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2020
January
VOL: 5, NO.: 1,

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

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Members, Students, Employees & Well Wishers of the Institute
Wishing you a Happy, Healthy & Prosperous
New Year 2020

JANUARY

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DECEMBER

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ONLY CENTRAL GOVT. GAZETTED HOLIDAYS*

JANUARY
26 Republic Day
MARCH
10 Holi
APRIL
02 Ram Navami
06 Mahavir Jayanti
10 Good Friday
MAY
07 Buddha Purnima
25 Id-ul-Fitr
AUGUST
01 Id-Uz-Zuha (Bakrid)
12 Janmashtami
15 Independence Day
30 Muharram
OCTOBER
02 Mahatma Gandhi's Birthday
25 Dussehra
30 Milad-un-Nabi or Id-e-Milad (Birthday of Prophet Mohammad)
NOVEMBER
14 Diwali (Deepavali)
30 Guru Nanak's Birthday
DECEMBER
25 Christmas Day

Mission
"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Motto
असतोमा सद्गमय
तमसोमा ज्योतिर् गमय
मृत्योर्मामृतं गमय
ॐ शान्ति शान्ति शान्तिः

Vision
"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Behind every successful business decision, there is always a CMA

Message from

The President

CMA Balwinder Singh

The Institute of Cost Accountants of India

MESSAGE FROM THE PRESIDENT

Dear Students,

Greetings!!!

We all have stepped into a New Year, 2020 and I am sure that those who had appeared in the December, 2019 term of examination with utmost dedication and determination have done well in their examinations. Those will be appearing in the forthcoming June, 2020 term of examination, must have already started their preparation.

Being a student of the Institute you must feel proud as the Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy. You must be aware that your Institute is the largest Cost & Management Accounting body in Asia and the 2nd largest Cost and Management Accounting body in the World.

The Institute prepares the course curriculum considering the perspective of the ongoing best practices which are in vogue both in domestic and Global arena. Professional expertise of both the academia and industry doyens is well blended in the syllabi. To achieve six important skill sets-Knowledge, Comprehension, Application, Analysis, Synthesis and Evaluation based on four knowledge pillars as Management, Strategy, Regulatory Function and Financial Reporting, the CMA course entails skills for employability Worldwide. Communication and soft skill sessions coupled with rigorous computer training help the students to enhance knowledge and to face the challenges.

Every stage in life has its own beauty. Each new day is a blank page in the diary of our life. The secret of success is in turning that diary into the best story you possibly can. Likewise, a New Year is like a blank book, and the pen is in your hands. It is your chance to write a beautiful story for yourself. On this New Year, may you change your professional direction and not mere dates, change your commitments and not the Calendar, change your attitude and not the actions, and bring about a change in your faith, your force and your focus and not the fruit. May you live up to the promises you have made. Keep your spirits and determination unshaken, and you shall always walk ahead. With courage, faith and great effort, you shall achieve everything you desire. May this New Year bring new happiness, new goals, new achievements and a lot of new inspirations in your life.

Wishing you a prosperous New Year ahead....

Happy New year!!!

CMA Balwinder Singh

President
The Institute of Cost Accountants of India

150 YEARS OF CELEBRATING THE MAHATMA

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Message from The Chairman

CMA Biswarup Basu

Vice President & Chairman, Training & Education Facilities and Placement Committee

MESSAGE FROM THE CHAIRMAN

Dear Students,

Happy NEW Year!!!

Wishing you a new year filled with new hope new joy and new beginnings! I pray for you and your family's happiness and well-being. May you all have an amazing year ahead!

"Satisfaction lies in the effort, not in the attainment, full effort is full victory" - M.K.Gandhi. The most important need for a professional course is that, when you take up a professional course, you are honed in a particular and specific subject rather than just as general studies. So, seriousness is utmost needed and you must be serious from the very beginning and you also must be dedicated and determined to fulfil your dream within a time frame set up by you.

You must be proud to note that your Institute have celebrate Global Summit 2020 on "Mission 5 Trillion CMA as a Cryogenic Force" from January 9-11, 2020 at The Ashok Hotel, New Delhi. It is a pleasure to note that the Summit had been addressed by eminent persons holding high positions in the Government and Industry leaders. Many professional Gurus cutting across continents had also joined across the Globe.

Education gives us knowledge of the world around us and changes it into something better. It develops in us a perspective of looking at life. It helps us build opinions and have points of view on things in life. People debate over the subject of whether education is the only thing that gives knowledge. Education makes us capable of interpreting things, among other things. It is not just about lessons in textbooks, it is about the lessons of life.

The Directorate of Studies are continuously trying to update your knowledge through various publications in electronic versions like Mock Test Papers (MTPs), Work Books, monthly students E-bulletins etc. where eminent academicians and industrial personnel are contributing through their write up for your knowledge development. Being the Chairman of Training & Education Facilities and Placement Committee, I am really thankful to all of them.

"Believing others is easy but believing in yourself that's the real challenge" Swami Vivekananda. New beginnings are in order and you and you are bound to feel some level of excitement as new chances come your way!

Best wishes as always,

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

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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150 YEARS OF CELEBRATING THE MAHATMA

KNOWLEDGE Update

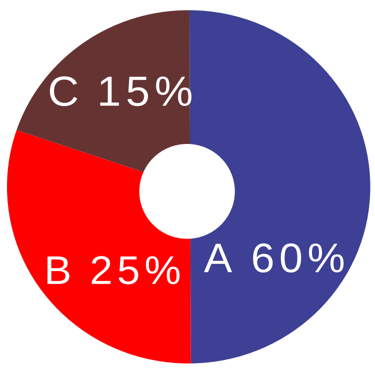
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.

GROUP: iii, PAPER: 13

CORPORATE LAWS & COMPLIANCE (CLC)

Shri Subrata Kr. Roy
Company Secretary & Consultant
He can be reached at:
subrataoffice@rediffmail.com

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.

Role and rights of Shareholders

1.0 How to become a shareholder

Both equity and preference shareholders are the owners of the company. Equity shares are called ordinary shares> the shares listed in stock exchange and regularly are equity shares.

They are the persons whose names appear in the register of members of the company. A person/artificial person become members by following mode.

(i) by allotment: Shares are allotted to him by the company and therefore becomes the first owner of the shares.

(ii) By transfer: existing shareholder transfers share to some person, normally by sale but may be by gift also.

(iii) by transmission: act of God/ Law. a process by which a person becomes shareholder by default, i.e. by succession or by way of merger/amalgamation or court order.

1.1 Member and Shareholder

A person whose name appears in the Registrar of Members of the company is a member. All persons who are allotted shares or who purchaseshares and intimates the company, with the share certificate and the transfer deed, are entered in the register of members. In dematerized form, it is done through respective depository participants where the transfer and the transferee have their account.

Difference between a shareholder and a member is that all members may not be shareholders and all shareholders may not be member due to time lag in registration of transfer. Let us assume Ramesh holds 1000 shares in ABC Ltd. and sells it to Suresh who immediately doesn't make any application for transfer. In such a case though he is a shareholder, name of Ramesh shall remain as a shareholder in the records of the company nad he shall continue to get the benefits of a shareholder.

1.2 Cessation of Membership-

(i) by cancellation of allotment by the company.

(ii) by forfeiture of shares: when the value of shares are taken in installments and if someone failsto make payment of such installment, the value already paid against the shares may be forfeited.

(iii) by sale by the holder.

(iv) by buy back: there is rule and procedure of buy back of shares by the company itself. these shares are ultimately cancelled.

(v) incapacited by law to hold shares: there may be legal restriction on some person to hold shares.

1.3 Transfer of Shares: Any person who is a shareholder may transfer the shares to any other person. There may be restriction on transfer in case of private companies. While transferring, a Share Transfer Form (Form SH4) have been filled up and signed by the seller of shareholder. The buyer may fill his details afterwards also. The transfer form with original share certificates also have to be attached. The company registers the share transfer with a period of one month from the date of receipt.

1.4 Rights of shareholders: The Law provides for various kinds of rights of a shareholder. However the following rights are very important for a shareholder.

(I) Right to vote: shareholders, other than those holding non voting shares, are entitled to vote in General Meetings of shareholders. Proportionate to the holding, i. e. each share has one vote.

(ii) Right to Rights Shares: Whenever the company decides to increase its share capital the shareholder may decide that further shares shall be allotted to the existing shareholders proportionate to their existing holding.

(iii) Right to Bonus Shares: When the free reserves of the company arrives at a comfortable position, the company may decide to allot shares without any price to the existing shareholder on proportionate basis. Reserves are undistributed profits which accumulate year after year and free reserves are reserves not specified for any particular purpose. Reserves are transferred to share capital to the extent of total capital allotted as bonus shares.

(iv) Right to dividend: Dividend is a part of a profit earned by the company and distributed to the shareholder as percentage to their shareholding.

2.0 Company Meetings:Broadly, meetings in a company are of the following types:-

2.1 Meetings of Members:

These are meetings of the members / shareholders of the company. Member's meetings are of the following types :-

3.0 Annual General Meeting:

An Annual General Meeting (AGM) must be held by every type of company, public or private, limited by shares or by guarantee, with or without share capital or unlimited company, once a year.

3.1 Timing of the meeting:

Every company must in each calendar year hold an annual general meeting. Not more than 15 months must elapse between two annual general meetings. However, a company may hold its first annual general meeting within 18 months from the date of its incorporation. AGM should be held within 6 months of closure of accounting year. Now, since accounting year is uniform for all companies, i.e. April to March, The AGM shall have to be held within 3oth September.

The AGM must be held on a working day during business hours (between 9 A. M. to 6 P M.on any day other than National Holiday at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situated. Provided that annual general meeting of an unlisted company may be held at any place in India if consent is given in writing or by electronic mode by all the members in advance:

Provided further that the Central Government may exempt any company from the provisions of this sub-section subject to such conditions as it may impose.

3.2 Notice of AGM

A notice of at least 21+2+2=25 days before the meeting must be given to members. The time, date and place of the meeting must be mentioned in the notice. The length of notice can be shortened if 95% of the shareholders agree. In case of listed company, the documents to be sent with the notice are hosted on the company website before 21 days of the meeting and a statement with salient features of the documents are sent to all shareholders before 21 days of the meeting.

The notice of the meeting must be accompanied by a copy of the annual financial statement of the company, including consolidated financial statement, if nay, director's report on the affairs of the company for the year and auditor's report on the accounts.

The notice should also state that a member is entitled to attend and vote at the meeting and is also entitled to appoint proxies in his absence.

3.3 Default:

In case of default, National Company Law Tribunal(NCLT) shall on application of any member call or direct calling of Annual General Meeting (AGM).

3.4 Business to be transacted at Annual General Meeting:

The following matters constitute ordinary business at an AGM: -

a. Consideration and adoption of annual accounts, director's report and the auditor's report

b. Declaration of dividend

c. Appointment of directors in the place of those retiring

d. Appointment of and the fixing of the remuneration of the statutory auditors.

Any other business would be considered as special business.

In case any there is any other business (special business) discussed and decided upon, an explanatory statement of the special business must also accompany the notice calling the meeting. Such statement shall explain the background and rationale of the proposal.

4.0 Extraordinary General Meeting

Every general meeting (i.e. meeting of members of the company) other than the annual general meeting or any adjournment thereof, is an extraordinary general meeting. Such meeting is usually called by the Board of Directors for some urgent business which cannot wait till the next AGM. Every business transacted at such a meeting is special business, since ordinary business cannot be transacted in Extra ordinary General Meeting (EGM).EGM, unlike AGM, can be held at nay place in India. In case of wholly owned subsidiary of a company incorporated outside India, the EGM can be held anywhere in the world.

4.1 Extraordinary General Meeting on Requisition:

The members of a company have the right to require the calling of an extraordinary general meeting by the directors. The board of directors of a company must call an extraordinary general meeting if required to do so by the following number of members :-

a. not less than one-tenth of such of the voting rights in regard to the matter to be discussed at the meeting ; or

b. Such meeting should be called by the company within 21 days of receiving the requisition within 45 days of receiving the notice.

The requisition must state the objects of the meetings and must be signed by the requisitioning members.

4.2 Power of National Company Law Tribunal (NCLT) to order calling of Extraordinary GeneralMeeting:

If for any reason, it is impracticable to call a meeting of a company, other than an annual general meeting, or to hold or conduct the meeting of the company, the NCLT may, either i) on its own motion, or ii) on the application of any director of the company, or of any member of the company, who would be entitled to vote at the meeting, order a meeting to be called and conducted as Tribunal thinks fit,.

5.0 Class Meeting

Class meetings are meetings which are held by holders of a particular class of shares, e.g., preference shareholders. Such meetings are normally called when it is proposed to vary the rights of that particular class of shares or any decision/ proposal which would have on those kind of shareholders. At such meetings, these members discuss the pros and cons of the proposal and vote accordingly.

5.1 Meetings of the Board of Directors (discussed separately)Other Meetings

5.2Meeting of debenture holders

At such meetings, generally matters pertaining to the variation in terms of security or to alteration of their rights are discussed.

5.3 Meeting of creditors

Sometimes, a company, either as a running concern or in the event of winding up, has to make certain arrangements with its creditors..

6.0 Requisites of Valid Meetings

The following conditions must be satisfied for a meeting to be called a valid meeting:-

1. It must be properly convened.
2. Proper and adequate notice.
3. The meeting must be legally constituted.

6.1Proxy

In case of a company having a share capital and in the case of any other company, if the articles so authorise, any member of a company entitled to attend and vote at a meeting of the company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself. Every notice calling a meeting of the company must contain a statement that a member entitled to attend and vote is entitled to appoint one proxy in the case of a private company and one or more proxies in the case of a public company and that the proxy need not be member of the company.

A member may appoint another person to attend and vote at a meeting on his behalf. Such other person is known as "Proxy". A member may appoint one or more proxies to vote in respect of the different shares held by him, or he may appoint one or more proxies in the alternative, so that if the first named proxy fails to vote, the second one may do so, and so on.

The member appointing a proxy must deposit with the company a proxy form at the time of the meeting or prior to it giving details of the proxy appointed. However, any provision in the articles which requires a period longer than forty eight hours before the meeting for depositing with the company any proxy form appointing a proxy, shall have the effect as if a period of 48 hours had been specified in such provision.

The proxy form must be in writing and be signed by the member or his authorized attorney duly authorized in writing or if the appointer is a company, the proxy form must be under its seal or be signed by an officer or an attorney duly authorized by it.

The proxy can be revoked by the member at any time, and is automatically revoked by the death or insolvency of the member. The member may revoke the proxy by voting himself before the proxy has voted, but once the proxy has exercised the vote, the member cannot retract his vote.

Where two proxy forms by the same shareholder are lodged in respect of the same votes, the last proxy form will be treated as the correct proxy form.

A proxy is not entitled to vote except on a poll. Therefore, a proxy cannot vote on show of hands.

6.2 Quorum (Section 174)

Quorum refers to the minimum number of members who must be present at a meeting in order to constitute a valid meeting. A meeting without the minimum quorum is invalid and decisions taken at such a meeting are not binding.

In case the Company Law Board calls or directs the calling of a meeting of the company, when default is made in holding an annual general meeting, the Government may give directions regarding the quorum including a direction that even one member of the company present in person, or by proxy shall be deemed to constitute a meeting. As per the present law, the quorum requirement is as follows:

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STRATEGIC FINANCIAL MANAGEMENT (SFM)

Dr. Swapan Sarkar,
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Department of Commerce,
University of Calcutta
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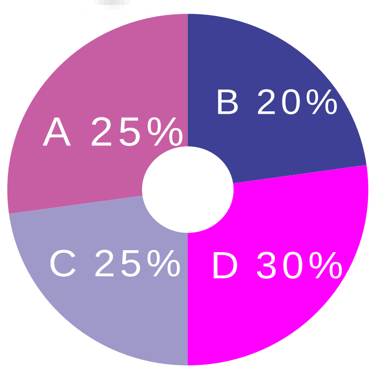
Your Preparation Quick Takes



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

Study Note 1: Investment Decision, Project Planning and Control

2. Profitability Index Method:

- Concept of Profitability Index: As mentioned in the previous issue, Net Present Value, as a criterion for project appraisal, often becomes inappropriate when the competing projects have similar lifespan but significantly different initial outlay. This is because NPV is an absolute measure and hence does not recognize the size difference (difference in the size of investment or cash outflow) between two competing projects.

  Thus a refinement of NPV is suggested in form of a new method, called Profitability Index (PI) method. PI is defined as the ratio between the present value of cash inflow to the present value of cash outflow or investment.

  That is to say, $PI = \dfrac{\text{Present Value of Cash Inflow}}{\text{Present Value of Cash Outflow}}$ (for non-conventional cash flow) or,

  $= \dfrac{\text{Present Value of Cash Inflow}}{\text{Initial Outlay}}$ (for conventional cash flow)

  Thus, basically PI calculates the present value of cash inflow or benefit per rupee of present value of cash outflow (or initial outlay) or cost. This is why it is also called Benefit-Cost Ratio.

- Illustration:

  K Ltd. is considering a new project with an initial outlay of Rs. 70000. The project has a lifespan of four years with cash inflows of Rs. 25000, Rs. 30000, Rs. 18000 and Rs. 16000 for year 1, 2, 3 and 4 respectively. Calculate the profitability index for the project if the cost of capital is 10% p.a.

  Solution: Calculation for PV of Cash Inflow

Year	CIAT (Rs.)	PVIF@ 10%	PV of CIAT (Rs.)
1	25000	0.909	22725
2	30000	0.826	24780
3	18000	0.751	13518
4	16000	0.683	10928
		Total PV of CIAT	71951

So, $PI = \dfrac{\text{Present Value of Cash Inflow}}{\text{Initial Outlay}} = \dfrac{71951}{70000} = 1.028$

- Decision Rule:

  a) Single Project: Since, PI basically denotes the PV of cash inflow per rupee of initial investment (or PV of cash outflow), a PI of more than one denotes net profitability in present value term. Accordingly, a project is accepted if its PI is more than one and rejected if the PI is less than one. For a project with PI equals to one, the decision maker remains indifferent.

     For example, in illustration 1, the investment project is having a PI of 1.028. Hence the project may be accepted.

  b) Mutually Exclusive Projects: In case of mutually exclusive projects, the projects are first ranked based on their respective PI and then the project with highest PI is selected.
     Consider the following illustration.

- Illustration:

A company provides you the following information relating to two mutually exclusive projects.

Particulars	Project 1	Project 2
PV of Cash Inflow (Rs.)	75000	140000
Initial Outlay (Rs.)	60000	120000
Life (Years)	5	5

Advise the company regarding the selection. Will NPV method be appropriate in this case?

Solution:
Calculation for PI and NPV and respective ranking.

Particulars	Project 1	Project 2
PV of Cash Inflow (Rs.)	75000	140000
Initial Outlay (Rs.)	60000	120000
Life (Years)	5	5
PI = $\frac{\text{Present Value of Cash Inflow}}{\text{Initial Outlay}}$	1.25	1.17
Ranking based on PI	I	II
NPV = PV of Cash Inflow – Initial Outlay		
Ranking based on NPV	II	I

Since PI is higher for Project 1, it offers higher benefit per rupee of investment. Hence it is recommended.

It may be worth mentioning that, NPV will not be appropriate as project 2, though offers higher NPV also have higher initial outlay. Hence the absolute value of NPV is not comparable at all.

- Relationship between NPV and PI:
  Since PI is basically a relative version of appraisal criterion based on the same inputs like NPV, they are very closely related. To be more specific, in case of a single project both the methods lead to the same acceptance-rejection decision. This can be shown as follows-

  However, the above proposition may not hold good in case of mutually exclusive projects. Under such a situation, a project which has lower absolute NPV but higher PV of cash inflow per rupee of investment i.e. higher PI will ultimately be selected.

- Merits of PI Method: PI method of project appraisal overcomes the limitation of NPV method in recognizing the size (initial outlay) difference between projects by using a relative measure of benefits (i.e. PV of cash inflow) and costs (i.e. PV of cash outflow) of a project.

Since PI method evaluates projects based on the benefits they offer per rupee of cost (i.e. investment), it is particularly useful in making decision in a situation of capital rationing (to be covered in a future issue). Under such circumstances it recommends only that project which offers the best benefit (i.e. PV of cash inflow) per rupee of investment and thereby utilizes the limited funds in the best possible way.

3. Internal Rate of Return Method:

NPV method discounts the future cash inflows from a project at cost of capital i.e. the minimum required rate of return to determine the surplus in absolute term and selects projects accordingly. However, each project necessarily have a rate of return and as an alternative to NPV, project selection can be made by comparing the rate of return against the cost of capital directly. This rate of return specific to a project is called Internal Rate of Return (IRR) and the concerned method is known as Internal Rate of Return method. However, the same method is also used in other nomenclatures like Time Adjusted Rate of Return, Marginal Efficiency of Capital, Marginal Productivity of Capital or Highest Opportunity Cost method.

- Concept of Internal Rate of Return (IRR): IRR is defined as the rate of return or discounting rate by which if the future project cash inflows are discounted, the aggregate present value of cash inflow will be exactly equal to the initial investment (in case of conventional cash flow projects) or the aggregate present value of cash outflow (in case of non-conventional cash flow projects).

  Symbolically, if IRR is denoted as 'r', then at 'r'

(a) $\sum_t^n = 1\frac{CI_t}{(1+r)^t}$ = I_0 (in case of conventional cash flow projects); and

(b) $\sum_t^n = \frac{CI_t}{(1+r)^t} = \sum_t^n = 1\frac{CO_t}{(1+r)^t}$ (in case of non - conventional cash flow projects).

Where CI_t = Cash inflow from the project in period t.
CO_t = Cash inflow from the project in period t.
I_0 = Initial investment of the project.
n = Life of the project.
In other words, at IRR the NPV of the project is zero.

- How to calculate IRR of a project?

To find out the rate with which the trial and error method may be initiated, may be suggested.

1. Calculate the modified or fake payback period by the following formula

$$\text{Fake payback period} = \frac{\text{Initial Investment}}{\text{Average Annual Cash Inflow}}$$

2. Go across the 'n' th year (n = life of the project) row of the PVIFA (present value interest factor of an annuity) table and search a value nearest to the value of the fake payback period.

3. Identify the rate corresponding to the value. This may be considered as the first trial rate.

4. Increase the trial rate if the NPV is positive and reduce the same if the NPV is negative. If at any trial rate NPV becomes zero, it is the IRR.

5. In case exact match is not available consider two rates (preferably with a gap of one percentage only, in order to get better approximation) one with a positive value of NPV and the other with a negative value of NPV. IRR is expected to lie in between the two rates.

6. Apply simple interpolation technique to find out the exact IRR.

Illustration:

M Ltd. is considering the following information in respect of a project:
Initial Outlay Rs. 11000. Project Life 4 years.
Cash inflow from the project:

Year	1	2	3	4
Cash Inflow (Rs.)	6000	2000	1000	5000

Calculate IRR of the project.

Solution:

$$\text{Fake Payback Period} = \frac{\text{Initial Investment}}{\text{Average Annual Cash Inflow}} = \frac{11000}{(6000+2000+1000+5000)/4} = 3.14 \text{ years.}$$

From the 4th year row of the PVIFA table we find that the value nearest to the fake payback period is 3.17 and the corresponding rate is 10%. So 10% should be the first trial rate.

Calculation for NPV at alternative rates.

Year	CIAT	PVIF@ 10%	PV of CIAT	PVIF @12%	PV of CIAT	PVIF @ 11%	PV of CIAT
1	6000	0.909	5454	0.893	5358	0.901	5406
2	2000	0.826	1652	0.797	1594	0.812	1624
3	1000	0.751	751	0.712	712	0.731	731
4	5000	0.683	3415	0.636	3180	0.659	3295
Total Present Value			11272		10844		11056
Less. Initial Investment			11000		11000		11000
NPV			272		(-)156		56

From the above table it is evident that IRR lies between 11% and 12% (as NPV at IRR = 0).

Applying simple interpolation, we get,

$$\frac{IRR - 11}{12 - 11} = \frac{0 - 56}{-156 - 56}$$

Or, IRR – 11 = 0.26

Or, IRR = 11.26%

So, IRR of the project is 11.26%.

Decision Rule:

1. Single Project: For a single project, the IRR should be compared against the cost of capital (or marginal cost of capital) of the concerned project. If IRR is higher than the cost of capital, the project should be accepted. On the other hand, if IRR is fund to be lower, the project should be rejected. If the IRR is same as cost of capital, the decision maker should remain indifferent.

2. Mutually Exclusive Projects: For mutually exclusive projects, the project with the highest IRR should be selected.

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STRATEGIC COST MANAGEMENT - DECISION MAKING (SCMD)

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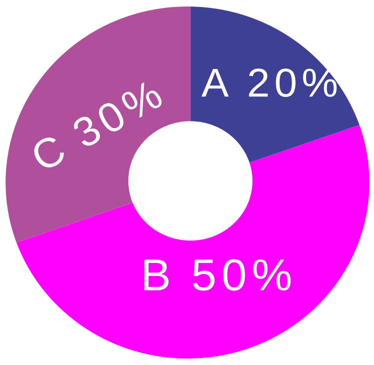
Your Preparation Quick Takes



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?

ABC is an advancement over the traditional Costing Systems

01.00 Need for ABC

The main objective of any costing system is to determine scientifically the cost of a product or service. Costs are of various kinds such as material, labour, utilities, consumables, financial charges, depreciation, and many others. But all of them can be segregated into two distinct categories, viz. direct costs and indirect costs.

Direct costs are the costs which are traceable to the products or the services that are being offered. On the other hand, indirect costs which are traditionally called 'overheads' are not traceable to the products or services. Hence these overheads are first identified, classified, allocated, and apportioned to a convenient cost centre, reapportioned to production centres and finally absorbed by the cost units i.e. products or services.

Direct costs have traditionally been the target of management scrutiny and evaluation. Indirect costs, on the other hand, have not had the level of scrutiny they deserve. The problem with having only one or two categories for pooling indirect costs is that it is very difficult to have the visibility to know what costs are truly necessary and what are not. Also, indirect costs can impact various products or services quite differently.

Charging the direct costs to the products is comparatively simple and can be done with remarkable accuracy. However, the absorption of indirect costs by the cost units is complex and there does exist a possibility of distortion of costs leading to hidden and unintentional inaccuracies.

Distortions in the absorption of overheads may lead to several wrong decisions such as Errors in fixation of selling prices; Wrong decisions concerning product mix; Ignoring customer orientation; Missing of profitable opportunities; etc. Even though the basis of charging the overheads is quite logical, such of these distortions happen to be one of the biggest limitations of the traditional costing systems.

Activity Based Costing has been evolved with a view to overcome the limitations of traditional costing systems. The focus of ABC is on accurate information about the true cost of products, services, processes, activities, distribution channels, customer segments, contracts, and projects. ABC can help managers make better decisions about what they offer.

02.00 Example

Here follows a simple example (drawn from one of the question papers) that highlights the advantage of ABC over the traditional system.

Question

AML Ltd is engaged in the production of three types of ice-cream products viz. Coco, Strawberry & Vanilla. The Company presently sells 50,000 units of Coco @ Rs.25 per unit, Strawberry 20,000 units @ Rs.20 per unit and Vanilla 60,000 units @ Rs.15 per unit. The demand is sensitive to selling price and it has been observed that every reduction of Rs.1 per unit in selling price increases the demand for each product by 10% to the previous level. The company has the production capacity of 60,500 units of Coco, 24,200 units of Strawberry, and 72600 units of Vanilla. The company marks up 25% of the cost of product.

The management decides to apply ABC analysis. For this purpose, it identifies four activities as store support costs. The cost driver rates are as follows.

Activity	Cost Driver Rate
Ordering	Rs.800 per purchase order
Delivery	Rs.700 per delivery

Shelf Stocking	Rs.199 per hour
Customer Support and Assistance	Rs.1.10 per unit sold

The other relevant information for the products are as follows

	Coco	Strawberry	Vanilla
Direct Material p.u. (Rs.)	8	6	5
Direct Wages p.u. (Rs)	5	4	3
No. of purchase orders	35	30	15
No. of Deliveries	112	66	48
Shelf stocking hours	130	150	160

Under the traditional costing system, store support costs are charged @ 30% of prime cost.

Required:

(i) Calculate the unit cost and total cost of each product at the maximum level using traditional costing.
(ii) Calculate the unit cost and total cost of each product at the maximum level using activity based Costing.

Solution

(I) Computations under Traditional Costing

Element	Coco	Strawberry	Vanilla
A. Unit Cost (Rs. per Unit)			
Direct Material	8	6	5
Direct Labour	5	4	3
Prime Cost	13	10	8
Store Support Costs @ 30% on PC	3.90	3.00	2.40
Total	16.90	13.00	10.40
B. Number of Units	60,500	24,200	72,600
C. Total Cost (Rs.)			
Direct Material	4,84,000	1,45,200	3,63,000
Direct Labour	3,02,500	96,800	2,17,800
Prime Cost	7,86,500	2,42,000	5,80,800
Store Support Costs	2,35,950	72,600	1,74,240
Total	10,22,450	3,14,600	7,55,040

(ii) Computations under Activity Based Costing

a. Computation of Store Support Costs per Unit

Activity	Coco	Strawberry	Vanilla
Ordering Cost Number of Purchase Orders Cost @Rs.800 per order	35 28,000	30 24,000	15 12,000
Delivery Cost Number of Deliveries Cost @Rs.700 per delivery	112 78,400	66 46,200	48 33,600
Shelf Stocking Cost Shelf stocking hours Cost @Rs.199 per hour	130 25,870	150 29,850	160 31,840
Customer Support Cost Number of Units Sold Cost @Rs.1.10 per unit	60,500 66,550	24,200 26,620	72,600 79,860
Total Cost	1,98,820	1,26,670	1,57,300
Number of Units	60,500	24,200	72,600
Store Support Coss per Unit (Rs.)	3.286	5.234	2.167

b. Statement of Costs

Element	Coco	Strawberry	Vanilla
I. Unit Cost (Rs. per Unit)			
Direct Material	8	6	5
Direct Labour	5	4	3
Prime Cost	13	10	8
Store Support Costs	3.286	5.234	2.167
Total	16.286	15.234	10.167
II. Number of Units	60,500	24,200	72,600
III. Total Cost (Rs.)			
Direct Material	4,84,000	1,45,200	3,63,000
Direct Labour	3,02,500	96,800	2,17,800
Prime Cost	7,86,500	2,42,000	5,80,800
Store Support Cost	1,98,803	1,26,663	1,57,324
Total	9,85,303	3,68,663	7,38,124

03.00 Comparison

The following statement draws comparison of unit costs and total costs under the traditional and ABC systems

Statement of Comparison

Particulars	Coco	Strawberry	Vanilla
Unit Costs			
Under Traditional System	16.90	13.00	10.40
Under ABC System	16.286	15.234	10.167
Total Costs			
Under Traditional System	10,22,450	3,14,600	7,55,040
Under ABC System	9,85,303	3,68,663	7,38,124

The differences between the two systems are obvious. Prime cost remaining the same, the differences arose on account of the better methodology adopted under ABC for the distribution of store support costs.

04.00 Self Exercise
Draw similar comparisons for all the elements and track the advantages of better accuracy in cost computations.

05.00 Quick Take
ABC is an advancement over the traditional costing systems. ABC rings in better accuracy.

GROUP: iii, PAPER: 16

DIRECT TAX

LAWS AND INTERNATIONAL TAXATION (DTI)

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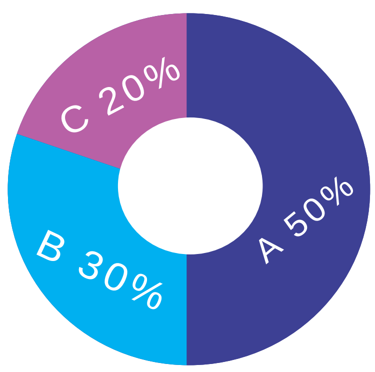
Your Preparation Quick Takes



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.

Tax Planning, Tax Evasion and Tax Avoidance

Tax law reflects the complexity of modern life and the multitude of choices and options available to all taxpayers when legitimately seeking to structure their affairs. This necessary offer of options within tax legislation creates the opportunity for choice on the part of the tax payer and means that determining the right amount of tax (but no more) that they seek to pay does necessarily requires the exercise of judgement on occasion. So long as the exercise of that judgement seeks to ensure that the taxpayer makes choices that exercise options clearly allowed by law and that they do not exploit unintended loopholes created between laws then that process of a taxpayer choosing how to structure their affairs is the process of tax planning, which is a legitimate, proper and socially acceptable act.

Thus, tax planning is a systematic evaluation of finances and investments, to reduce the tax burden in a legitimate way. It involves understanding the tax implications of various cash inflows and outflows such as salary composition, property income, home loan, investments, sale or purchase of assets, gifts and interest-bearing deposits, to draw up an appropriate investment strategy that allows realization of financial goals while at the same time reducing tax liability to minimum.

It is a way to reduce tax liability by taking full advantages provided by the Act through various exemptions, deductions, rebates & relief. In other words, it is a way to reduce tax liability by applying script & moral of law. The two basic approaches of tax planning are:

1. Reducing taxable income: As a rule, higher the income or profit, higher the tax liability on such income or profit. Gross income is total profits or income from all sources, and taxable income is such gross income less adjustments allowable under various tax laws and other provisions. Such adjustments bases itself on the nature of income and expenditure. Opting for the income or expenditure heads that allows maximum set-offs from the gross income reduces taxable income, and by extension tax liability.

2. Deferring payment of taxes to the extent possible: An underestimated dimension of tax planning is timing investments and financial transactions so that the tax liability for such transactions arises at the farthest possible time. While this does not reduce the amount of tax payable, it delays tax outgo, thereby effectively providing interest-free cash on hand. Individuals may not need to resort to such a strategy, but delayed pay-out is valuable for small businesses that very often face cash flow difficulties.

The goal of tax planning is to arrange your financial affairs so as to minimize your taxes. It is the planning so as to attract minimum tax liability or postponement of tax liability for the subsequent period by availing various incentives, concessions, allowance, rebates and relief provided in the Act

Objectives of Tax Planning

Tax planning is an exercise undertaken to minimize tax liability through the best use of all available allowances, deductions, exclusions, exemptions, etc. The objectives of tax planning cannot be regarded as offending any concept of the taxation laws and subjected to reprehension of reducing the inflow of revenue to the Government's coffer, so long as the measures are in conformity with the statue laws and the judicial expositions thereof. The basic objectives of tax planning are:

a. Reduction of Tax liability

Tax law provides multiple choices and options to taxpayers. This necessary offer of options within tax legislation creates the opportunity for choice on the part of the tax payer. However, due to lack of awareness of legal requirements, in many a cases, a taxpayer may suffer heavy taxation. Through proper tax planning and awareness, a tax payer may reduce such heavy tax burden.

b. Minimisation of litigation

In the matter of taxation, the tax payers will try to pay the least tax and on the other hand, the tax administrator will attempt to extract the maximum. This conflict behaviour may results into litigations. However, where proper tax planning is adopted by the tax payer in conformity with the provisions of the taxation laws, the incidence of litigation can be minimised. This saves him from the hardships and inconveniences caused by the unnecessary litigations.

c. Productive investment

A tax payer may reduce heavy tax burden through proper tax planning. Such reduction results into reduction in cash-out flow. In the days of credit squeeze and dear money conditions, even a rupee of tax decently saved may be taken as an interest-free loan from the Government, which perhaps, an assessee need not repay. Such retained cash can be utilised in other productive venture which also provide additional earning to the taxpayer. That means, proper tax planning is a measure of proper utilisation of available resources which in turn maximise the cash-inflow and minimise the tax burden.

d. Healthy growth of economy

The growth of a nation's economy is synonymous with the growth and prosperity of its citizens. In this context, a saving of earnings by legally sanctioned devices fosters the growth of both, because savings by dubious means lead to generation of black money, the evils of which are obvious. Conversely, tax-planning measures are aimed at generating white money having a free flow and generation without reservations for the overall progress of the nation. Tax planning assumes a great significance in this context.

e. Economic stability

Tax planning results in economic stability by way of:

(i) productive investments by the tax payers; and

(ii) harnessing of resources for national projects aimed at general prosperity of the national economy and reaping of benefits even by those not liable to pay tax on their incomes.

Essentials of Tax Planning

Following are the essentials of tax planning:

- Uptodate Knowledge of tax laws alongwith circulars, notifications, clarifications and Administrative instructions issued by the CBDT.
- Disclosure of full and true material information
- Avoid sham transactions or make-believe transactions or colourable devices
- Foresight of future development or changes and enterprise's goal.

Types of Tax Planning

The tax planning exercise ranges from devising a model for specific transaction as well as for systematic corporate planning. These are:

(a) Short-range and long-range tax planning: Short-range planning refers to planning to achieve some specific or limited objective of particular fiscal year. E.g., an individual assessee whose income is likely to register unusual growth in particular year as compared to the preceding year, may plan to subscribe to the PPF/NSC's within the prescribed limits in order to enjoy substantive tax relief. By investing in such a way, he is not making permanent commitment but is substantially saving in the tax. Long-range planning on the other hand, involves entering into activities, which may not pay-off immediately. E.g., when an assessee transfers his equity shares to his minor son he knows that the Income from the shares will be clubbed with his own income. But clubbing would also cease after his son attains majority.

(b) Permissive tax planning: Permissive tax planning is tax planning under the express provisions of tax laws. Tax laws of our country offer many exemptions and incentives.

(c) Purposive tax planning: Purposive tax planning is based on the basis of circumvention of the law. The permissive tax planning has the express sanction of the Statute while the purposive tax planning does not carry such sanction. E.g., If an assessee manages his affairs in such a way that his income is taxable in hands of other person without attracting clubbing provision, such a plan would work in favour of the tax payer because it would increase his disposable resources.

Ethical way of reducing tax

Tax planning is an art of logically planning one's financial affairs, in such a manner that benefit of all eligible provisions of the taxation law can be availed effectively so as to reduce or defer tax liability. As tax planning follows an honest approach, by conforming to those provisions which fall within the framework of the taxation law. However, many time in the name of planning, assessee misleads the law, with / without making an offence. And to do so, the tax payer uses any scheme or arrangement, which reduces, defers and even completely prevents the payment of tax. This may also be done by shifting of tax liability to another person, so as to minimise the incidence of tax.

Tax evasion is the illegal way to reduce tax liability by deliberately suppressing income or sale or by increasing expenses, etc., which results in reduction of total income of the assessee. Dishonest taxpayers try to reduce their taxes by concealing income, inflation of expenses, submitting misleading information, falsification of accounts and willful violation of the provisions of the Income-tax Act. Such unethical practices often create problems for the tax evaders. Tax department not only imposes huge penalties but also initiate prosecution in such cases. It is illegal, both in script & moral. It is the cancer of modern society and work as a clog in the development of the nation. It is a grave problem in a developing country like ours as it leads to a creation of a 'resource crunch' for developmental activities of the State.

Tax avoidance is an exercise by which the assessee legally takes advantages, with malafide motive, of loopholes in the Act. Tax avoidance is minimizing the incidence of tax by adjusting the affairs in such a manner that although it is within the four corners of the laws, it is done with a purpose to defraud the revenue. It is a practice of dodging or bending the law without breaking it. It is a way to reduce tax liability by applying script of law only. E.g. if A gives gift to his wife, the income from the asset gifted will be clubbed in the hand of A. But to avoid this clubbing provision "A" decides to give gift to B's wife and B reciprocates it by giving gift to A's wife. This is not tax planning but tax avoidance. Most of the amendments are aimed to curb such loopholes.

The Direct Taxes Enquiry Committee (Wanchoo Committee) has tried to draw a distinction between the two items in the following words.

"The distinction between 'evasion' and 'avoidance', therefore, is largely dependent on the difference in methods of escape resorted to. Some are instances of merely availing, strictly in accordance with law, the tax exemptions or tax privileges offered by the government. Others are maneuvers involving an element of deceit, misrepresentation of facts, falsification of accounting calculations or downright fraud. The first represents what is truly tax planning, the latter tax evasion. However, between these two extremes, there lies a vast domain for selecting a variety of methods which, though technically satisfying the requirements of law, in fact circumvent it with a view to eliminate or reduce tax burden. It is these methods which constitute "tax avoidance".

The Royal Commission on Taxation for Canada has explained the concept of tax avoidance as under:

"Tax Avoidance" will be used to describe every attempt by legal means to prevent or reduce tax liability which would otherwise be incurred, by taking advantage of some provisions or lack of provisions of law. It excludes fraud, concealment or other illegal measures.

Line of demarcation

The line of demarcation between tax avoidance and tax planning is very thin and blurred. There are two thoughts about tax avoidance –

a) As per first thought it is legal. Such thought is also supported by various judgments of the Supreme Court, some of them are as follows -

   Helvering vs. Greggory (1934)
   "Anyone may so arrange his affairs that his taxes shall be as low as possible. He is not bound to choose that pattern which will best pay the Treasury; there is not even a patriotic duty to increase one's taxes."

   IRC vs. Duke of Westminster (1936)
   "Taxpayer is entitled to so arrange his affairs that the tax under the appropriate Act is less than what otherwise it could be."

   Inland Revenue Commissioners vs. Fishers Executors (1958)
   "The highest in authority, have always recognized that the subject is entitled so to arrange his affairs as not to attract taxes imposed by the Crown, so far he can do so within the law,

and that he may legitimately claim the advantage of any express terms or any omissions that he can find in his favour in taxing Act. In doing so, he neither comes under liability, nor incurs blame."

CIT vs. Raman & Co. (1968)
"Avoidance of tax liability by so arranging commercial affairs that the charge of tax is distributed, is not prohibited. A taxpayer may resort to a device to divert the income before it accrues or arises to him. Effectiveness of the device depends not upon considerations of morality, but on the operation of the Income-tax Act."

Smt. C. Kamala vs. CIT (1978)
"It is quite possible that when a transaction is entered into in one form known to law, the amount received under that transaction may attract liability under the Act and if it is entered into in another form which is equally lawful, it may not attract such tax liability. But when the assessee has adopted the latter one, it would not be open to the court to hold him liable for tax."

CWT vs. Arvind Narotham (1988)
"It is true that tax avoidance in an underdeveloped or developing economy should not be encouraged on practical as well as ideological grounds. One would wish..... that one could get the enthusiasm ..... that taxes are the price of civilization and one would like to pay that price to buy civilization. But the question which many ordinary taxpayers very often, in a country of shortages with ostentatious consumption and deprivation for the large masses, ask is, does he with taxes buy civilization or does he facilitate the waste and ostentation of the few. Unless ostentation and waste in Government spending are avoided or eschewed, no amount of moral sermons would change people's attitude to tax avoidance."

b) As per second thought it is not a legal way to reduce tax burden and it should be prohibited.

McDowell & Co. Ltd. vs Commercial Tax Officer (1985)
Supreme Court observed - "we think time has come for us to depart from Westminster principle....tax planning may be legitimate provided it is within the framework of law. Colourable devices cannot be part of tax planning and it is wrong to encourage or entertain the belief that it is honourable to avoid the payment of tax by resorting to dubious methods. It is the obligation of every citizen to pay the honestly without resorting to subterfuges."

CIT vs B.M. Kharwar (1969)
Supreme Court held – "the taxing authority is entitled and is indeed bound to determine the true legal relation resulting from a transaction. If the parties have chosen to conceal by a device the legal relation, it is open to the taxing authorities to unravel the device and to determine the true character of relationship. But the legal effect of a transaction cannot be displaced by probing into substance of the transaction."

Justice O. Chinnappa Reddy of Supreme Court has, while briefing the evil consequences of tax avoidance in Mc.Dowell & Co. Ltd. -vs.- CTO, observed that one such evil consequence is the ethics (or the lack of it) of transferring the burden of tax liability to the shoulders of the guideless, good citizens from those of artful dodgers. As regards the ethics of taxation, he observed:

"We now live in a welfare State whose financial needs, if backed by law, have to be respected and met. We must recognize that there is behind taxation laws as much moral sanction as behind any other welfare legislation and it is a pretence to say that avoidance of taxation is not unethical and that it stands on no less moral plane than honest payment of taxation".

A similar observation was made by Lord Chancellor in Latilla vs. Inland Revenue Commissioner (1943) 011 ITR (E.C) 0078:

"There is, of course no doubt that they are within their legal rights but that is no reason why their efforts, or those of the professional gentlemen who assist them in the matter, should be regarded as a commendable exercise of ingenuity or as a discharge of the duties of the good citizenship. On the contrary, one result of such methods, if they succeed, is of course to increase pro tanto the load of tax on the shoulder of the body of good citizens who do not desire or do not know how to adopt these maneuvers."

Distinguish between Tax Planning, Tax Evasion, Tax Avoidance and Tax Management

Difference between tax planning, tax avoidance, tax evasion & tax management

Points of distinction	Tax planning	Tax Avoidance	Tax Evasion	Tax Management
Definition	It is a way to reduce tax liability by taking full advantages provided by the Act through various exemptions, deductions, rebates & relief.	It is an exercise by which the assessee legally takes advantage of the loopholes in the Act.	It is the illegal way to reduce tax liability by deliberately suppressing income or sale or by increasing expenses, etc., which results in reduction of total income of the assessee.	It is a procedure to comply with the provisions of the law.
Feature	Tax planning is a practice to follow the provisions of law within the moral framework.	Tax avoidance is a practice of bending the law without breaking it.	Tax evasion is illegal, both in script & moral.	It is implementation or execution part of taxation department of an organisation.
Object	To reduce tax liability by applying script & moral of law.	To reduce the tax liability to the minimum by applying script of law only	To reduce tax liability by applying unfair means.	To comply with the provisions of laws.
Approach	It is futuristic and positive in nature. The planning is made today to avail benefits in future.	It is futuristic but short term in nature, as loophole of the law will be corrected in future by amendments of the law.	It is concerned with past and applied after the liability of tax has arisen. It is done with negative approach to avail benefits by killing the moral of law.	It is a continuous approach, which is concerned with past (rectification, revisions etc.), present (filing of return, etc.) & future (corrective action).

Benefit	Generally, arises in long run.	Generally, arises in short run.	Generally, benefits do not arise but it causes penalty and prosecution.	Penalty, interest & prosecution can be avoided.
Treatment of Law	It uses benefits of the law.	It uses loopholes in the law.	It overrules the law.	It implements the law.
Practice	It is tax saving.	It is tax hedging.	It is tax concealment.	It is tax administration.
Need	It is desirable	It is avoidable	It is objectionable	It is essential.
Morality	It is moral in nature.	It is immoral in nature	It is illegal.	It is duty.

YEARS OF CELEBRATING THE MAHATMA

GROUP: iv, PAPER: 17

CORPORATE FINANCIAL REPORTING (CFR)

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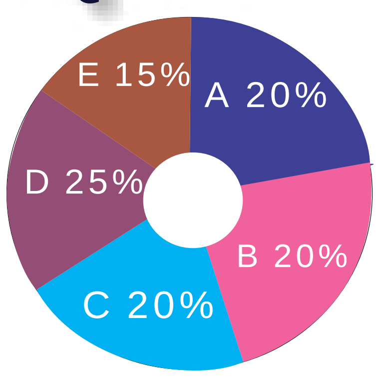
Your Preparation Quick Takes



Syllabus Structure

A GAAP and Accounting Standards **20%**
B Accounting if Business Cominations & 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.

Corporate Financial Reporting

Consolidated Balance Sheet: Treatment of Dividend

For the companies where Ind AS is applied, preparation of consolidated financial statements is based on Ind AS 103 and Ind AS 110. When dividend is declared by the subsidiary company it appears as a deduction from Profit and Loss of subsidiary and as a current liability in subsidiary's balance sheet. In the books of the parent company the dividend receivable is shown as current asset and credited to Profit and Loss (if it is from post-acquisition profit) or Investment a/c (if it is from pre-acquisition profits). If pre-acquisition dividend is wrongly credited to parent's Profit and Loss, both Investment a/c and parent's Profit and Loss are reduced by the share of parent in pre-acquisition dividend. But it is important to keep in mind that this treatment is done in the separate financial statements only.

When Ind AS 103 is followed, purchase consideration at the acquisition date is added with NCI and Fair value of previously held equity interest and from the total fair value of net assets identified is subtracted for finding the goodwill to be recognized. This goodwill recognized at acquisition date is not adjusted afterwards for any declaration of dividend by the subsidiary, even if it is from pre-acquisition profits. It is not required also. As dividends from pre-acquisition profits are already included in the acquisition date fair value of net assets, it is no more required to be deducted separately from Purchase consideration again. Thus, it is clear that for calculating goodwill in the consolidation of accounts pre-acquisition dividends need not be subtracted from Investment (Purchase consideration). One illustrative example is given below.

Illustration 1.

D Co. Ltd acquired 60% shares of G Co. Ltd. on 1st October 2018. The Retained Earnings balance of G on 1-4-2018 was Rs. 5000. G declared dividend for 2018-19 Rs. 6000 (accounted in books of G but not accounted in books of D).

The abstracts from balance sheets of D and G as at 31-03-2019 are: (amount in rupees)

	D		G	
PPE		60000		30000
Investments: shares in G		24000		
Current Assets		20000		16000
Total Assets		104000		46000
Equity Shares		50000		25000
Other Equity (Retained Earnings)				
Current Liabilities		29000		10000

Required: Consolidated Balance sheet as at 31-03-2019

Solution: (amount in rupees)

WN 1: Share of parent and NCI in subsidiary:

Share of D = 60%

NCI = 40%

WN 2: Pre-acquisition profits of G:		Pre	Post
Retained Earnings on 1-4-2018		5000	
Retained Earnings on 31-3-2019:	11000		
Add: dividend declared	6000		
Earnings before dividend	17000		
Less: Opening balance	5000		
Profits during the year	12000	6000	6000
		11000	6000

Acquisition being made in the mid of the year profits during the year is divided equally between Pre and Post.

Share of NCI in post-acquisition profits = 6000*40% = 2400

WN 3 : FV of net assets identified as at 01-10-2018:

Equity Shares	25000
Pre-acquisition profits	11000
Book Value of Net Assets as at 1-10-2018	36000

It is assumed that Fair value is same as Book value.

Thus fair value of net assets identified =	36000

WN 4: Goodwill:

Purchase consideration (investment)	24000
NCI (FV) at acquisition (40/60)*24000	16000
Total	40000
Less: Net Assets identified (WN 3)	36000
Goodwill	4000

WN 5: NCI at acquisition	16000	
Add: share of Post-acquisition profit 40%*6000	2400 (WN 2)	
Less: Dividends payable to NCI 40%*6000	(2400)	(to be shown as current liability)
NCI at reporting date	16000	

WN 6: Consolidated other equity:

Other equity of D	25000
Share of post-acquisition profit of G (60%*6000)	3600
	28600

WN 7: Current liabilities of G:

Balance as per B/S	10000
Less:Dividend payable (included in CL)	6000
Other current liabilities	4000
Dividend payable to NCI 40%*6000	2400
	6400

Consolidated Balance Sheet as at 31-03-2019

Assets		
Non-current assets		
PPE	60000+30000	90000
Goodwill (WN 4)		4000
Current assets	20000+16000	36000
Total		130000
Equity and Liabilities		
Equity		
Equity share capital		50000
Consolidated other equity (WN 6)		28600
NCI (WN 5)		16000
Current Liabilities (WN 7)	29000+6400	35400
Total		130000

150 YEARS OF CELEBRATING THE MAHATMA

GROUP: iv, PAPER: 18

INDIRECT TAX

LAWS & PRACTICE (ITP)

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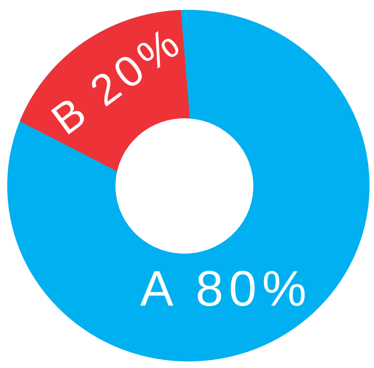
Your Preparation Quick Takes



Syllabus Structure

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

B Tax Practice and Procedures **20%**

Learning Objectives –

- Basic and objectives of Customs act
- Amended Customer Valuation (Determination of Value of Imported Goods) Rules, 2017
- Duty drawback basics
- Notification for change / amend of Duty drawback
- Documents require for claim of duty drawback
- Duty drawback rate fixation

Indirect Tax Laws & Practice

The Customs Duty levied mainly on Import and sometimes on Export also. This Act consolidate and amend the law relating to customs.

(1) This Act may be called the Customs Act, 1962.
(2) It extends to the whole of India and and, save as otherwise provided in this Act, it applies also to any offence or contravention there under committed outside India by any person.
(3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

The Customs duty generally collected for the following reasons –

1.For conservation of foreign exchange by restricting imports
2.Provide protection to the Indian Industries from undue competition.
3.Prohibiting imports and exports of goods for achieving the policy objectives of the Government.
4.To regulate and control the export.
5.To prevent smuggling.

After the GST came into effect from 1st July,2017, IGST is applicable on all Imports into India. IGST is leviable on the value of imported goods and any customs duty chargeable on the goods. Therefore IGST to be calculated after adding the applicable customs duty to the value of imported goods.

From 01.07.2017 IGST has replaced the following duties –

(a) Countervailing Duty (CVD)
(b) Special Additional duty (SAD)

Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 been amended vide Notification No. 91/2017 –Customs (N.T.) dated 26 September, 2017 which is as below –

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART-II, SECTION-3, SUB-SECTION (i)]

Government of India
Ministry of Finance
(Department of Revenue)
(Central Board of Excise and Customs)
Notification No. 91/2017- CUSTOMS (N.T.)

New Delhi, 26th September, 2017
4 Asvina, 1939 (SAKA)

G.S.R. ..... (E).–In exercise of the powers conferred by section 156 read with section 14 of the Customs Act, 1962(52 of 1962), the Central Government, hereby makes the following rules to amend the Customs Valuation (Determination of Value of Imported Goods) Rules 2007, namely:-

2. (i) These rules may be called the Customs Valuation (Determination of Value of Imported Goods) Amendment Rules, 2017.
(ii) They shall come into force on the date of their publication in the Official Gazette.

3. In the Customs Valuation (Determination of Value of Imported Goods) Rules 2007, –

(a) in rule 2, after clause (d), the following shall be inserted, namely: –
"(da) "place of importation"means the customs station, where the goods are brought for being cleared for home consumption or for being removed for deposit in a warehouse;"
(b) in rule 10, for sub-rule (2), the following shall be substituted, namely: –

"(2) For the purposes of sub-section (1) of section 14 of the Customs Act, 1962 (52 of 1962) and these rules, the value of the imported goods shall be the value of such goods, and shall include –

(a) the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation;
(b) the cost of insurance to the place of importation:
Provided that where the cost referred to in clause (a) is not ascertainable, such cost shall be twenty per cent of the free on board value of the goods:

Provided further that where the free on board value of the goods is not ascertainable but the sum of free on board value of the goods and the cost referred to in clause (b) is ascertainable, the cost referred to in clause (a) shall be twenty per cent of such sum:
Provided also that where the cost referred to in clause (b) is not ascertainable, such cost shall be 1.125% of free on board value of the goods:

Provided also that where the free on board value of the goods is not ascertainable but the sum of free on board value of the goods and the cost referred to in clause (a) is ascertainable, the cost referred to in clause (b) shall be 1.125% of such sum:

Provided also that in the case of goods imported by air, where the cost referred to in clause (a) is ascertainable, such cost shall not exceed twenty per cent of free on board value of the goods:

Provided also that in the case of goods imported by sea or air and transshipped to another customs station in India, the cost of insurance, transport, loading, unloading, handling charges associated with such transshipment shall be excluded.

Explanation–
The cost of transport of the imported goods referred to in clause (a) includes the ship demurrage charges on charted vessels, lighterage or barge charges."

[F. No. 466/32/2015-Cus-V]
(Satyajit Mohanty)
Director (ICD)

Note: – The principle rules were published in the Gazette of India, Extraordinary, Part-II, Section-3, Subsection (i), vide –Notification No. 94/2007 Customs (N.T.), dated the 13th September, 2007, vide number G.S.R. 592 (E), dated the 13th September, 2007.

Duty drawback

Duty Drawback is a method of refund of custom duties paid on the inputs or raw materials and service tax paid on the input services used in the manufacture of export goods. Duty Drawback provisions are given under section 74 and 75 of the custom Act, 1962.

The Duty Drawback Scheme allows exporters to get a refund on customs duty paid on imported goods, where those goods are to be treated, processed, or incorporated in other goods for export, or are exported unused since importation.

After GST been implemented there is a major change in Duty Drawback scheme. Up to 01.07.2017 the rebate / refund of excise duty was also available. But in GST era these provisions only apply in case of few products covered under Central Excise.

Various schemes like EOU, SEZ, DFIA, Advance Authorisation, Manufacturer under bond etc, are available to obtain inputs without payment of customs duty or obtained refund of duty paid on inputs.

Notification / Circular for amendment of Duty drawback as below -

Circular No. 21/2017 -Customs

F. No. 609/54/2017-DBK
Government of India
Ministry of Finance, Department of Revenue Central Board of Excise & Customs
*****

New Delhi, dated 30th June, 2017

To,
Principal Chief Commissioners / Principal Directors General, Chief Commissioners / Directors General,s
Principal Commissioners / Commissioners, all under CBEC

Madam/Sir,

Subject: Drawback of Integrated Tax and Compensation Cess paid on imported goods upon re-export under Section 74 of the Customs Act, 1962

As you are aware, Section 74 of the Customs Act, 1962 provides for drawback of duties paid at time of importation when the imported goods are re-exported. Hitherto this drawback inter alia comprised refund of basic customs duty and additional duties under Section 3 of the Customs Tariff Act (CTA), 1975. In this regard, Re-export of Imported Goods (Drawback of Customs Duties) Rules, 1995 refer.

2. Under the GST regime, goods upon import shall be subject to integrated tax and compensation cess in terms of Sections 3(7) and 3(9) respectively of the CTA, 1975. Further, in terms of Section 3(12) of the CTA, 1975, the provisions of the Customs Act, 1962 and rules and regulations made thereunder relating inter alia to drawback shall apply to integrated tax and compensation cess also. Accordingly, drawback under Section 74 would include refund of integrated tax and compensation cess along with basic customs duty, etc.

3. In this regard, the definition of "drawback" under Rule 2 (a) of the Re-export Rules, 1995 has been suitably amended to include refund of duty or tax or cess as referred in the CTA, 1975. Notification No. 57/2017-Customs (N.T.) dated 29.6.2017 may be referred in this regard.

4. In order to prevent dual benefit while sanctioning drawback under Section 74 of the Customs Act, 1962, it may be ensured that a certificate duly signed by the Central/State/UT GST officer, having jurisdiction over the exporter is obtained, that no credit of integrated tax /compensation cess paid on imported goods has been availed or no refund of such credit or integrated tax paid on re- exported goods has been claimed. All other extant instructions in respect of drawback claims under Section 74 remain unchanged.

5. Suitable Public Notice for information of the trade and Standing Order for guidance of the staff may kindly be issued. Difficulties faced, if any, in implementation of this Circular may be brought to the notice of the Board.

Yours faithfully,

(Nitish K. Sinha)
Joint Secretary to the Government of India

The documents generally required for processing of duty drawback claim are as below –
a. Triplicate copy of shipping bill
b. Copy of the Bill of entry.
c. Import Invoice.
d. Proof of payment of duty paid on the importation of goods.
e. Approval from the Reserve Bank of India for re-exports of goods.
f. Copy of the Bill of Lading or Airway bill.

Fixation of Duty Drawback rates are based on the followings -
1.All Industry Rate under Rule 3 (and revised under rule 4)
2. Brand Rate under Rule 6,
3.Special Brand Rate under Rule 7 of Customs and Central excise Duties Drawback Rules, 2017.

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YEARS OF CELEBRATING THE MAHATMA

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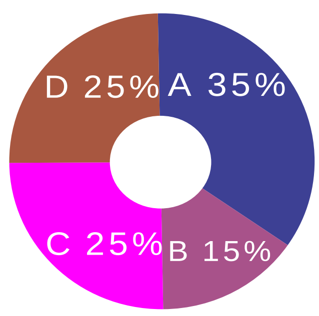
GROUP: iv, PAPER: 19

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

Product codes and the identification of products for Maintenance of Cost Records and Cost Audit.

1. Introduction

Classification of a product under CTA Code in 8 (eight) digits, read with Para 3 of the Companies (Cost Records and Audit) Rules, 2014, determine whether a product is covered under maintenance of Cost records or not.

2. Pre-GST & Post-GST Period:

Prior to FY 2017-18, pre-GST period, the classification of products to be referred for applicability of maintenance of Cost records and Cost Audit is Central Excise Tariff Act 1975 (CETA). The product number was 8 digits – First two digits referred to the chapter number of the said act, next two digits referred to the heading of the products, the rest of the 4 digits referred to the sub-heading of the products. So far as maintenance of Cost records and Cost Audit is concerned, the first four digits of CETA were relevant for CRA-2 (Form for Appointment of Cost Auditor) and CRA-4 (Form for Filing of Cost Audit Report).

Now during the post-GST period, the necessity of CETA does not remain any more since the Excise Acts are non-existent except for those products that are kept outside the preview of GST. But after introduction of GST, even those products that are outside the preview of GST, requires to comply with the section 148 & Companies (Cost Records & Audit Rules) 2014, if it attracts their provision. So, now the classification of Customs Tariff Act 1975 (CTA) is being followed. The classification of products under CTA is same as that of CETA - product number consists of 8 digits – First two digits referred to the chapter number of the said act, next two digits referred to the heading of the products, the rest of the 4 digits referred to the sub-heading of the products.

As per the Rule 2 of the Companies (Cost Records & Audit) Rules 2014 (Application of Cost Records), it mentions the eight digits of the product's classification as per CTA determine the cost records to be maintained for that product (s). The following example clarifies how the cost records are maintained and cost audit reporting is to be done as per the provisions of Companies (Cost Records & Audit) Rules 2014.

Example:
Under Regulated Sector – 3102 - Organic surface Active Agents
It contains other various sub-headings containing specific products as follows

- 3012-2100 : Code for Urea
- 3012-2100 : Code for Ammonium sulphate
- 3012-2910 : Code for Ammonium Sulphonitrate

If a company manufactures all of the above products, then it has to maintain cost records for each of the above products. But so far as reporting is to be done, then a single cost sheet is to be prepared consolidating the cost sheets of all the three individual products and a single cost sheet is to be filed under the code – 3012.

Similarly the GST follows the system of HSN – Harmonised System of Nomenclature. The following paragraph explains the reason of adaptation of CTA is preferred over the HSN of GST.

3. What method of classification to follow?

So, to identify the products for maintenance of cost records and cost audit, the Customs Tariff Act 1975 (CTA) has to be referred as per the Notification GSR-1526 (E) dated 20th December 2017. This change, as per notification, shall be retrospectively applied from 1st July 2017.

The following are the effects of such change w.r.t. Companies (Cost Records & Audit) Rules 2014 –

a) For Rule 3 – The regulated and the unregulated sectors are identified by CTA headinginstead of CETA heading.
b) For Rule 4 sub rule 1 – The applicability of product for maintenance of cost records and cost audit to the products are to be identified by CTA heading instead of CETA heading.

So, the companies are to refer to the CTA 1975 and follow the tariff up to eight digits.

4. Benefit of following CTA instead of GST's HSN.

a) It is to be noted that the classification as per CETA and CTA are the same and can be referred to interchangeably. However, the description of the products in both CETA & CTA classification are described in a different way but both characteristically denote the same product.

Code in CETA & CTA	Description in CETA	Description in CTA
2709	PETROLEUM OILS AND OILS OBTAINED FROM BITUMINOUS MINERALS	PETROLEUM OILS AND OILS OBTAINED FROM BITUMINOUS MINERALS
3102	MINERAL OR CHEMICAL FERTILISERS,	MINERAL OR CHEMICAL FERTILISERS,
5303	JUTE AND OTHER TEXTILE BAST FIBRES	JUTE AND OTHER TEXTILE BAST FIBRES

a) Moreover, if we refer to the Rule 3 (Application of Cost Records) of the Companies (Cost Records & Audit Rules) 2014, before the amendment on 1st July 2017 (given above), the products were listed in a continuous method. For eg –

i) In Regulated Sectors – Serial no 3 – Petroleum products – CETA heading 2709 to 2715
ii) In Regulated Sectors – Serial no 4 – Drugs & Fertilizers - CETA heading 2901 to 2942 ; 3001 to 3006
iii) In Non-Regulated Sectors – Serial no 1 – Machinery & Mechanical Appliances - CETA heading 8401 to 8402; 8801 to 8805; 8901 to 8908

There are many more of such instances where the CETA headings are mentioned in continuous format.

Since there is similarity in listing of product codes in CETA & CTA, as established above, it is more feasible to refer to CTA for identifying the classification of products for the purpose of Cost Audit.

1. Practical applicationsof the CETA & CTA classification w.r.t. Cost Audit

The classification of products are required in the following forms:

a) Form CRA 2 – Form for Appointment of Cost Auditor:
The Cost Auditor are appointed for a particular product that attracts the provision of Section 148 of The Companies Act 2013. The first four digits of CTA code are to be mentioned in the form.

b) Form CRA 4 – Form for filing of Cost Audit Report:
The Cost Audit Report, Annexures to the Cost Audit Report and other relevant attachments are to be filed to the Central Government in this form. This form also requires to be mention the first four digits of CTA code of the products which are audited as well as for the products that are not audited.

c) Annexure to The Cost Audit Report:
The Part A – 2 (10) requires to disclose the eight digits of CTA code of the product that is being audited.

d) XBRL software:
The software for generation of the XML instance document for filing the Cost Audit Report in form CRA 4 requires to mention the eight digits of product CTA code of the products under audit.

It is of utmost importance that the individual products that are manufactured by the company and its CTA codes are to be identified for the compliance of the provisions of Cost Records and Cost Audit.

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January 2020, Issue

YEARS OF CELEBRATING THE MAHATMA

GROUP: iv, PAPER: 20

STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION (SPBV)

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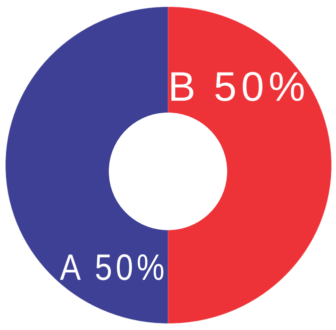
Your Preparation Quick Takes



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

Valuation Models- Discounted Cash Flow

VALUATION MODELS

The value of the company varies depending on which valuation model that has been applied and how input variables has been estimated. Valuation models based on three approaches:

(i) Asset-based Approach:

The basic idea is that the company's value could be determined by looking at the Balance Sheet. Unfortunately, the values on the balance sheet cannot be used because the book value seldom is the same as the real value, except for the case of liabilities that is often accounted in real value. The problem is when following the principles of accounting, assets often are depreciated over their life expectancy and when the asset-based approach is applied the real value for these assets must be determined. In this case, the real value is equivalent to the fair market value that is value of the asset on a free market or present value of the future earnings from the asset or a group of assets.

This approach is commonly used by property and investment companies, to cross check for asset based trading companies such as hotels and property developers, underperforming trading companies with strong asset base (market value vs. existing use), and to work out break – up valuations. Two methods are used in this approach.

(a) The Liquidation Value, which is the sum as estimated sale values of the assets owned by a company.

(b) Replacement Cost: The current cost of replacing all the assets of a company at times for specific purposes professional valuers also consider depreciated replacement cost of the asset(s).

(ii) Income Approach:

The income approach is commonly called Discounted Cash Flow (DCF). It is accepted as an appropriate method by business appraisers. This approach constitutes estimation of the business value by calculating the present value of all the future benefit flows which the company are expected to generate.

Mathematically it can be expressed as the following formula: $PV = \sum FV / (1+i)^n$

Where,

PV = Present Value of FV = Future Value

i = discount rate reflecting the risks of the estimated future value

n = raised to the n^{th} power, where n is the number of compounding periods Source:

As formula shows, according to the income-based approach to determine a business value the appraiser must always make an estimation of the elements below:

- Estimation of business life expectancy;
- Estimation of future income flows that a business will generate during its life expectancy; and
- Estimation of discount rate in order to calculate the present value of the estimated income flows.

(iii) Market-based approach

The market approach determines company value by comparing one or more aspects of the subject company to the similar aspects of other companies which have an established market value.

DIFFERENT VALUATION MODELS

Wide ranges of models are used in valuation ranging from the simple to the sophisticated. In general terms, there are three approaches to valuation.

(1) Discounted Cash Flow Valuation:

It relates to the value of an asset to the present value of expected future cash flows from that asset or group of assets. DCF analysis attempts to figure out the value of a company today, based on projections of how much money it will generate in the future.

(2) Relative Valuation:

It estimates the value of an asset by looking at the pricing of 'comparable' assets relative to a common variable such as earnings, cash flows, book value or sales. The profit multiples used are: (a) Earnings before interest, tax, depreciation and amortisation (EBITDA), (b) Earnings before interest and tax (EBIT), (c) Profits before tax (PBT) and (d) Profit after tax (PAT).

(3) Contingent Claim Valuation:

It uses option pricing models to measure the value of assets that have share option characteristics. Some of these assets are traded financial assets like warrants, and some of these options are not traded and are based on real assets. Projects, patents and oil reserves are examples. The latter are often called real options.

Factors that affect formation of Valuation

Internal Factor

(i) Rate of dividend declared

(ii) Market / Current values of assets and liabilities

(iii) Goodwill, product and corporate brand images,

(iv) Market for the products and services

(v) Value generation abilities of human resources and

Industrial relations with employees

(vi) Nature of plant and machinery and status or technology used,

(vii) Expansion and diversification policies of the company

(viii) Reputation of Management, and so on.

External Factor

(i) Competition,

(ii) Relations with Government and Regulatory Agencies and changes in related policies and regulations,

(iii) Technological development,

(iv) Impacts of changing policies of government regarding direct and indirect taxation,

(v) Import Export policy and volatilities in foreign exchange rates and inputs prices,

(vi) Stability of country's economy and rate of growth,

(vii) Coupling effects from business environment changes in overseas countries through effects of globailisation,

(viii) Stability of government in power and so on.

DISCOUNTED CASH FLOW MODEL

In discounted cash flow valuation, the intrinsic value of an asset is calculated based on fundamentals. DCF technique perceives that markets are inefficient and make mistakes in assessing value. It also makes an assumption about how and when these inefficiencies will get corrected. Here the word asset represents collectively all the assets of the business or the company which is being valued.

There are three inputs that are required to value any asset in this model - the expected cash flow, the timing of the cash flow and the discount rate that is appropriate given the riskiness of these cash flows.

DCF valuation takes into account the underlying characteristics of the firm, and understands the business of firm. It clearly identifies the assumptions made while paying a given price for an asset. It works best for investors who either have a long time horizon or have are potential acquirer of the whole firm. In long term period there is correction in market for price to revert to "true" value and when he is a potential acquirer he is capable of providing the catalyst needed to move price to value.

Example based on Equity Valuation

You are looking at the valuation of a stable firm, P Ltd. done by an investment analyst. Based on an expected free cash flow of Rs.54 crore for the following year and an expected growth rate of 9%, the analyst has estimated the value of the firm to be Rs.1800 crore. However, he committed a mistake of using the book values of debt and equity. You do not know the book value weights employed by him but you know that the firm has a cost of equity of 20 % and a post-tax cost of debt of 10%. The market value of equity is thrice its book value, whereas the market value of its debt is nine-tenths of its book value. What is the correct value of the firm?

Answer:

$$\text{Rs. 1800 crore} = \frac{\text{Rs.54crore}}{r - 0.09}$$

r=0.12=12%.

0.12=x×0.20+(1-x)×0.10

x=0.20

x is the weight assigned to equity is 0.20.

So D/E=0.8/0.2=4

Since the market value of equity is thrice of its book value and the market value of debt is nine-tenths of its book value, the market value weights of equity and debt are:

0.20×3 and 0.80×0.90

i.e. 0.60 and 0.72

Hence the WACC is

$$\frac{0.6}{1.32} \times 0.20 + \frac{0.72}{1.32} \times 0.10 = 0.1454 \text{ or } 14.54\%$$

Hence the value of the firm is:

$$\frac{\text{Rs.54Crore}}{0.1454 - 0.09} = \text{Rs.974.7 crore.}$$

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
Webinar seasons

02 Solve Excercises given in Study Note

03 Assess Yourself

04 Appear For Examination

FINISHED

Vol: 5, No.: 1.
January 2020, Issue

150 YEARS OF CELEBRATING THE MAHATMA

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.

Respected Mam,

Myself **Shreekant Prasad,** CMA Final Student, bearing Registration No—**13081000017 and I have attended** CMA FINAL EXAM, DEC 2019,,

I am really thankful to you and our CMA INSTITUTE for the kind support and help to provide additional materials for exam preparation, like- Supplementary, Work book, MTP, and Supplementary in accounts Paper-17 and also addition materials for new patterns
and also- monthly Students final E bulletin, it was really helpful so much for final revision.

To mention, in this term November 2019 issue of E- bulletin was really useful. I, personally attempted 15 to 20 marks questions for December 2019 exam, from July to November 2019 editions of E- bulletin.(6 months prior to the exams, I followed)
For examples, some I am mentioning below:
In Paper-15, (SCM)..--time cost, project creasing-network diagram-(from Nov 2019 issue) and - marginal costing problem, of full marks, (from July 2019 issue) of E- bulletin.
In Paper 13.(CLC**)** questions covering from-corporate law--Companies Act short question, debentures , equity, etc.
In **Paper 14**,(SFM)--investment decision making and currency problem.., direct and indirect quotation ,(September 2019 issue of E- bulletin).
In Paper 19, (CAMA)- hospital audit, common question ,(from July 2019 issue of E- bulletin) and cost auditor's responsibility, professions ethics, auditor documents etc.
In Paper 17, problems on Amalgamation, hopefully helped to score.
In Paper 18,(ITP)- time of supply question in GST section (from-July 2019 issue of E- bulletin).

Please accept my humble acceptance, I am really thankful to all of them who work for our better future of our institute and also thanks to you mam....

HARE KRISHNA.

I attend CMA Final Exam, Dec 2019,
I really thankful to you and our CMA Institute. For kind support and help to provide additional material for exam preparation, Like - Supplementary, Work Book, MTP, and Accounts addition material for new patters and special - Monthly Final E-Bulletin. Its really help full so much for final revision. In this term November 2019 E-Bulletin, really use full. I personnel getting 15 to 20 marks common question for December 2019 exam form.

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

Send your Feedback to:
e-mail: studies.ebulletin@icmai.in
website: http://www.icmai.in

Message from

Directorate of Studies

Dear Students,

May the New Year be full of Success - Happy New Year!
We from the Directorate of studies know your expectations from us and accordingly we are trying to delivery some meaningful tips through the publications of monthly E-bulletins. Other than this we are trying to help you through, Mock Test Papers (MTPs), Work Book, and we have conducted Webinar sessions. Before stepping in to the examination hall, please go through the PPTs on "Achieve your GOAL"; Uploaded by the Directorate of Studies and which will help you to know about certain Do's and Don'ts in the examination.

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:

"Whatever you do will be insignificant. But it is very important that you do it",

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 links mentioned below :

For Mock Test Papers (MTP) : https://icmai.in/studentswebsite/mtp2016_j19_Final.php

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

For Work Book Link : https://icmai.in/studentswebsite/Workbook-Syl-2016-Final-March2019.php

Live/Recorded Webinar Link : https://eicmai.in/Webinar_Portal/Students/StudentLogin.aspx

Ebulletin Link : https://icmai.in/studentswebsite/E-Bulletin.php

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

GOOD LUCK

Be Prepared and Get Success;

Few Snapshots

Global Summit (GS-2020) on 11th January, 2020 at New Delhi, Valedictory Session

Global Summit (GS-2020) on 11th January, 2020 at New Delhi, Valedictory Session

Global Summit (GS-2020) on 11th January, 2020 at New Delhi, Valedictory Session

Global Summit (GS-2020) on 10th January, 2020 at New Delhi, Technical Session III

Global Summit (GS-2020) on 10th January, 2020 at New Delhi, Technical Session V

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