R_f)/\sigma_p$ = (13 – 10)/15 = 0.2

(v) Money Plant mutual fund had a Net Asset Value (NAV) of Rs.60 at the beginning of the year. During the year a sum of Rs.6 was distributed as dividend besides Rs.2 as capital gains distribution. At the end of the year NAV was Rs.72. The total return for the year-

A. 33.33%
B. 33.95%
C. 34.23%

D. 34.78%

Solution: Answer is (A)

$$\text{Total return} = \frac{(\text{Closing NVA - Opening NAV}) + \text{Dividend} + \text{Capital Gain Distribution}}{\text{Opening NAV}}$$

$$= \frac{(72 - 60) + 6 + 2}{60} = 33.33\%$$

(vi) An investor owns a stock portfolio consisting of four stocks. He invested in stock 20% in stock A; 25% in stock B; 30% in stock C and 25% in stock D. The betas of these four portfolios are :0.9; 1.3; 1.2 and 1.7 respectively.

The beta of portfolio is-

A. 1.12
B. 1.29
C. 1.45
D. 1.76

Solution: Answer is (B)

Portfolio beta = ∑weighted beta of individual stock = (0.2x0.9+0.25x1.3+0.3x1.2+0.25x1.7) = 1.29

(vii) There are four investments as follows:

Security	Standard Deviation (Rs.)	Expected NPV (Rs.)
X	37947	90000
Y	44497	106000
Z	42163	100000
U	41997	90000

Which investment has the highest risk?

A. X
B. Y
C. Z
D. U

Solution: Answer is (D)

The coefficient of variation is = S.D/ Mean *100
So, coefficient of variation (X) = 37947/90000 *100 = 42.16%
coefficient of variation (Y) = 41.98%
coefficient of variation (Z) = 42.163%
coefficient of variation (U) = 46.63%
So, U has the highest risk.

(viii) The spot rate of US dollar is Rs.65.00/USD and the four month forward rate is Rs.65.90/USD. The annualized premium is

A. 4.2%
B. 5.1%
C. 6.0%
D. 6.4%

Solution: Answer is (A)

Annualised premium = (Forward rate – Spot Rate)/Spot Rate *12/n*100 where n = no. of months = (65.90 – 65.00)/65.00 *12/4 * 100 = 4.2%

(ix) You are given the following information:

Required rate of return on risk free security = 7%
Required rate of return on market portfolio = 12%
Beta of the firm = 1.7
The cost of equity capital as per CAPM approach is

A. 16.3%
B. 18.0%
C. 18.6%
D. 15.5%

Solution: Answer is (D)

As per CAPM, Cost of Equity = $R_f + \beta (R_m - R_f)$ = 7 + 1.7(12 -7) = 15.5%

(x) A Rs.1000 par value bond bearing a coupon rate of 14% matures after 5 years. The required rate of return on this bond is 10%. The value of the bond will be:

A. Rs.1125
B. Rs.1152

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C. Rs.1512
D. Rs.862.20

Solution: Answer is (B)
Value of the bond = 1000*14%*PVIFA (10%,5) + 1000*PVIF (10%,5)
= 140*3.79 + 1000*0.621 = Rs.1152

(xi) Following information is available regarding a mutual fund:
Return 13%
Risk (S.D. i.e. σ) 16%
Beta (ß) 0.90
Risk Free Rate 10%
The Traynor Ratio of the mutual fund is:

A. 3.85
B. 4.43
C. 3.33
D. 3.73

Solution: Answer is (C)
Traynor Ratio = $(R_p - R_f)/ \beta$ = (13 – 10)/0.90 =3.33

(xii)The 90 day interest rate is 1.85% in USA and 1.35% in UK and the current spot rate is $1.6/Pound. The 90 day forward rate is:

A. $1.607893
B. $1.901221
C. $1.342132
D. $1.652312

Solution: Answer is (A)

$$\text{90 day forward rate} = \text{Spot rate} \times \frac{1 + \text{Interest rate in USA}}{1 + \text{Interest rate in UK}} = 1.60 \times \frac{1.0185}{1.0135} = \$1.607893$$

(xiii) D Ltd intends to buy an equipment. Quotes are available as follows:

Equipment	Cost (Rs. In Million)	Estimated life (years)
X	4.5	10
Y	6.0	15

Cost of capital is 10%. Which one would be cheaper?
[Given: PVIFA (10%, 10 years) = 6.1446; PVIFA (10%, 15 years) = 7.6061

A. X
B. Y
C. Cost will be same
D. They are not comparable

Solution: Answer is (A)
Equivalent Annual Cost = Cost/PVIFA
EAC (X) = 4500000/6.1446 = Rs.732350
EAC (Y) = 6000000/7.6061 = Rs.788840
So, X is cheaper

(xiv) An Indian company is planning to invest in US. The annual rates of inflation are 8% in India and 3% in US. If the current spot rate is Rs.60.50/$, what will be the spot rate after 5 years? (Assume inflation rates will remain unchanged).

A. Rs.88.89
B. Rs.54.95
C. Rs.76.68
D. Rs.76.10

Solution: Answer is (C)

$$\text{Expected spot rate} = 60.50 \times \frac{(1+.08)^5}{(1+.03)^5} = \text{Rs.}76.68$$

(xv) Given for a project:
Annual cashflow = Rs.80000, Useful life = 4 years
Undiscounted payback period = 2.855 years
What is the cost of the project?

A. Rs.112084
B. Rs.228400
C. Rs.913600

D. None of the above

Solution: Answer is (B)
Payback period = Cost/Annual cashflow
So, Cost = Annual cashflow *Payback period = 80000*2.855 = Rs.228400

(xvi) Initial investment = Rs.25 lakhs, Annual cashflow = Rs.6.5lakhs for 10 years. Cost of capital is 15%. Annuity factor for 15% for 10 years is 5.019. PI will be:

A. 1.305
B. 3.846
C. 0.26
D. 0.7663

Solution: Answer is (A)
Total PV = 6.5 lakhs *PVIFA (15%, 10) = 6.5 * 5.019 = Rs.32.6235 lakhs
PI = Total PV/ Initial Investment = 32.6235/25 = 1.305

(xvii) Rate of inflation 5.1%, ß = 0.85, Risk premium = 2.295%, market return = 12%

The real rate of return is:

A. 4.2%
B. 11.7%
C. 6.24%
D. 5.95%

Solution: Answer is (C)
Given, $R_m - R_f$ = 2.295% and R_m = 12%
So, R_f = 12 – 2.295 = 9.705%
So, expected return = 9.705 + 0.85*2.295 = 11.65575%
Real return = [(1+expected return)/(1+inflation)] – 1 = [1.1165575/1.051] – 1 = 6%

(xviii) A certain mutual fund has a return of 17% with S.D 3.5% and Sharpe Ratio 4. The risk-free return is

A. 12.5%
B. 4%
C. 3%
D. 7.5%

Solution: Answer is (C)
Sharpe Ratio = $(R_p - R_f)/\sigma_p$
Or, 4 = $(17 - R_f)/3.5$
So, R_f = 3%

(xix) Given, covariance between security and market return = 25 and variance on market return = 20. What will be the systematic risk?

A. 1.25
B. 1.56
C. 5.45
D. 31.25

Solution: Answer is (A)
Systematic risk = ß = Covariance/ Variance = 25/20 = 1.25

(xx) For a certain project the expected cashflows are Rs.6000 and Rs.16000 with probability 0.20 and 0.80 respectively. If the certainty equivalent coefficient is 0.7, what will be the certain (risk less) cash flows of the project?

A. Rs.12000
B. Rs.9800
C. Rs.9000
D. Rs.15400

Solution: Answer is (B)
The certain cashflow = (6000*0.7*0.20) + (16000*0.7*0.8) = Rs.9800

The beta of stock of A Ltd. is 2.00 and is currently in equilibrium. The required rate of return on the stock is 12% and expected return on the stock is 10%. Suddenly, due to change in the economic conditions, the expected return on the market increases to 12%. Other things remaining the same, what would be new required rate of return on the stock?

A. 15.0%
B. 16.0%
C. 20.0%
D. 22.5%

Given,
Shares of C Ltd. is traded at ` 1,150. An investor is bullish about the market. He buys two one month call option contracts (one contract is 100 shares) on C Ltd. with a strike price of ` 1,195 at a premium of ` 35 per share. Three months later, if the share is selling at ` 1240 what will be net profit/loss of the investor on the position? (a) ` 1000 (b) ` 1200 (c) ` 1500 (d) ` 2000

A 6-month forward contract on a non-dividend paying stock when the stock price is ` 60 and the riskfree interest rate (with continuous compounding) is 12% p.a. What is the forward price? [Given e0.06 = 1.0618] (a) ` 61.86 (b) ` 62.23 (c) ` 64.23 (d) ` 65.27

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YEARS OF CELEBRATING THE MAHATMA

GROUP: iii, PAPER: 15

STRATEGIC COST MANAGEMENT-DECISION MAKING (SCMD)

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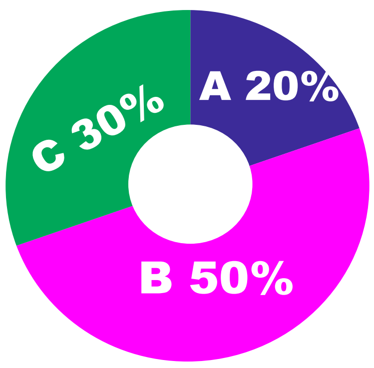
Your Preparation Quick Takes



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%**

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?

Marginal Costing: Problems for Practice

Here are four problems for practice that highlight the multifarious application of the technique of Marginal Costing.

Problem 1

The income statement of Ashok Gears Ltd. is summarized as below:

Net Revenue ……………………………………………………………… Rs.80,00,000
Less: Expenses (including Rs.40,00,000 of Fixed Cost)…………… .Rs.88,00,000
Net Loss…………………………………………………………………… Rs.8,00,000

The manager believes that an increase of Rs.20,00,000 as fixed expenditure in advertising outlays will increase the sales substantially. His plan was approved by the Board.

You are required to calculate:

(i) At what sales volume will the Company have break even?
(ii) What sales volume will result in a Net Profit of Rs. 4,00,000?

Solution

(i) Computation of Break Even Sales

Net Revenue = Rs.80,00,000
Variable Expenses = Rs.(88,00,000 - 40,00,000) = Rs.48,00,000
Contribution = (80,00,000 – 48,00,000) Rs.32,00,000
Contribution Margin Ratio = 32,00,000 ÷ 80,00,000 = 40%
Revised Fixed Cost = (Existing 40,00,000 +20,00,000 of Advertising) = Rs.60,00,000
Break Even Sales = (Fixed Cost ÷ Contribution Margin Ratio)
= (60,00,000 ÷ 40%) = Rs. 1,50,00,000

(ii) Computation of sales level to earn a Net Profit of Rs.4,00,000

Targeted Contribution = (Fixed Cost + Profit) = (60,00,000 + 4,00,000)
= Rs.64,00,000
Required Sales = (Targeted Contribution ÷ Contribution Margin Ratio)
= (64,00,000 ÷ 40%) = Rs. 1,60,00,000

*(**Commentary:** The problem brings forth the primary application of marginal costing in manufacturing sector for the purposes of calculating the BEP and profit planning.)*

Problem 2

A manufacturing company currently operating at 80% capacity has received an export order from Middle East, which will utilise 40% of the capacity of the factory. The order has to be either taken in full and executed at 10% below the current domestic prices or rejected totally. The current sales and cost data are given below:

Sales	Rs. 16.00 lakhs
Direct Material	Rs. 5.80 lakhs
Direct Labour	Rs. 2.40 lakhs
Variable Overheads	Rs.0.60 lakhs
Fixed Overheads	Rs. 5.20 lakhs

The following alternatives are available to the management:

(A) Continue with domestic sales and reject the export order.
(B) Accept the export order and allow the domestic market to starve to the extent of excess demand.
(C) Increase capacity so as to accept the export order and maintain the domestic demand by:
 (i) Purchasing additional plant and increasing 10% capacity and thereby increasing fixed overheads by Rs. 65,000, and
 (ii) Working overtime at one and half time the normal rate to meet balance of the required capacity.

Evaluate each of the above alternatives and suggest the best one.

Solution
Alternative (A): Continue with domestic sales and reject the export order

Seria		Description	Workings	Rs. Lakhs
1		Capacity	Given – 80%	
2		Sales	Given	16.00
3		Variable Costs	Given	
	a	Direct Material		5.80
	b	Direct Labour		2.40
	c	Variable Overheads		0.60
	d	Sub Total		8.80
4		Contribution	(2 - 3)	7.20
5		Fixed Costs	Given	5.20
6		Profit	(4 – 5)	2.00

Alternative (B): Accept the export order and allow the domestic market to starve to the extent of excess of demand.

This alternative envisages utilization of 40% of the capacity for the export order and 60% of the capacity for domestic market. Further, the export order is to be executed at 10% below the current domestic prices. Accordingly:

Sales at 100% Capacity= (16 ÷ 80%) = Rs.20 Lakhs
Value of the export order = (40% of Capacity × 90% of the Price)
= (20 × 40% × 90%) = Rs.7.20 lakhs.
Value of the domestic sales = (20 × 60%) = Rs.12.00 lakhs.

Seria		Description	Workings	Rs. Lakhs
1		Capacity	Export 40% + Domestic 60%	
2		Sales	7.20 + 12.00	19.20
3		Variable Costs		
	a	Direct Material	(5.80 / 80%)	7.25
	b	Direct Labour	(2.40 / 80%)	3.00
	c	Variable Overheads	(0.60 / 80%)	0.75
	d	Sub Total		11.00
4		Contribution	(2 - 3)	8.20
5		Fixed Costs	Given	5.20
6		Profit	(4 – 5)	3.00

Alternative (C): Increase capacity so as to accept the export order and maintain the domestic demand by:

(i) Purchasing additional plant and increasing 10% capacity and thereby increasing fixed overheads by Rs.65,000, and
(ii) Working overtime at one and half time the normal rate to meet balance of the required capacity.

Seria	Description	Workings	Rs. Lakhs
1	Capacity	Export 40% + Domestic 80%	
2	Sales	7.20 + 16.00	23.20

3 a b c d e	Variable Costs Direct Material Direct Labour Variable Overheads Overtime Premium Sub Total	 (5.80 / 80%) x 120% (2.40 / 80%) X 120% (0.60 / 80%) x 120% (2.40 / 80%) X 10% X 50%	 8.70 3.60 0.90 0.15 13.35
4	Contribution	(2 - 3)	9.85
5	Fixed Costs	(5.20 + 0.65)	5.85
6	Profit	(4 – 5)	4.00

Suggestion: Alternative (C) with the highest profit of Rs.4.00 lakhs works out to be the best.

*(**Commentary:** The problem is a good example to understand the methodology for evaluation of various alternatives with the help of marginal costing.)*

Problem 3

An agro-based farm is planning its production for next year. The following is relating to the current year:

Product/Crop	M	N	O	P
Area Occupied (Acres)	125	100	150	125
Yield per acre (ton)	50	40	45	60
Selling Price per ton (Rs.)	100	125	150	135
Variable Cost per acre (Rs.)				
Seeds	150	125	225	200
Pesticides	75	100	150	125
Fertilizers	62.50	37.50	50	62.50
Cultivation	62.50	37.50	50	62.50
Direct Wages	2000	2250	2500	2850

Fixed overhead per annum Rs.13,44,000. The land that is being used for the production of O and P can be used for either crop. But not for M and N; the land that is being used for the production of M and N can be used for either crop, but not for O and P. In order to provide adequate market service, the company must produce each year at least 1,000 tons of each of M and N and 900 tons each of O and P. Required:

(i) Determine the profit for the production mix fulfilling market commitment.

(ii) Assuming the land could be cultivated to produce any of the four products and there was no market commitment, calculate the profit amount of most profitable crop and break-even point of most profitable crop in terms of acres and sales value.

Solution

(i) Determination of Profit for Production Mix fulfilling the market commitment:

a. Statement of Recommended Product Mix

Serial	Product	M	N	O	P
1	Yield per acre (ton)	50	40	45	60
2	Selling Price per ton (Rs.)	100	40	45	60
3	Sales Revenue per acre (Rs.)	5000	5000	6750	8100
4	Variable Cost per acre (Rs.)				
a	Seeds	150	125	225	200
b	Pesticides	75	100	150	125
c	Fertilizers	62.50	37.50	50	62.50

d	Cultivation	62.50	37.50	50	62.50
e	Direct Wages	2000	2250	2500	2850
f	Sub Total (a..e)	2350	2550	2975	3300
5	Contribution per acre (Rs.)	2650	2450	3775	4800
6	Rank	1	2	2	1
7	Minimum Sales per annum (tons) (Being the Minimum Market Commitment)	1000	1000	900	900
8	Minimum Area (acres)	(1000 ÷ 50) =20	(1000 ÷ 40) = 25	(900 ÷ 40) =20	(900 ÷ 60) =15
9	Occupied Area (acres)	125	100	150	125
10	Recommended Mix (acres)	{(125+100)-25} = 200	25 (Minimum)	20 (Minimum)	{(150+125) -20} =255

b. Statement of Profit

Serial	Particulars	Workings	Rupees
1	Contribution for the recommended product Mix M N O P Sub Total	 (200 × 2650) = 5,30,000 (25 × 2450) = 61,250 (20 × 3775) = 75,500 (255 × 4800) = 12,24,000	 5,30,000 61,250 75,500 12,24,000 18,90,750
2	Fixed Cost		13,44,000
3	Profit		5,45,750

(ii) Most profitable crop

Product P gives highest contribution of Rs.4,800/- per acre and hence is the most profitable crop.
Statement of Profit if complete land is used for P:

Contribution = (500 × 4800) = Rs. 24,00,000
Fixed cost = Rs. 13,44,000
Profit = Rs. 10,56,000

Break-even point in acres for P = 1344000÷4800 = 280 acres
Break-even point in sales value = 280 × 135 × 60 = Rs. 22,68,000

*(**Commentary:** The problem reveals the utility of marginal costing with respect to maximisation of crop income, i.e. agriculture sector.)*

Problem 4

MN Agarwal owns a GIft-Shop, a Restaurant and a Lodge in Shillong. Typically, he operates these only during the season period of 4 months in a year. For the past season the occupancy rate in the Lodge was 90% and level of activity in case of Gift-Shop and Restaurant was 80%. The relevant data for the past season were as under-

(Amounts in Rs.)

	Gift-Shop		Restaurant		Lodge	
	Amount	%	Amount	%	Amount	%
1. Receipts/ Sales	48,000	100	64,000	100	1,80,000	100
2. Expenditure: Cost of Sales Supplies Insurance & Taxes	 26,400 2,400 1,920 2,880	 55 5 4 6	 35,200 6,400 6,400 8,000	 55 10 10 12.50	 - 14,400 36,000 39,600	 - 8 20 22

Depreciation Salaries Electricity Charges	4,800 960	10 2	4,800 3,200	7.50 5	25,200 13,500	14 7.50
Total	39,360	82	64,000	100	1,28,700	71.50
3. Profit	8,640	18	-	-	51,300	28.50

Additional information:

(a) Cost of Sales and Supplies vary directly with the occupancy rate in case of Lodge and level of activity in case of Gift Shop and Restaurant.

(b) Insurances and Taxes and Depreciation are for the entire period of twelve months.

(c) Salaries paid are for the season period except a Chowkidar for the Lodge who is paid for the full year at Rs.400 per month.

(d) Electricity Charges include Fixed Charges of Rs.640, Rs.1,920 and Rs.9,900 for Gift-shop, Restaurant and Lodge respectively.

The balance amount varies directly with occupancy rate in case of Lodge and level of activity in case of Gift-Shop and Restaurant. Fixed Electric Charges are for the season except in case of Lodge where Rs.6,900 is for the season and Rs.3,000 for the entire period of twelve months.

Mr. Agarwal is interested in increasing his Net Income. The following options are under consideration -

(a) To continue the operations during the season period only by inserting advertisement in newspapers thereby occupancy rate to reach 100% in case of Lodge and 90% level of activity in respect of Gift-Shop and Restaurant. The costs of advertisement are estimated at Rs.12,000.

(b) To continue operations throughout the entire period of twelve months comprising season period of four months and offseason period of eight months. The occupancy rate is expected at 90% and 40% during season period and off-season period respectively in case of the Lodge. The room rents are bound to be reduced to 50% of the original rates during offseason period. The level of activity of Gift-Shop and Restaurant is expected at 80% and 30% during season and offseason period respectively but 5% discount on the original rates will have to be offered during off-season period.

Which option is profitable? As a Cost Accountant would you like to suggest him any other alternative based upon the above figures, which can be adopted to earn more net profit? (Use Incremental Revenue and Cost Approach.)

Solution

Option a: Operate during Season only

Incremental Revenues and Costs in Rs.

Particulars	Gift- Shop	Restaurant	Lodge	Total
Level of Activity / Occupancy	90%	90%	100%	
Incremental Revenue	Given Rs. 48,000 at 80% level, Addl. Revenue for extra 10% = 48,000 x (10÷80) = 6,000	Given Rs. 64,000 at 80% level, Addl. Revenue for extra 10% = 64,000 x (10÷80)= 8,000	Given Rs. 1,80,000 at 90% level, Addl. Revenue for extra 10% = 180,000 x (10÷90) =20,000	34,000
Incremental Costs				
Cost of Sales	6,000 × 55% =3,300	8,000x55% =4,400	Nil	7,700
Supplies	6,000 × 5% = 300	8,000 x 10% = 800	20,000 X 8% = 1,600	2,700
Electricity Charges	(960- 640) × (10÷ 80) =40	(3,200- 1,920)× (10÷80) = 160	(13,500- 9,900) x (10÷90)= 400	600
Advertisement				12,000
Total of Incremental Costs				23000
Incremental Profit				11000

b. Option 2: Operate during all 12 months

Incremental Revenues and Costs in Rs.

Behind every successful business decision, there is always a CMA

Particulars	Gift- Shop	Restaurant	Lodge	Total
Level of Activity / Occupancy				
Season (4 months)	80%	80%	90%	
Off season (8 months)	30%	30%	40%	
Incremental Revenue				
Incremental Revenue (Refer Working Note)	34,200	45,600	80,000	1,59,800
Incremental Costs				
Cost of Sales	36,000 × 55% =19,800	48,000×55%=26,400	Nil	46,200
Supplies	36,000 × 5% =1,800	48,000 x 10%= 4,800	1,60,000 x 8% =12,800	19,400
Salaries	(4800 ÷ 4) x 8 = 9,600	(4800 ÷ 4) × 8 = 9,600	(20400 ÷ 4)× 8 = 40,800	60,000
Electricity Charges – Fixed	(640 ÷ 4) x 8 = 1,280	(1,920 ÷ 4) × 8 = 3,840	(6,900 ÷ 4) × 8= 13,800	18,920
Electricity Charges - Variable	(960-640) ÷ 4 x 8 x (30%/80%) =240	(3,200 -1,920) ÷ 4 x 8 x (30%/80%) = 960	(13500- 9900) ÷ 4 × 8 × (40%/90%) = 3,200	4,400
Total of Incremental Costs				1,48,920
Incremental Profit				10,880

Working Notes
(I Computation of Incremental Revenue

Particulars	Gift- Shop	Restaurant	Lodge	Total
Level of Activity / Occupancy				
Season (4 months)	80%	80%	90%	
Off season (8 months)	30%	30%	40%	
Rates of Revenue during off season	95%	95%	50%	
Revenue during Season	48000	64000	180000	292000
Revenue during Season				
Revenue at Normal Rates for 8 months	(48,000 ÷ 4) × 8 × 0%/80%) = 36,000	(64,000 ÷ 4) × 8 × 0%/80%) = 48,000	(1,80,000 ÷ 4) × 8 × (40%/90%) =1,60,000	2,44,000
Revenue at discounted Rates for 8 months	95% of 36,000 = 34,200	95% of 48,000 = 45,600	50% of 1,60,000 = 80,000	1,59,800

Revenue at discounted Rates for the off season of 8 months constitutes the Incremental Revenue.

(i) Variable element of incremental costs have been worked out on the basis of "Revenue at normal rates" during off season.
(ii) Fixed element of salaries for the season works out to Rs.20,400/- after reducing Rs.4,800/- towards the salary of the chowkidar. (25,200-4,800 = 20,400)

Suggestion
Both options are desirable since there is an Incremental Net Income. Option 1 is slightly better than Option 2 by Rs.120. However, it is suggested that the Firm should adopt a combination of both options in which case, the Total Additional Profit will be Rs.11,000 + Rs.10,880 = Rs.21,880.

*(**Commentary:** The problem may be seen from the perspective extension of the principles of marginal costing to evaluate the options on hand in relation to hospitality industry i.e. service sector.)*

150 YEARS OF CELEBRATING THE MAHATMA

GROUP: iii, PAPER: 16

DIRECT TAX LAWS AND INTERNATIONAL TAXATION (DTI)

CA Vikash Mundhra
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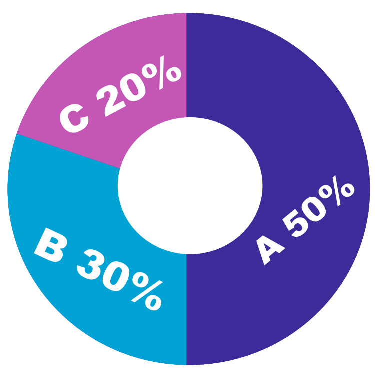
Your Preparation Quick Takes



Syllabus Structure

A Advanced Direct Tax Laws **50%**
B International Taxation **30%**
C Case StudyAnalysis **20%**

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.

MULTIPLE CHOICE QUESTIONS

Choose the correct alternative

1. The return of income is to be furnished in ________.

a. ITNS 281
b. Form 26AS
c. Form 26Q
d. None of these

Reason:
Form ITNS 281 is used for payment of tax deducted at source. Form 26AS. Form 26AS, also called as Annual Statement, is a consolidated tax statement which has all tax related information (TDS, TCS, Refund etc) associated with a PAN. Quarterly TDS return (other than salary) is required to be filed in Form 26Q.

2. Information and documents required to maintained u/s 92D shall be kept and maintained for a period of ________ from the end of the relevant assessment year.

a. 8 years
b. 5 years
c. 10 years
d. 16 years

Reason:
Information and documents required to maintained u/s 92D shall be kept and maintained for a period of 8 years from the end of the relevant assessment year.

3. As per sec. 94B, interest expenses claimed by an entity to its associated enterprises shall be restricted to ______ of its earnings before interest, taxes, depreciation and amortization (EBITDA) or interest paid or payable to associated enterprise, whichever is less.

a. 30%
b. 25%
c. 20%
d. 50%

Reason:
As per sec. 94B, interest expenses claimed by an entity to its associated enterprises shall be restricted to 30% of its earnings before interest, taxes, depreciation and amortization (EBITDA) or interest paid or payable to associated enterprise, whichever is less.

4. The provisions of sec. 92 will apply only if the aggregate value of specified domestic transactions entered into by the taxpayer during the year exceeds a sum of ₹ ______.

a. 100 crore
b. 5 crore
c. 10 crore
d. 20 crore

Reason:
The provisions of section 92 will apply only if the aggregate value of specified domestic transactions entered into by the taxpayer during the year exceeds a sum of ₹ 20 crore.

5. An application (in quadruplicate) for advance ruling by a resident applicant for determination of his tax liability arising out of one or more transactions valuing ₹ 100 crore or more in total which has been undertaken or is proposed to be undertaken by him is to be made in Form No.______.

a. 34D
b. 34DA

c. 34E
d. 34EA

Reason:

An application (in quadruplicate) for advance ruling shall be made by a resident applicant, for determination of his tax liability arising out of one or more transactions valuing Rs.100 crore or more in total which has been undertaken or is proposed to be undertaken by him, in Form No. 34DA

6. **As per section 211(1), payment of advance tax made on or before ________ shall be treated as advance tax paid during the financial year.**
   a. 30th September
   b. 15th March
   c. 31st December
   d. 31st March

Reason:

As per section 211(1), payment of advance tax made on or before 31st March shall be treated as advance tax paid during financial year

7. **In case of an application made by the assessee u/s 154, the income-tax authority shall rectify the order/refuse the rectification within ___________ from the end of the month in which the application is received by the authority.**

a. 4 years
b. 2 years
c. 1 year
d. 6 months

Reason:

In case of an application made by the assessee u/s 154, the income-tax authority shall rectify the order / refuse to do so within 6 months from the end of the month in which the application is received by the authority.

8. **Martin (age 62) resident in India received interest on fixed deposit with SBI of ₹ 45,000 for the year ended 31.03.2020. He does not have PAN. At what rate the bank must deduct tax at source?**

a. 20%
b. 10%
c. 5%
d. Nil

Reason:

Since interest on SB and / or fixed deposit below Rs. 50,000 is not chargeable to tax in the case of senior citizens because of section 80TTB, no tax is deductible at source by the payer regardless of whether the recipient senior citizen has PAN or not.

9. **Mahasakthi Sugars Co-operative Society is engaged in manufacture of jiggery from sugarcane cultivated by its members. What is the 'due date' for filing the return of income for the assessment year 2020-21 in order to be eligible for deduction under section 80-P?**
   a. Due date specified in section 139(1)
   b. No specific date
   c. 31st March, 2020
   d. 31st December, 2019

Reason:

As per section 80AC, any deduction admissible under any provision of Chapter VI-A under the heading "C- Deductions in respect of certain incomes" shall not be allowed unless the assessee furnishes the return of income for such assessment year on or before the due date specified in sec. 139(1) of the Act

10. **The provisions of Alternate Minimum Tax (AMT) will be applicable when the adjusted total income of the individual taxpayer exceeds**
    a. ₹ 10,00,000
    b. ₹ 20,00,000
    c. ₹ 50,00,000
    d. ₹ 1,00,00,000

Reason:

As per sec. 115JEE states that the provisions of Chapter XII-BA dealing with Alternate Minimum Tax applicable for persons other than company will not apply if the adjusted total income of the taxpayer does not exceed ₹20 lakhs

11. **Mrs. Rakshita, a Cost Accountant has raised a fees bill on LMN P Ltd., for ₹3,00,000 and in addition, has charged separately IGST of 18% i.e. ₹54,000, the total amount of the bill being ₹3,54,000. The amount of tax to be deducted at source by LMN P Ltd., is ____________**

a. **₹ 30,000**
b. ₹ 30,900
c. ₹ 35,400
d. None of the above

Reason:

CBDT has clarified that there is no need to deduct tax at source in respect of GST charged and shown separately in the bill. Hence as per section 194-J, from the sum of ₹ 3 lakhs, @ 10% i.e. ₹ 30,000 is to be deducted

12. Sakshita Fertilisers P Ltd., is a manufacturer. A factory building has been constructed for ₹ 40 lakhs and occupied on 12.02.2019. Additional depreciation allowable for the said factory building is __

a. **Nil**
b. ₹ 4,00,000
c. ₹ 2,00,000
d. None of the above

Reason:

Additional depreciation is available only in respect of eligible plant and machinery to a manufacturer and not in respect of factory building. Hence the amount is Nil.

13. If the amount of income in respect of which the penalty is imposed or imposable for the relevant year(s) exceeds ₹ ________, then no order reducing or waiving the penalty under section 273A(1) shall be made by the Principal Commissioner or Commissioner, except with the previous approval of the Principal Chief Commissioner or Chief Commissioner or Principal Director General or Director General, as the case may be

a. 1,00,000
b. 2,00,000
c. **5,00,000**
d. 10,00,000

Reason:

If the amount of income in respect of which the penalty is imposed or imposable for the relevant year or, where such disclosure relates to more than one year, the aggregate amount of such income for those years exceeds a sum of ₹ 5,00,000, no order reducing or waiving the penalty under section 273A(1) shall be made by the Principal Commissioner or Commissioner, except with the previous approval of the Principal Chief Commissioner or Chief Commissioner or Principal Director General or Director General, as the case may be.

14. MAT Credit can be carried forward and set off for

a. 10 years
b. **15 years**
c. 5 years
d. Not available for carried forward

Reason:

The amount of tax credit shall be carried forward and set off but such carry forward shall not be allowed beyond the 15th assessment year immediately succeeding the assessment year in which tax credit becomes allowable.

15. While computing book profit u/s 115JB, one of the following is required to be reduced from the net profit

a. Unabsorbed Depreciation as per books of account
b. Brought forward business loss as per books of account
c. **Brought forward loss or unabsorbed depreciation, whichever is less as per books of account**
d. Income-tax paid or payable if not already debited to the Statement of Profit and Loss

Reason:

Brought forward loss or unabsorbed depreciation, whichever is less as per books of account is required to be reduced from the net profit while computing book profit u/s 115JB

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YEARS OF CELEBRATING THE MAHATMA

GROUP: iv, PAPER: 17

CORPORATE FINANCIAL REPORTING (CFR)

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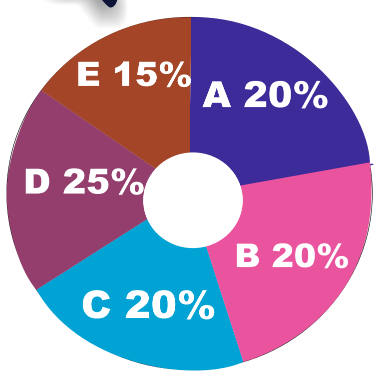
Your Preparation Quick Takes



Syllabus Structure

A GAAP and Accounting Standards **20%**
B Accounting if Business Comminations & Restructuring **20%**
C Consolidated Financial Statements **20%**
D Developments in Financial Reporting **25%**
E Government Accounting in India **15%**

Learning Objectives:

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

- Learn how to highlight the achievements of a company to its investors, creditors, bankers, public, employees, regulatory bodies and Government on a periodic basis
- To convey future based strategic roadmap for the company.

Ind AS 7 Statement of Cash Flows

In this issue we shall discuss Ind AS 7 Statement of Cash Flows.

An entity shall prepare a statement of cash flows in accordance with the requirements of this Standard and shall present it as an integral part of its financial statements for each period for which financial statements are presented.

Cash flows are inflows and outflows of cash and cash equivalents.

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

'Cash and cash equivalents' is one line item in the balance sheet under financial assets under current assets. As per Division II of the Schedule III of the Companies Act 2013

Cash and cash equivalents shall be classified as-

a) Balances with Banks (of the nature of cash and cash equivalents);

b) Cheques, drafts on hand;

c) Cash on hand; and

d) Others (specify nature).

The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities. It reconciles the cash and cash equivalent of the last year balance sheet and the current year balance sheet.

An entity shall report cash flows from operating activities using either: (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or (b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Operating activities:

Cash flows from operating activities are primarily derived from the principal revenue producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss.

Examples of cash flows from operating activities are: (a) cash receipts from the sale of goods and the rendering of services; (b) cash receipts from royalties, fees, commissions and other revenue; (c) cash payments to suppliers for goods and services; (d) cash payments to and on behalf of employees; (e) cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits; (f) cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities; and (g) cash receipts and payments from contracts held for dealing or trading purposes.

Investing activities:

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Examples of cash flows arising from investing activities are: (a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment; (b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets; (c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures#; (d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures #; (e) cash advances and loans made to other parties (other than advances and loans made by a financial institution); (f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution); (g) cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and (h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.

#(other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes)

(i) The aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses shall be presented separately and classified as investing activities. An entity shall disclose, in aggregate, in respect of both obtaining and losing control of subsidiaries or other businesses during the period each of the following: (a) the total consideration paid or received; (b) the portion of the consideration consisting of cash and cash equivalents; (c) the amount of cash and cash equivalents in the subsidiaries or other businesses over which control is obtained or lost; and (d) the amount of the assets and liabilities other than cash or cash equivalents in the subsidiaries or other businesses over which control is obtained or lost, summarised by each major category.

Financing activities:

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Examples of cash flows arising from financing activities are: (a) cash proceeds from issuing shares or other equity instruments; (b) cash payments to owners to acquire or redeem the entity's shares; (c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings; (d) cash repayments of amounts borrowed; and (e) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

Cash flows arising from transactions in a foreign currency shall be recorded in an entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow.

The cash flows of a foreign subsidiary shall be translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

Cash flows arising from interest paid and interest and dividends received in the case of a financial institution should be classified as cash flows arising from operating activities. In the case of other entities, cash flows arising from interest paid should be classified as cash flows from financing activities while interest and dividends received should be classified as cash flows from investing activities. Dividends paid should be classified as cash flows from financing activities.

	Financing company	Other company
Interest paid	Cash flows arising from operating activities	Cash flows from financing activities
Interest and dividends received	Cash flows arising from operating activities	Cash flows from investing activities
Dividends paid	Cash flows from financing activities	Cash flows from financing activities

Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the balance sheet.

The statement of cash flow is prepared after preparation of balance sheet and statement of profit and loss. Entities are encouraged to report cash flows from operating activities using the direct method. Under the direct method, information about major classes of gross cash receipts and gross cash payments may be obtained either:

(a) from the accounting records of the entity; or
(b) by adjusting sales, cost of sales and other items in the statement of profit and loss for:

i accruals

ii non-cash items, and
iii items belonging to other activities

Under the indirect method, the net cash flow from operating activities is determined by adjusting profit or loss for the effects of:

(a) changes during the period in inventories and operating receivables and payables;

(b) non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates; and(c) all other items for which the cash effects are investing or financing cash flows.

Illustration 1. State whether following items are cash or cash equivalent. (Yes/No)

	Whether cash or cash equivalent	Yes/No
1	Preference shares held (redemption is due within a month).	Yes
2	Cash balances at various banks in India and outside	Yes
3	Government Bonds held for temporary period	Yes
4	Treasury Bills of 90 days maturity	Yes
5	Fixed deposit with bank or NBFC	No
6	Fixed deposit with bank or NBFC maturity beyond 3 months	No
7	Fixed deposit with bank or NBFC maturity within 3 months	Yes
8	Bank overdraft payable on demand	Yes

Illustration 2. Determine whether the following transactions are classified as operating (O), investing (I), financing (F) cash flows or no cash flow (N).

Sr. No.	Nature of Transaction	O/I/F/N
1	Purchases of goods	O
2	Receipt from sale of goods	O
3	Employees expenses paid	O
4	Advertisement expenses paid	O
5	Credit sales of goods	N
6	Warranty claims received from supplier	O
7	Payment to suppliers of goods	O
8	Interest paid on cash credit facility of the bank	F
9	Advance received from customers	O
10	Proposed dividend for the current financial year	N
11	Purchased the shares of subsidiary company	I
12	Dividend received from subsidiary company	I
13	Purchased license for manufacturing of products	I
14	Rent received (letting out not main business)	I
15	Interest paid on security deposits	F
16	Service charges received from customers	O
17	Loss due to decrease in market value of the closing stock	N

18	Depreciation on furniture	N
19	GST paid to Government	O
20	Issued preference shares	F
21	Sale of old equipment	I
22	Interest received from the advances given	I
23	Purchased goodwill	I
24	Interim dividends paid	F
25	Received final settlement on dissolution of subsidiary	I
26	Bonus shares issued	N
27	Acquired the assets by issue of equity shares only	N
28	Dividend paid	F
29	Royalty received from the goods patented	O
30	Dividend received	I
31	Interest received from investment	I
32	Paid for tax on long term capital gains	I
33	Redemption of preference shares/debentures	F
34	Buy back of shares	F
35	Sale of shares in subsidiary (control not lost)- treated as transaction with owners	F
36	Sale of shares in subsidiary losing control	I
37	Cash paid for acquisition of control in subsidiary (net of cash and cash equivalents)	I
38	Cash consideration for acquiring joint control in other company	I
39	Input GST paid	O
40	Net GST paid to government	O

Illustration 3. From the following data of Z Ltd. construct a statement of cash flows using the direct and indirect methods:

(Amount in `)

	2018-19	2019-20
Cash and cash equivalents	12400	45000
Trade Receivables	36000	42000
Prepaid Rent	5000	8000
Inventory	56000	68000
PPE	428000	470000
Accumulated Depreciation	-128000	-180000

Total assets	409400	453000
Equity Share Capital	100000	122500
Other Equity	198400	205500
Debentures	76000	100000
Trade payables	24000	20000
Wages payable	11000	5000
Total equity and liabilities	409400	453000
Sales		320000
Cost of materials consumed		-190000
Increase in inventories of finished goods, Stock-in -Trade and work-in-progress		10000
Employee costs		-54000
Depreciation		-55000
Rent		-7000
Interest		-8400
Income tax expenses		-9000
Net Profit		6600
OCI – Revaluation surplus		3000

During the financial year 2019-20 company Z Ltd. declared and paid dividends of Rs. 2,500. No repayment of debt occurred in 2019-20. Income Tax paid Rs. 9000.

Soln. Statement of cash flows for the year ended on 31-03-2020

Direct Method		Rs.
Cash flows from operating activities		
Cash received from customers (320000+36000-42000)	314000	
Cash paid for inventory (190000+2000*) + 24000-20000	(196000)	
Cash paid for rent (7000+8000-5000)	(10000)	
Cash paid for employee costs (54000 +11000-5000)	(60000)	
Cash paid for income tax	(9000)	
Net cash flow from operating activities		39000
Cash flows from investing activities		
Purchase of fixed assets [290000+55000 – (300000+3000)]		(42000)

Cash flows from financing activities		
Dividend paid	(2500)	
Proceeds from issuance of debentures	24000	
Proceeds from issue of equity	22500	
Interest paid	(8400)	
Net cash flows from financing activities		35600
Net increase in cash and cash equivalents		**32600**
Opening Cash and cash equivalent		12400
Closing Cash and cash equivalent		45000

*(68000-56000-10000)

Statement of cash flows for the year ended on 31-03-2020

Indirect Method		Rs.
Cash flows from operating activities		
Net Profit	6600	
Add: Depreciation	55000	
Interest	8400	
Less: Increase in Receivables	(6000)	
Increase in inventories	(12000)	
Increase in Prepaid Rent	(3000)	
Decrease in Trade payables	(4000)	
Decrease in wages payable	(6000)	
Net cash flow from operating activities		39000

GROUP: iv, PAPER: 18

INDIRECT TAX

LAWS & PRACTICE (ITP)

CMA Rana Ghosh
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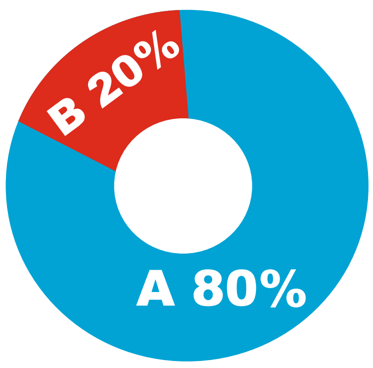
Your Preparation Quick Takes



Syllabus Structure

A Advanced Indirect Tax and Practice **80%**

B Tax Practice and Procedures **20%**

Learning Objectives –

Through the following MCQ, students can refresh themselves about

- Fundamentals of GST
- Goods and Service Tax Network (GSTN)
- Scope of Supply
- Supply of Goods or Services or both
- Person liable to pay tax
- Levy and Collection of GST
- Exemptions

INDIRECT TAX

Choose the correct option from the followings –

1.Which in not the characteristics of Indirect taxes
(a) Supply based taxes
(b) There is no previous year and current year concept
(c) Progressive nature
(d) Regressive nature

2. As per Article 26A, the power to levy GST has been given to the
(a) GST Council
(b) Parliament
(c) Legislature of every State
(d) Parliament as well as Legislature of every State

3. Technology backbone for GST in India "Goods and Service Tax Network" is Established
(a) Under Section 8 of the Companies Act, 2013
(b) Under Section 25 of the Companies Act,2013
(c) As a regulatory body under Ministry of Finance
(d) As a regulatory body under Ministry of Corporate Affairs

4. Which one will not be considered as supply of goods or services or both
(a) Transfer
(b) Exchange
(c) Lease
(d) Mortgage

5. Every place of business of a person where separate registration is obtained for output supply will be considered as
(a) Natural persn
(b) Legal person
(c) Distinct person
(d) Deemed person

6. Supply of goods by the agent to principal without consideration
(a) Will not be considered as supply
(b) Will be considered as supply
(c) Will be considered as non taxable supply
(d) Will be considered as exempted supply

7. In case of net quantity of petroleum gases supplied by oil refineries retained by the manufacturer for the manufacturing of petro chemical and chemical products then
(a) GST will be payable
(b) GST will not be payable
(c) It will be considered as exempted supply
(d) Its taxability will be considered as per other State Act

8. On all intra state supply of goods or services or both the maximum GST rat e not exceeding

(a) 28%
(b) 35%
(c) 40%
(d) 50%

9. reverse charge provision would not be applicable if the aggregate value of supplies of goods or services or both received by a taxable person from any or all the suppliers who are not registered doe not exceed in a day
(a) Rs 3000/-
(b) Rs 5000/-
(c) Rs 7500/-
(d) Rs 10000/-

10. Which one of the following will be excluded from Aggregate turnover
(a) The value of exported goods / services
(b) Inward supplies on which the recipient is required to pay tax under Reverse Charge Mechanism.
(c) Exempted goods / services or both which attracts Nil rate of tax or wholly exempt from tax and includes not taxable supply
(d) Inter state supplies between distinct person having same PAN.

11. After filing GSTR – 4 on the GSTN Portal if any mistake detected then
(a) A revise return can be filed within 24 hours
(b) A revise return can be filed within 3 days
(c) Return can be revised before filing of next return only
(d) Return can be revised in the next month's only

12. Intimation of willingness to opt foe Composition Scheme by registered person prior to the commencement of Financial year to be filed
(a) GST – CMP 01
(b) GST – CMP 02
(c) GST – CMP 03
(d) GST – CMP 04

13. Transmission or distribution of electricity by an electricity transmission or distribution utility is a
(a) Taxable Service
(b) Exempted service
(c) Zero Rated service
(d) Not al all a Service

14. Services by a Hotel or Guest House for residential or lodging purposes having declared tariff of a unit of accommodation is exempted supply under GST if it is below
(a) Rs 500/-
(b) Rs 750/-
(c) Rs 1000/-
(d) Rs 1500/-

15. The GST rate for transport of passengers by air in economy class input tax credit allowed on input service is
(a) 5%
(b) 12%
(c) 18%
(d) 28%

16. Any person who provides services in relation to transport of goods by road and issue consignment note by whatever name called
(a) Transporter
(b) Transport Agency
(c) Goods Transport agency
(d) Transport service Provider

17. In case of service supplied by a recovery agent to a banking company or a financial company or a financial institution or non banking financial company
(a) Will be a exempted supplies
(b) Will be taxable supplies
(c) Will be considered as NIL rated service
(d) GST will be levied under Reverse Charge Mechanism

18. **The food directly supplied to students of the school upto higher secondary Level**
(a) GST will be charged @ 5%
(b) GST will be charged @ 12%
(c) Nil rated tax will be considerd
(d) Exempted from GST

19. **Acupressure treatment is**
(a) Taxable supply of service
(b) Exempted from GST
(c) Fall under special category of exemption
(d) Zero rated tax

20. **Services provided by an artist by way of a performance in classical dance is exempted for the consideration charged for such performance up to**
(a) Rs 100000/-
(b) Rs 125000/-
(c) Rs 150000/-
(d) Rs 200000/-

ANSWERS

1	c	6	b	11	d	16	c
2	d	7	a	12	b	17	d
3	a	8	c	13	b	18	d
4	d	9	b	14	c	19	a
5	c	10	c	15	a	20	c

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

YEARS OF
CELEBRATING
THE MAHATMA

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Practicing Cost Accountant
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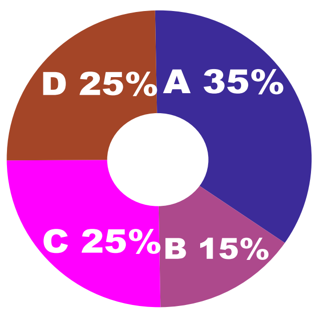
GROUP: iv, PAPER: 19

COST & MANAGEMENT AUDIT (CMAD)

Your Preparation Quick Takes



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%**

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

Problem on Reconciliation of Cost Records and Financial Records

Question

The Profit & Loss Account of Tesla Steel Ltd for the year ended 31st March 2020 is as follows.

(Rupees)

Si. No.	**Particulars**	**Year ended 31.03.2020**
1.	Income	
	a. Revenue from Operation	4,70,42,400
	b. Other income	19,13,410
	Total Income	**4,89,55,810**
2.	Expenses	
	a. Cost of Material Consumed	3,01,17,250
	b. Change in inventories of finished goods	28,12,430
	c. Cost of Utilities	41,01,460
	d. Employee Cost	46,10,160
	e. Finance cost	8,93,810
	f. Depreciation & Amortisation	11,29,030
	g. Other expenses	8,46,770
	Total Expenses	**4,45,10,910**
3.	**Profit /(Loss) before exceptional item & Tax**	**44,44,900**
4.	Exceptional Item	2,30,800
5.	**Profit before Tax**	**42,14,100**

On review of above Profit and Loss Account during course of cost audit, the following issues observed.

Sl. No.	Particulars	**Rupees.**
1.	Revenue from operation includes Exceptional Rebate allowed to customers	1,28,550
2.	**Cost of materials includes :-**	
I	Demurrage charge on Raw material	12,300
ii.	Cost of Material includes prior period adjustment	37,800

iii.	Raw Material brought from USA valued in F/A as on date of payment. Values as on the date of payment- Values as on the date of transaction- Values as on the date of receipt of material-	 2,15,000 2,40,000 2,50,500
3.	**Other income in F/A includes:-**	
I	Profit on Sale of Fixed Assets	2,05,000
ii.	Bad debt recovered	45,850
iii.	Insurance Claim received for natural disaster	2,08,700
iv.	Profit from Retail trading activity	80,430
v.	Interest Income from Inter-Corporate Deposits	1,61,500
4.	**Employee Cost in F/A includes**	
I	Overtime premium	4,25,000
ii.	Arrear salary relating to 2016-17	85,760
iii.	Salary paid to contractual employee	78,900
iv.	Free housing and free conveyance	1,45,650
v.	Recruitment cost & training cost	80,500
vi.	Penalty due to noncompliance to Labour act	65,600
5.	**Other expenses includes:**	
I	Donation Paid	75,000
ii.	Loss on Sale of Investments	33,600
6.	Decrease in value of Closing WIP and Finished goods inventory :-	
	as per Financial Accounts	28,12,430
	as per Cost Accounts	36,02,500

You are required to arrive the Profit / (Loss) as per Cost records and prepare a Reconciliation Statement between the two Accounts for the year ended March 31, 2020.

Answer:

Reconciliation of Profit between Cost and Financial Accounts for the year ended March 31, 2020

Particulars	Amount (Rs.)	Amount (Rs)
Profit as per Financial Accounts		**42,14,100**
Add: Expenses considered in financial accounts but not considered in cost records		
Demurrage charge on Raw material	12,300	
Cost of Material includes prior period adjustment	37,800	
Loss on Sale of Investments	33,600	
Arrear salary relating to 2016-17	85,760	

Penalty due to noncompliance to Labour Act	65,600	
Rebate allowed to customers	1,28,550	
Donation Paid	75,000	
		4,38,610
Less: Income considered in financial accounts but not considered in cost records		
Difference in valuation of imported raw material (2,40,000-2,15,000)	25,000	
Profit on Sale of Fixed Assets	2,05,000	
Bad debt recovered	45,850	
Interest Income from Inter-Corporate Deposits	1,61,500	
Insurance Claim received for natural disaster	2,08,700	
Profit from Retail trading activity	80,430	
Decrease in value of Closing WIP and Finished goods inventory :-(36,02,500 - 28,12,430)	7,90,070	
		15,16,550
Profit as per Cost Accounts		**31,36,160**

Note:

1. As per CAS-6,The forex component of imported material cost shall be converted at the rate on the date of the transaction. Any subsequent change in the exchange rate till payment or otherwise shall not form part of the material cost.

2. As per CAS-7:

i. Employee cost includes benefits paid to temporary, part time & contract employees.

ii. Employee cost includes benefit paid to employee such as free housing, free conveyance etc.

iii. Overtime premium, recruitment cost & training cost are part of employee cost.

Behind every successful business decision, there is always a CMA

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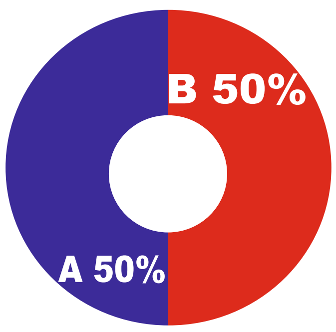
GROUP: iv, PAPER: 20

STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION (SPBV)

Your Preparation Quick Takes



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 H Model and Three Stage Growth Model of equity share
- solve the problems on H Model and Three Stage Growth Model of equity share

Strategic Performance Management

Section-A

Choose the correct option from amongst the four alternatives given:

(Each question carries 2 marks)

1. Performance will be product of:
   (A) efficiency and utilization
   (B) utilisation and productivity
   (C) efficiency and productivity
   (D) efficiency, utilisation and productivity

2. Performance management creates a direct link between
   (A) employee performance and employee's goal
   (B) organizational performance and employee's goal
   (C) employee performance and organizational goals
   (D) organizational goals and employee's goals

3. The program which encompasses the planning and management of all activities involved in sourcing procurement, conversion and logistics management activities is called
   (A) Supply Chain Management
   (B) Customer Relationship Management
   (C) Total Quality Management
   (D) None of the above

4. The components of the Shewhart Cycle or PDCA are
   (A) Plan-Do-Check-Act
   (B) Plan-Deline-Check-Act
   (C) Plan-Do-Control-Act
   (D) Program-Do-Check-Act

5. Which out of the following financial ratios is not in the Altman Model: Z-Score?
   (A) Market Value to Book Value of equity shares
   (B) Working Capital to Total Assets
   (C) Retained Earnings to Total Assets
   (D) Sales to Total Assets

6. Under Asset based valuation approach individual assets are valued and aggregated in the process of finding;
   (A) enterprise value
   (B) True value
   (C) Real value
   (D) Objective value

7. The Cost function of a firm is given by C = x3 - 4x2 + 7x. Find at what level of output the average cost is minimum and what would be the minimum average cost.
   (A) 2,3
   (B) 4,5
   (C) 1,4
   (D) 1.5, 3.8

8. A Ltd. earned free cash flow to Equity shareholders during the financial year ended-2020 at Rs. 5 lakh. If its cost of equity is 12% and free cash flow to Equity (FCFE) is expected to grow forever at 10%, what will be value of A Ltd. (using FCFE valuation approach)?
   (A) Rs.450 lakh
   (B) Rs. 300 lakh
   (C) Rs. 275 lakh
   (D) None of the above

9. A company with PAT of Rs. 60 Crores, Tax Rate 30% plus a cess of 3%, Return on Equity is 20%, Other Equity Rs.225 Crores, PAT of the Company is growing by 8% per year and equity share with a par value of Rs.10 will have EPS of
   (A) Rs. 2
   (B) Rs. 8
   (C) Rs. 10
   (D) Insufficient information

10. An analyst who bases the calculation of intrinsic value on dividend-paying capacity rather than expected dividends will most likely use the:
   (A) Dividend discount model
   (B) Free cash flow to equity model
   (C) Cash flow from operations model
   (D) CAPM

Section –B

11. A departmental store of Chennai conducted a study of the demand for men's ties. It found that the average daily demand (D) in terms of price (P) is given by the equation D=120-5P.

On the basis of the above information answer the following questions:

(i) How many ties per day can the store expect to sell at a price of Rs. 20 per tie? [3 marks]
   (A) 20
   (B) 10
   (C) 40
   (D) 30

(ii) If the store wants to sell 40 ties per day what price should it charge? [3 marks]
   (A) Rs. 18
   (B) Rs. 14
   (C) Rs. 16
   (D) Rs. 20

(iii) What is the highest price anyone would be willing to pay? [4 marks]
   (A) Rs. 22.80
   (B) Rs. 24.80
   (C) Rs. 25.50
   (D) Rs. 23.80

12. The following information is provided related to the acquiring Firm Mark Limited and the target Firm Mask Limited:

	Firm Mark Ltd.	Firm Mask Ltd.
Earnings after tax (Rs.)	2,000 lakhs	400 lakhs
Number of shares outstanding	200 lakhs	100 lakhs
P/E ratio (Times)	10	5

On the basis of the above information answer the following questions:

(i) What is the Swap ratio based on current market prices? [3 marks]
   (A) 1 share of Mark Ltd for 4 shares of Mask Ltd.
   (B) 1 share of Mark Ltd for 3 shares of Mask Ltd.
   (C) 1 share of Mark Ltd for 5 shares of Mask Ltd.

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(D) 1 share of Mark Ltd for 2 shares of Mask Ltd.

(ii) What is the expected market price per share of Mark Ltd. after acquisition assuming P/E ratio of Mark Ltd. remains unchanged? [3 marks]

(A) Rs. 1090.10
(B) Rs. 19.10
(C) Rs. 10.10
(D) Rs. 109.10

(iii) Gain/loss for shareholders of Mark Ltd. and Mask Ltd. after the acquisition are: [4 marks]

(A) Rs. 218.20 crore and Rs. 21.82 crore respectively
(B) Rs. 18.20 crore and Rs. 1.82 crore respectively
(C) Rs. 16.20 crore and Rs. 2.82 crore respectively
(D) Rs. 20.40 crore and Rs. 4.82 crore respectovely

150 YEARS OF CELEBRATING THE MAHATMA

PRACTICAL Advice

ABOUT YOUR STUDIES - FINAL COURSE

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

START

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

02 Solve Excercises given in Study Note

03 Assess Yourself

04 Appear For Examination

FINISHED

SUBMISSIONS

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
website: http://www.icmai.in

Updation of E-Mail Address/Mobile:

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

Message from

Directorate of Studies

Dear Students,

All of you knows that Independence Day, in India, is celebrated annually on August 15. It also marks the anniversary of the partition of the subcontinent into two countries, India and Pakistan, which occurred at midnight on August 14–15, 1947. The Indian Independence Bill was introduced in the British House of Commons on July 4, 1947, and passed within 15 days. On August 15, 1947, the British rule over India ended and marked history. The year 2020 marks the 74th Independence Day which have been celebrated amid the ongoing coronavirus pandemic in the country.

We expect that our **"Online Mock Test Platform for CMA Students"** under the link: https://eicmai.in/MCQ_Portal/login.aspx helps you to have a fair idea about the forthcoming on-line examination, for Foundation Students.

We wish our heartfelt wishes to all the examinees appearing for the forthcoming September, 2020 Examinations for the Foundation course.

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

"You must be the Change you wish to see in the World",

Let us observe his memory by following his message.

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

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

Please refer the link mentioned below :

https://icmai.in/studentswebsite

- Don't give up
- Don't give in
- Don't give out
You can win!

GOOD LUCK

Be Prepared and Get Success;

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

Headquarters:
CMA Bhawan, 12 Sudder Street, Kolkata - 700016
Delhi Office:
CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

www.icmai.in

75 Years 1944 - 2018

CMA LEADS

Last Date for Admission

June Exam 31st January of the same Calendar Year

December Exam 31st July of the same Calendar Year

5,00,000+ Students | 75,000+ Members | 4 Regional Councils | 98 Chapters | 9 Overseas Centres | Largest CMA body in Asia | 2nd Largest CMA body in the Globe

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

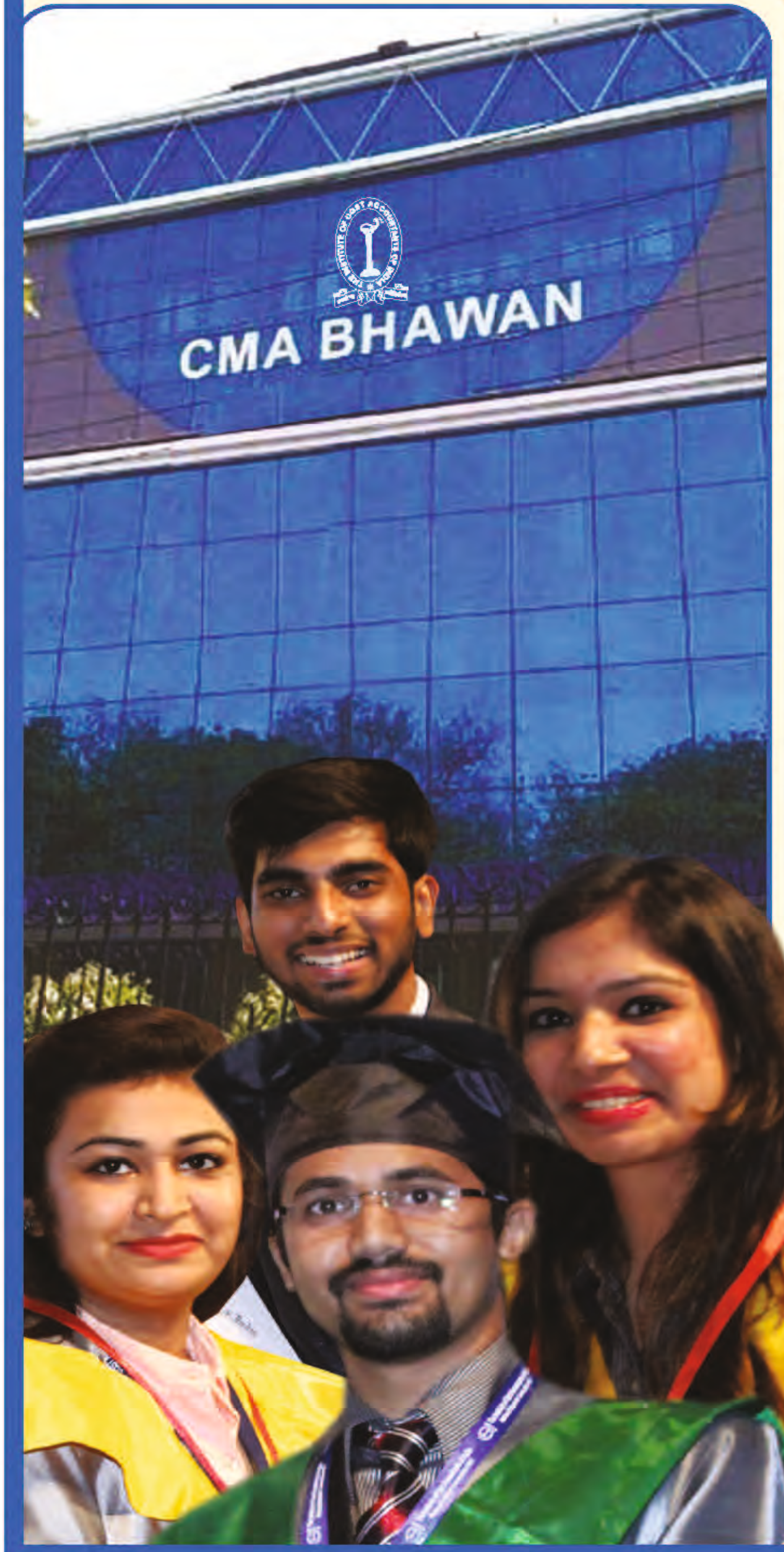
ADMISSIONS OPEN 2020-2021

studies@icmai.in
1800 345 0092/1800 110 910

For Online Admission
http://cmaicmai.in/students/Home.aspx

Cultivating and Enhancing Skills of Success

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



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and many more...

placement@icmai.in / cpt@icmai.in
+ 91 33 40364770

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

Few Snapshots

Flag Hoisting Ceremony at HQ to celebrate Independence Day of the nation Flag Hoisting Ceremony at HQ to celebrate Independence Day of the nation

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ICAI SIRC Flag Hoisting on 74th Independence Day of INDIA: CMA H Padmanabhan Council Member, CMA Jyothi Satish, Chairperson SIRC, CMA Rajesh Sai Iyer, RCM SIRC and team at Chennai

Message on COVID-19 from Students, Staff, Members of Nellore Chapter.

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