

2020

November
VOL: 5, NO.: 11,

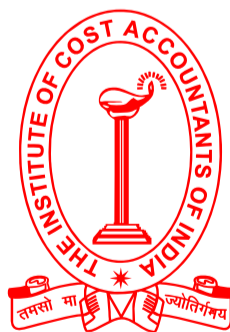
TOLL FREE 18003450092 / 1800110910



CMA Student E - Bulletin

FINAL

FOLLOW US ON



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

www.icmai.in

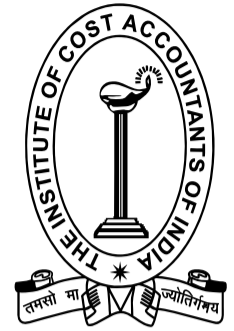
Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700016

Ph: 091-33-2252 1031/34/35/1602/1492

Delhi Office: CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

Ph: 091-11-24666100

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

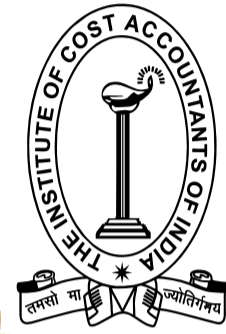


CONTENTS

Knowledge Update -	1
Group : III Paper 13: Corporate Laws & Compliance (CLC) -	2
Group: III Paper 14: Strategic Financial Management (SFM) -	5
Group: III Paper 15: Strategic Cost Management - Decision Making (SCMD) -	10
Group: III Paper 16: Direct Tax Laws and International Taxation (DTI) -	16
Group: IV Paper 17: Corporate Financial Reporting (CFR) -	20
Group: IV Paper 18: Indirect Tax Laws & Practice (ITP) -	24
Group: IV Paper 19: Cost & Management Audit (CMAD) -	28
Group: IV Paper 20: Strategic Performance Management and Business Valuation (SPBV) -	31
Exam Time Table -	35
Practical Advice -	36
Submissions -	37
Message from the Directorate of Studies -	38
Few Snapshots -	39



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.

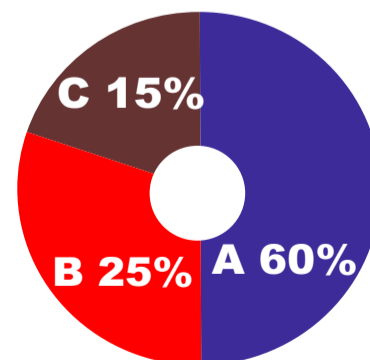


GROUP: iii, PAPER: 13

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.

Foreign Exchange Management Act

Few important terminologies under Foreign Exchange Management Act (FEMA)

Authorized Bank

'Authorized Bank' means a bank including a co-operative bank (other than an authorized dealer) authorized by the Reserve Bank to maintain an account of a person resident outside India.

Authorized Dealer

'Authorized Dealer' means a person authorized as an authorized dealer under sub-section (1) of section 10 of FEMA. (c)

Authorized person

Section 2(c) 'Authorized person' means an authorized dealer, money changer, off-shore banking unit or any other person for the time being authorized under sub-section (1) of section 10 to deal in foreign exchange or foreign securities.

Capital

'Capital' means equity shares, fully, compulsorily & mandatorily convertible preference shares, fully, compulsorily & mandatorily convertible debentures and warrants. Preference shares and convertible debentures shall be required to be fully paid, and should be mandatorily and fully convertible. Further, 'warrant' includes Share Warrant issued by an Indian Company in accordance to provisions of the Companies Act, as applicable.

Capital account transaction

Section 2(e) 'capital account transaction' means a transaction which alters the assets or liabilities, including contingent liabilities, outside India of persons resident in India or assets or liabilities in India of persons resident outside India, and includes transactions referred to in sub-section (3) of section 6.

Current account transaction

Section 2(j) 'current account transaction' means a transaction other than a capital account transaction and includes: (1) payments due in connection with foreign trade, other current business, services, and short-term banking and credit facilities in the ordinary course of business. (2) payments due as interest on loans and as net income from investments. (3) remittances for living expenses of parents, spouse and children residing abroad, and (4) expenses in connection with foreign travel, education and medical care of parents, spouse and children.

Foreign currency

Section 2(m) 'foreign currency' means any currency other than Indian currency.

Foreign Currency Convertible Bond (FCCB)

'Foreign Currency Convertible Bond' (FCCB) means a bond issued by an Indian company expressed in foreign currency, the principal and interest of which is payable in foreign currency. FCCBs are issued in accordance with the Foreign Currency Convertible Bonds are issued in foreign currency and convertible into ordinary shares of the issuing company in any manner, either in whole, or in part.

Foreign exchange

Section 2(n) 'foreign exchange' means foreign currency and includes,- (1) deposits, credits and balances payable in any foreign currency. (2) drafts, travelers cheques, letters of credit or bills of exchange, expressed or drawn in Indian currency but payable in any foreign currency. (3) drafts, travelers cheques, letters of credit or bills of exchange drawn by banks, institutions or persons outside India, but payable in Indian currency.)

FIPB

means the Foreign Investment Promotion Board constituted by the Government of India which stand abolished from May, 2017.

Foreign Institutional Investor (FII)

'Foreign Institutional Investor' (FII) means an entity established or incorporated outside India which proposes to make investment in India and which is registered as a FII in accordance with the Securities and Exchange Board of India (SEBI) (Foreign Institutional Investor) Regulations 1995.

Foreign Portfolio Investor(FPI)

'Foreign Portfolio Investor' (FPI) means a person registered in accordance with the provisions of Securities and Exchange Board of India (SEBI) (Foreign Portfolio Investors) Regulations, 2014, as amended from time to time.

Foreign Venture Capital Investor (FVCI)

'Foreign Venture Capital Investor' (FVCI) means an investor incorporated and established outside India, which is registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000 [SEBI (FVCI) Regulations] and proposes to make investment in accordance with these Regulations.

Foreign security

Section 2(o) 'foreign security' means any security, in the form of shares, stocks, bonds, debentures or any other instrument denominated or expressed in foreign currency and includes securities expressed in foreign currency, but where redemption or any form of return such as interest or dividends is payable in Indian currency.

Automatic route of FDI

Areas of investment in Indian entities by foreign investors which do require nay approval, other than filing with RBI

Government route of FDI

'Government route' means that investment in the capital of resident entities by non-resident entities can be made only with the prior approval of Government, Department of Promotion of Industry and International trade, under Ministry of Commerce and Industry.

Indian currency

Section 2(q) 'Indian currency' means currency which is expressed or drawn in Indian rupees but does not include special bank notes and special one rupee notes.

Investment on repatriable basis 'Investment on repatriable basis' means investment, the sale proceeds of which, net of taxes, are eligible to be repatriated out of India and the expression 'investment on non-repatriable basis' shall be construed accordingly.

Non-resident entity

'Non-resident entity' means a 'person resident outside India' as defined under FEMA.

(w) Non-Resident Indian (NRI) 'Non-Resident Indian' (NRI) means an individual resident outside India who is a citizen of India or is an 'Overseas Citizen of India' cardholder.



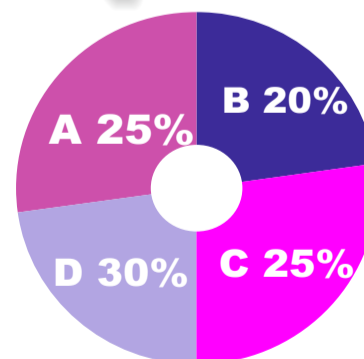


GROUP: iii, PAPER: 14

STRATEGIC FINANCIAL MANAGEMENT (SFM)

Dr. Swapan Sarkar,
Assistant Professor
Department of Commerce,
University of Calcutta
He can be reached at:
swapansarkar22@gmail.com

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

UNIT 2: EVALUATION OF RISKY PROPOSALS FOR INVESTMENT DECISIONS

2. Risk Adjusted Discount Rate Method

The rationale, underlying this method is that all the projects undertaken by a firm should not be discounted at the same rate. The rate should be so chosen for each project that it reflects the risk characteristics of the project. It may be recalled that under the Net Present Value method of appraising the projects, it is assumed that the risk characteristics of the new projects is the same as the investments already made by the firm and that the proposed project does not alter the risk associated with the firm as a whole. This approach, on the contrary, considers that new projects do alter the total risk of the firm and hence need to be discounted at a higher or lower rate as necessary if the firm is to make sound investment decisions.

The Risk Adjusted Discount rate (RAD), therefore, consists of three exponents. The risk-free rate of discount, the premium for the normal risk of the firm and the premium (whether positive and negative) for the extra or below normal risk of the project.

Symbolically, RAD (say, i) = $r + u + a$

Where, r = risk free rate

u = the premium for normal risk of the firm

a = the premium for the abnormal or subnormal risk of the project compared to the normal risk of the firm.

The additional risk premium may be decided upon by the firm on a case to case basis, or a blanket rate may be decided for each class of investments. For example, a firm may decide the discount rates for various categories of investments as follows:

Category of Investment	Discount rate
Replacement investments	Cost of capital + 2%
New projects	Cost of capital + 4%
Research and development investments	Cost of capital + 5%

Illustration 1:

A firm is considering a replacement investment. The firm feels that the suitable discount rate for investment is cost of capital + 2% and the cost of capital 13%. The cash flows as projected by the company's analyst are as follows:

Initial outflow is Rs. 14 lakhs and expected cash inflow for 1-5 years is Rs. 2.54 lakhs and from 6-10 years is Rs. 3.14 lakhs. Calculate the NPV of the project.

Solution:

$$\begin{aligned}
 \text{NPV} &= -14 + 2.54 \times \text{PVIFA}(15\%, 5) + 3.14 \times \text{PVIFA}(15\%, 6-10) \\
 &= -14 + 2.54 \times \text{PVIFA}(15\%, 5) + 3.14 \times \text{PVIFA}(15\%, 5) \times \text{PVIF}(15\%, 5) \\
 &= -14 + 2.54 \times 3.352 + 3.14 \times 3.352 \times 0.497 \\
 &= \text{Rs. } 0.255 \text{ lakhs}
 \end{aligned}$$

*Discounting rate = cost of capital + 2% = 13% + 2% = 15%

3. Expected NPV and Standard Deviation

This method dealing with risk associated with a project requires estimation of expected cash flows and standard deviation of cashflows of each year based on the probabilistic estimates of cashflows relating to alternative states of nature. The mean and standard deviation of cashflows are then used to calculate the Expected NPV and Standard Deviation of NPV. Standard Deviation is considered as the best measure of dispersion or variability. Higher value of standard deviation indicates higher variability and vice versa. Higher variability means higher risk. As future cash flows cannot be estimated with certainty, it involves risk. Therefore, risk in investment analysis can be measured using standard deviation. Investment proposal with lower standard deviation will indicate lower variability in cash flow estimates, hence such investment proposal may be preferred to the proposal having higher standard deviation. However, competing projects are required to be compared on the basis of Coefficient of Variation (measured by S.D of NPV divided by Expected NPV).

The above process is described step-by-step with illustrations as follows:

Step 1: Calculation of expected cash flows and S.D of cashflows:

Illustration 2:

Pioneer Projects Ltd. is considering accepting one of two mutually exclusive projects X & Y. For the first year the cash flow and probabilities are estimated as under:

Project X		Project Y	
Probability	Cash flow	Probability	Cash flow
0.10	12,000	0.10	8,000
0.20	14,000	0.25	12,000
0.40	16,000	0.30	16,000
0.20	18,000	0.25	20,000
0.10	20,000	0.10	24,000

Calculate the expected cashflows and standard deviation of cashflows.

Solution

Calculation of expected cashflows and standard deviation of cashflows for Project X

P	X	EV = P*X	(x-x) ('000)	$(x - \bar{x})^2$	$P(x - \bar{x})^2$
0.10	12,000	1,200	-4	16	1.6
0.20	14,000	2,800	-2	4	0.8
0.40	16,000	6,400	0	0	0
0.20	18,000	3,600	2	4	0.8
0.10	20,000	2,000	4	16	1.6
		$\bar{x} = 16,000$			Variance = 4.8

Standard Deviation (σ) = $\sqrt{4.8} = 2.19$

Calculation of expected cashflows and standard deviation of cashflows for Project Y

P	X	EV = P*X	(x-x) ('000)	$(x - \bar{x})^2$	$P(x - \bar{x})^2$
0.10	8,000	800	-8	64	6.4
0.25	12,000	3,000	-4	16	4.0

0.30	16,000	4,800	0	0	0
0.25	20,000	5,000	4	16	4.0
0.10	24,000	2,400	8	64	6.4
		$\bar{x} = 16,000$			Variance = 20.8

Standard Deviation (σ) = $\sqrt{20.8} = 4.56$

Note: The above illustration shows the calculation of expected cashflows and standard deviation of cashflows for the projects only for the first year. In the similar way, the calculation of expected cashflows and standard deviation of cashflows for all the other years in the life of the projects must also be calculated.

Step 2: Calculate the Expected NPV and Standard Deviation of NPV

The calculation of expected NPV is very simple. It is the excess of the present value of expected cashflows over the initial investment in the project. Symbolically,

$$\text{Expected NPV (NPV)} = \sum_{t=1}^n \frac{\bar{A}_t}{(1+i)^t} - I$$

Where, \bar{A}_t = the expected cash flows

i = the risk-free discount rate

n = life of the project

The calculation of standard deviation of NPV depends on the association between the expected cashflows. There can be three possible associations between the expected cashflows over time:

(a) Perfectly Correlated Cashflows:

If the cashflows are perfectly correlated, the S.D of NPV is calculated as follows:

$$\sigma(\text{NPV}) = \sum_{t=1}^n \frac{\sigma_t}{(1+i)^t}$$

Where, σ_t = standard deviation of the cashflows

(b) Uncorrelated Cashflows:

If the cashflows are uncorrelated, the S.D of NPV is calculated as follows:

$$\sigma(\text{NPV}) = \left[\sum_{t=1}^n \frac{\sigma_t^2}{(1+i)^{2t}} \right]^{\frac{1}{2}}$$

Illustration 3:

The cashflows of a project are *perfectly correlated*. The project involves an initial cash outlay of Rs.20000. The mean or expected value and standard deviation of the cashflows are as follows:

Year	1	2	3	4
Exp. Cashflow (Rs.)	10000	6000	8000	6000
S.D of Cashflow (Rs.)	3000	2000	4000	1200

Risk free rate of interest is 6%. Calculate the expected NPV and S.D of NPV.

Solution:

Calculation of expected NPV and S. D of NPV

Year	Exp. C/F	SD of C/F	PVIF @ 6%	PV of C/F	PV of S. D
1	10000	3000	0.943	9430	2829
2	6000	2000	0.890	5340	1780

3	8000	4000	0.840	6720	3360
4	6000	1200	0.792	4752	951
Total PV of C/F				26242	8920
Less. Initial investment				20000	
NPV				6242	

So, expected NPV = Rs.6242

Standard deviation of NPV = Rs. 8920

Illustration 4:

Refer to the previous example, calculate the expected NPV and S.D of NPV assuming that the cashflows are uncorrelated.

Expected NPV = Rs.6242 (refer to the previous illustration).

Calculation of SD of NPV

Year	SD of C/F	PVIF @ 6%	PV of S. D	(PV of S. D) ²
1	3000	0.943	2829	8003241
2	2000	0.890	1780	3168400
3	4000	0.840	3360	11289600
4	1200	0.792	951	904401
Total				23365642

So, SD of NPV = $\sqrt{23365642}$ = Rs. 4833

(c) Moderately Correlated Cashflows (positive or negative)

In reality cashflows are neither perfectly correlated nor uncorrelated, rather they are moderately correlated (with positive or negative correlation). In such cases expected NPV and the standard deviation of NPV cannot be determined in the above two approaches. They are to be based on conditional probabilities and joint probabilities.



GROUP: iii, PAPER: 15

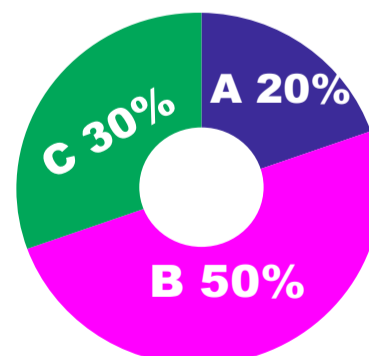
STRATEGIC

COST MANAGEMENT-
DECISION MAKING

(SCMD)

CMA (Dr.) Sreehari Chava
Cost & Management Consultant,
Nagpur, Maharashtra,
He can be reached at:
sreeharichava@yahoo.co.in

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?

Choose the Appropriate Answer**Warm-up**

Continuing the series of 'Choose the appropriate Answer', given below are the questions and answers of the objective shorties relating to the examination held in December 2019.

Question 1

The break-even point of a manufacturing company is Rs.1,60,000. Fixed cost is Rs.48,000. Variable cost is Rs.12 per unit. The PV ratio will be:

- 20%
- 40%
- 30%
- 25%

Answer

30% {i.e. (c)}

Workings

PV Ratio = $FC \div BEP = 48000 \div 160000 = 30\%$

Explanatory Comment

Please remember that PV Ratio can be worked by dividing the variable cost with sales or by dividing the fixed cost with BEP sales.

Question 2

A factory has a key resource (bottleneck) of Facility A which is available for 31,300 minutes per week. The time taken by per unit of Product X and Y in Facility A are 5 minutes and 10 minutes respectively. Last week's actual output was 4750 units of product X and 650 units of Product Y. Actual factory cost was Rs.78,250. The throughput cost for the week would be:

- Rs.75,625
- Rs.76,225
- Rs.77,875
- Rs. 79,375

Answer

Rs.75,625/- {i.e. (a)}

Workings

Cost per Facility Minute = Total Factory Cost / Minutes Available
= $Rs.78,250/31,300 = Rs. 2.50$

Standard Minutes of throughput for the week
= $(4750 \text{ units of X} \times 5) + (650 \text{ units of Y} \times 10)$
= $(23750 + 6500) = 30,250 \text{ minutes}$

Therefore, throughput cost for the week
= $30,250 \times Rs. 2.50 = Rs.75,625$

Explanatory Comment

Facility Minutes being the bottleneck, cost computations are based on available and standard minutes. Throughput is the number of units that can be produced by a production process within a certain period of time.

Question 3

In a PERT network, the optimistic time for a particular activity is 9 weeks and the pessimistic time is 21 weeks. Which one of the following is the best estimate of the standard deviation for the activity?

- 12
- 9
- 6
- 2

Answer

2 {i.e. (d)}

Workings

$$\begin{aligned} \text{Standard Deviation} &= \{(Pessimistic\ time - Optimistic\ Time) \div 6\} \\ &= \{(21-9) \div 6\} = 2 \end{aligned}$$

Question 4

The higher the actual hours worked,

- The lower the capacity usage ratio.
- The higher the capacity usage ratio.
- The lower the capacity utilization ratio.
- The higher the capacity utilization ratio.

Answer

The higher the actual hours worked; the higher the capacity utilization ratio. {i.e. (d)}

Explanatory Comment

Capacity utilization ratio is worked out by dividing the actual hours with the budgeted hours. Therefore, higher the actual hours, higher would be the utilisation ratio.

Question 5

X is a factory making a certain product where learning curve ratio of 80% and 90% apply respectively for two equally paid workers, A and B.

- The labour cost of manufacturing the 4th product will be more for A.
- The labour cost of manufacturing the 4th product will be more for B.
- The labour cost is the same for the fourth product.
- Nothing can be said about the specific product since learning applies ratio to the average quantity of the product.

Answer

(b)

Explanatory Comment

Higher the learning curve, higher would be the labour hours. Therefore, B will take more time per unit of product and hence the labour cost of manufacturing the 4th product will be more for B.

Question 6

What is the opportunity cost of making a component part in a factory given no alternative use of the capacity?

- The variable manufacturing cost of the component
- The total manufacturing cost of the component
- The total variable cost of the component
- Zero

Answer

Zero {i.e. (d)}

Explanatory Comment

Opportunity Cost is the "cost" incurred by not enjoying the benefit associated with the best alternative choice. In the instant case there is no (zero) alternative use for the capacity. Hence, answer (d) is correct.

Question 7

The product of XYZ company is sold at a fixed price of Rs.1,500 per unit. As per company's estimate, 500 units of the product are expected to be sold in the coming year. If the value of investments of the company is Rs.15 lakhs and it has a target ROI of 15%, the target cost would be:

- Rs.930
- Rs. 950
- Rs. 1050
- Rs. 1130

Answer

Rs.1,050/- {i.e. (c)}

Workings

Target ROI at 15% of total investment of Rs.15 lakhs
 $= \text{Rs.}15,00,000 \times 0.15 = \text{Rs.} 2,25,000$

Expected output = 500 units

Target Profit per unit of output = $\text{Rs.} 2,25,000 / 500 = \text{Rs.} 450$ per unit

Target cost per unit = Selling Price - Profit per unit
 $= \text{Rs.}1,500 - \text{Rs.}450 = \text{Rs.}1,050$ per unit.

Conceptual Comment

Target Costing is considered as a philosophy in which product development is based on what the customer wants and is willing to pay for and not what it costs to produce. Hence it starts with the market determined price; then deducts the desired profit margin; and works back the target cost. Peter Drucker calls this "price-led costing." And that is how the formulation: "Target Cost = Target Price - Target Profit" in place of the traditional approach of "Cost + Profit = Selling Price".

Question 8

Max Ltd. fixes the inter divisional transfer prices for its products on the basis of cost plus a return on investment in the division. The budget for division X for 2019 - 20 appears as under -

Fixed assets (Rs.)	5,00,000
Current assets (Rs.)	3,00,000
Debtors (Rs.)	2,00,000
Annual fixed cost of the division (Rs.)	8,00,000
Variable cost per unit of the product (Rs.)	10
Budgeted volume	4,00,000 units per year
Desired ROI	28%

Transfer price for division X is

- Rs.12.70
- Rs.10.70
- Rs. 8.70
- Rs. 14.70

Answer

Rs.12.70 {i.e. (a)}

Workings

Variable Cost per Unit = Rs.10.00

Fixed Cost per Unit = (Annual Fixed Cost) ÷ (Budgeted Volume)
 $= 8,00,000 \div 4,00,000 = \text{Rs.}2.00$

Total Cost per Unit = (VC + FC) = (10 + 2) = Rs.12.00

Investments = (Fixed Assets + Current Assets + Debtors)

$$= 5,00,000 + 3,00,000 + 2,00,000 = \text{Rs.}10,00,000$$

Desired ROI = 28% on Investments

$$= 28\% \text{ on } 10,00,000 = \text{Rs. } 2,80,000$$

Desired ROI per Unit = $2,80,000 \div 4,00,000 = \text{Rs.}0.70$

Transfer Price = (TC + Desired ROI)

$$= (12.00 + 0.70) = \text{Rs.}12.70$$

Conceptual Comment

Transfer price is the price that one segment (sub unit, department, division etc.,) of an organization charges for a product or services supplied to another segment of the same organization. Transfer prices are used when individual entities of a larger multi entity firm are treated and measured as separately run entities.

Question 9

Which of the following is not a correct match?

Serial	Activity	Cost Drivers
a	Production scheduling	Number of production runs
b	Despatching	No. of Despatch orders
c	Goods receiving	Goods received order
d	Inspection	Machine hours

Answer

Cost driver for inspection cannot be machine hours. Hence the mismatch is (d).

Conceptual Comment

Inspection hours, and not machine hours, would drive the cost of inspection

Question 10

A manufacturing company uses two types of materials, X and Y, for manufacture of a standard product. The following information is given:

Standard Mix			Actual Mix		
Material X	120 kg @ Rs.5	Rs.600	Material X	112 kg @ Rs.5	Rs.560
Material Y	80 kg @ Rs.10	Rs.800	Material Y	88 kg @ Rs.10	Rs.880
	200 kg			200 kg	
Less 30% Loss	60 Kg		Less 25% Loss	50 Kg	
Final Product	140 kg	Rs.1400	Final Product	150 kg	Rs.1440

Direct Materials Mix Variance is:

- Rs. 40 (fav.)
- Rs. 40 (unfav.)
- Rs. 80 (fav.)
- Rs. 80 (unfav.)

Answer

Rs.40 (Unfavourable) {i.e. (b)}

Workings

Formula for Direct Materials Mix Variance = $SP (SQ - AQ)$

Direct Materials Mix Variance for X = $5(120-112) = 40 \text{ F}$

Direct Materials Mix Variance for Y = $10(80- 88) = 80 \text{ UF}$

Total = $40\text{F} + 80\text{UF} = 40 \text{ UF}$

Conceptual Comment

Variance denotes the deviation between the standard proposition and the actual incidence.

Quick Take

Evidently, the objective questions tend to cover the conceptual applications encompassing the maximum of the syllabus. So, a revision of these questions before the examinations is bound to be of immense help.





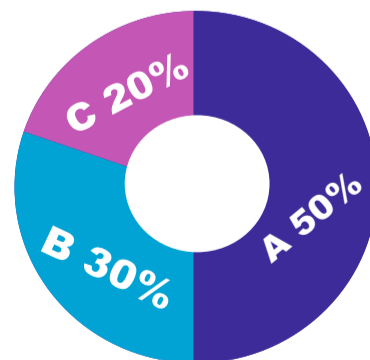
GROUP: iii, PAPER: 16

DIRECT TAX

LAWS AND INTERNATIONAL
TAXATION (DTI)

CA Vikash Mundhra
He can be reached at:
vikash@taxpointindia.com

Your Preparation Quick Takes



Syllabus Structure

A Advanced Direct Tax Laws 50%

B International Taxation 30%

C Case Study Analysis 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.

INTEREST u/s 234A, 234B & 234C

Under the Income-tax Act, different types of interests are levied for various kinds of delays/defaults. In this, we are discussing about the provisions of sec. 234A, 234B and 234C dealing with interest levied for (i) delay in filing the return of income; (ii) non-payment or short payment of advance tax; and (iii) non-payment or short payment of individual instalment or instalments of advance tax (i.e., deferment of advance tax).

Before understanding the provisions of sec. 234A, 234B and 234C it is important to understand the provisions of Rule 119A which gives the manner of computation of interest under the Income-tax Act

1. Rounding off the amount on which interest is to be calculated

Amount on which such interest is calculated will be rounded off to the multiple of 100 by ignoring any fraction of 100. E.g., amount on which interest is to be calculated is ₹ 240 or ₹ 290, then it is to be rounded off to ₹ 200 by ignoring fraction of ₹ 40 or ₹ 90.

2. Rounding off the period for which interest is to be calculated

- When interest is calculated on monthly basis, any fraction of the month shall be taken as full month. E.g., Interest is to be calculated from 1st August to 5th December, then interest shall be calculated for 5 months.

When interest is calculated on annual basis, any fraction of the month shall be ignored.

Interest for default in furnishing return of income [Sec. 234A]

Condition: Where a person, who is required to furnish return of income -

- fails to furnish a return; or
- furnishes it after the due date specified u/s 139(1).

Amount on which interest is to be charged: On the amount of tax determined u/s 143(1) or on regular assessment as reduced by advance tax paid and tax deducted or collected at source, if any.

In other words, interest is to be calculated on the following amount:

Particulars	Amount	Amount
Tax determined u/s 143(1) or on Regular assessment*		***
Less: Advance Tax paid	***	
Relief u/s 89 or 90 or 90A or 91	***	
Credit allowed u/s 115JAA / 115JD (MAT or AMT Credit)	***	
Tax deducted/collected at source	***	***
Amount for Interest Calculation		***

* Regular Assessment means assessment u/s 143(3)/144/147 (first time)/153A(first time).

Rate of Interest: Simple interest @ 1% per month or part thereof

Period: For every month or part of a month commencing from the day immediately following the due date for furnishing return for the relevant assessment year and ending on:

- Where the return is furnished after due date : Date of furnishing return
 - Where the return is not furnished at all: Date of completion of assessment u/s 144 **Taxpoint**
- For the purpose of self-assessment u/s 140A, interest shall be calculated on tax liability as declared in the return by the assessee.
 - As interest liability u/s 234A is different, in case of assessment by assessee himself (i.e. self- assessment) and assessment made by income tax authority (i.e. assessment u/s 143(1) or regular assessment), therefore, interest paid u/s 234A at the time of self-assessment shall be reduced from final interest liability u/s 234A.

Interest for default in paying advance tax [Sec. 234B]

Condition: Where a person, who is required to pay advance tax, fails to pay -

- (a) advance tax at all; or
(b) 90% of assessed tax as advance tax.

Amount on which interest is to be charged -

Particulars	Interest
Where no tax is paid u/s 140A	Assessed tax - Advance tax paid
Where tax is paid u/s 140A	
Period upto the date on which tax as per self-assessment is paid	Assessed tax - Advance tax paid
Period after the date on which the tax as per self assessment is paid	Assessed Tax - Advance tax paid - Tax paid on Self Assessment*
# Assessed tax means tax determined u/s 143(1) or Regular assessment as reduced by - Tax deducted or collected at source; - Relief allowed u/s 89 or 90 or 90A or 91; - Credit allowed u/s 115JAA or 115JD (MAT or AMT Credit)	
* Where amount paid under self-assessment falls short of tax and interest calculated as per self-assessment, then amount paid shall be first adjusted towards interest and balance, if any, shall be adjusted towards tax payable.	

For deferment of Advance Tax [Sec. 234C]

Condition: Payment of advance tax is to be made at specified percentage within given dates*. In case assessee fails to pay the amount or pays lesser amount as required by the schedule, then assessee will have to pay interest u/s 234C for such deferment.

Amount on which interest is payable

Particulars	Amount
Specified % of tax* on the total income declared in the return filed by the assessee	***
Less: Tax deducted/collected at source	***
Less: Amount of advance tax paid on or before the due date of payment as per the advance tax payment schedule.	***
Less: Other Credit or relief allowed (if any)	***
Amount on which interest shall be calculated	***

*Specified % of tax for calculation of interest under this section

Types of Assessee	Due date of Instalment (P.Y.)	Amount Payable
An eligible assessee in respect of an eligible business referred to in sec. 44AD or 44ADA	On or before March 15	100% of advance tax liability
In case of other assessee	On or before June 15	Not less than 15% of tax. [Note 1]
	On or before September 15	Not less than 45% of tax as reduced by the amount paid in the earlier installment [Note 2]
	On or before December 15	Not less than 75% of tax as reduced by the amount paid in the earlier installments
	On or before March 15	The whole amount of tax as reduced by the amount paid in the earlier installments

Taxpoint

1. Where an assessee has paid 12% or more of tax as advance tax on or before June 15, then no interest u/s 234C is payable.
2. Where an assessee has paid 36% or more of tax as advance tax on or before September 15, then no interest u/s 234C is payable.

Rate of interest: Simple interest @ 1% per month or part thereof

Period: 3 months (1 month for last instalment)

Other Points

No interest will be levied in respect of any shortfall in the payment of advance tax due on the returned income, if -

a) The shortfall is on account of under-estimation or failure to estimate the amount of:

- i. capital gains; or
- ii. income of the nature referred to in section 2(24)(ix) [i.e. lottery, cross-word, etc.];
- iii. income under the head "Profits and gains of business or profession" in cases where the income accrues or arises under the said head for the first time; or
- iv. income of the nature referred to in sec. 115BBDA (i.e., dividend in excess of specified limit)

The assessee has paid the whole of the amount of tax payable in respect of such income as part of the remaining installment(s) of advance tax which were due or where no installment is due, by March 31 of the previous year.

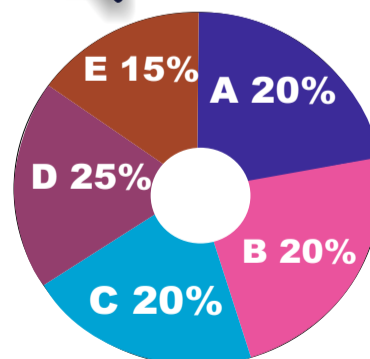




GROUP: iv, PAPER: 17
CORPORATE
 FINANCIAL REPORTING
 (CFR)

Dr. Ananda Mohan Pal
 Professor,
 Department of Business
 Management,
 The University of Calcutta,
 He can be reached at:
 apal59@gmail.com

Your Preparation Quick Takes



Syllabus Structure

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

Learning Objectives:

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

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

Ind AS 2 Inventories Accounting**Ind AS 2 Inventories Accounting**

Inventories are assets

- measured and carried in accounts at a value and
- in the period such assets are sold the carrying amount of such assets is recognised as expense.

I. **Inventories shall be measured at the lower of (1) cost and (2) net realisable value.**

1. Measurement of costs

Regarding measurement of costs we need to know

- the elements of costs that are included in and excluded from costs of inventories.
- the techniques of measurement and cost formulas

(A) the elements of costs that are included in and excluded from costs of inventories.

The cost of inventories shall comprise all

- costs of purchase,
- costs of conversion and
- other costs incurred in bringing the inventories to their present location and condition.

Thus, Cost of inventories = $x+y+z$

(Ax) The costs of purchase of inventories are equal to

- purchase price, plus
 - import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), plus
 - transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services,
- Less (iv) Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. Thus, costs of purchase = $x = (i) + (ii) + (iii) - (iv)$.

(Ay) Costs of conversion equals to:

- costs directly related to the units of production, such as direct labour, plus
- a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.

Thus costs of conversion = $y = a+b$

(Ayb) Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production, such as

- depreciation and maintenance of factory buildings and equipment, and
- the cost of factory management and administration.

The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities when actual production is close to or less than normal capacity. However, when actual production is fairly higher than normal capacity

actual production should be taken as the basis of allocation of fixed production overheads.

Variable production overheads are those indirect costs of production that vary directly, or nearly directly, with the volume of production, such as

- indirect materials and
- indirect labour

(Az) Other costs are included only to the extent incurred in bringing the inventories to their present location and condition. When joint products are produced or when there is a main product and a by-product and the costs of conversion of each product are not separately identifiable, they are allocated between the products on a rational and consistent basis.

The allocation may be based, for example,

- (i) on the relative sales value of each product either at the stage in the production process when the products become separately identifiable, or at the completion of production.
- (ii) By-products when not material, are often measured at net realisable value and deducted from the cost of the main product.

(B) The techniques of measurement and cost formulas

Techniques for the measurement of the cost of inventories, such as the standard cost method or the retail method, may be used for convenience if the results approximate cost.

- Standard costs take into account normal levels of materials and supplies, labour, efficiency and capacity utilisation. They are regularly reviewed and, if necessary, revised in the light of current conditions.
- The retail method is often used in the retail industry for measuring inventories of large numbers of rapidly changing items with similar margins for which it is impracticable to use other costing methods. The cost of the inventory is determined by reducing the sales value of the inventory by the appropriate percentage gross margin.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects shall be assigned by using specific identification of their individual costs.

The cost of inventories, other than those dealt in (a), shall be assigned by using the

- first-in, first-out (FIFO) or
- weighted average cost formula.

An entity shall use the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified.

2. Net Realisable Value

Net Realisable Value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories are usually written down to net realisable value item by item. In some circumstances, however, it may be appropriate to group similar or related items.

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

II. Recognition as an expense

- When inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised.
- The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs.
- The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

MCQ:

[Q1 to Q3] A company imports goods from South Asia and sells in domestic market.

1. Which of the following is not included in cost of inventories?

- (a) Costs of purchases (based on supplier's invoices)
- (b) Ocean Freight
- (c) Integrated GST (Import duties for which credit will be available)
- (d) Insurance of purchases

2. Which of the following is included in cost of inventories?

- (a) Sales commission
- (b) After sales warranty costs
- (c) Brokerage commission paid to indenting agents
- (d) Distribution costs

3. Which of the following statements is true?

- (a) Rebate is not deductible for measuring cost of inventory
- (b) Trade discount on purchase not deductible for measuring cost of inventory
- (c) After sales warranty costs are excluded for measuring cost of inventory
- (d) Clearing agent charges are excluded for measuring cost of inventory

[Q4 to Q12] In a financial year X Ltd. purchased 10000 tons of Raw materials at Rs. 108 per ton. At the beginning of the year the

company had Inventories of 2000 tons of finished goods at Rs. 320000 only. During the year 8000 tons were produced. Normal wastage is 10%. The finished goods are sold at the closing day at Rs. 175 per ton and cost to sell is estimated Rs. 5 per ton.

Additional information:

Direct labour Per unit Rs. 40

Variable Production overheads Per unit Rs. 15

Fixed production overheads Rs. 102600

Fixed Office and selling overheads Rs. 80000

Fixed financial costs Rs. 16000

During the year 9500 tons were sold. There is no raw materials or work in progress at the beginning or at the end of the year.

4. Quantity of inventory at the end of the financial year in tons

- (a) 2500
- (b) 500
- (c) 1500
- (d) None of the above

5. Fixed Production overhead per ton of inventory is Rs.

- (a) 11.4
- (b) 10.26
- (c) 8.55
- (d) None of the above

6. Conversion cost per ton of inventory is Rs.

- (a) 78.4
- (b) 76.4
- (c) 66.4
- (d) 65.26

7. Cost per ton of inventory is Rs.

- (a) 167.2
- (b) 173.2
- (c) 174.4
- (d) 186.4

8. Cost of inventory is Rs.

- (a) 93200
- (b) 279600
- (c) 92630
- (d) 277890

9. Net Realisable Value of inventory is Rs.

- (a) 87500
- (b) 85000
- (c) 255000
- (d) 262500

10. Carrying amount of inventory is Rs.

- (a) 93200
- (b) 92630
- (c) 85000
- (d) 87500

11. Inventory recognised as expense is Rs.

- (a) 320000
- (b) 85000
- (c) 186400
- (d) None of the above

12. If actual production is 10000 tons (fairly higher than normal capacity), Fixed Production overhead per ton of inventory is Rs.

- (a) 11.4
- (b) 10.26
- (c) 10.80
- (d) None of the above

Ans. Key: [1(c), 2(c), 3(c), 4(b), 5(a), 6(c), 7(d), 8(a), 9(b), 10(c), 11(a), 12(b).]



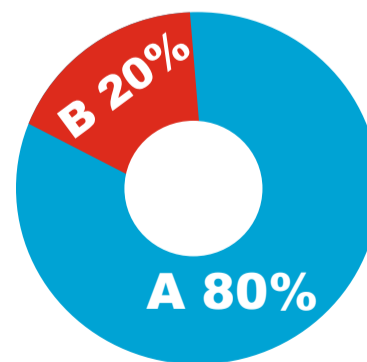


GROUP: iv, PAPER: 18

INDIRECT TAX LAWS & PRACTICE (ITP)

CMA Rana Ghosh
Chief Executive Officer,
Institution of Estate Managers
& Appraisers
He can be reached at:
ranaham@rediffmail.com

Your Preparation Quick Takes



Syllabus Structure

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

B Tax Practice and Procedures **20%**

Learning Objectives -

Through the following MCQ, students can refresh themselves about

- Registration procedures
- Person not liable for registration
- Input service distributor
- Issue of registration certificate
- Cancellation of registration
- Tax invoice and bill of supply
- Credit and debit note
- Certificate of registration
- Electronics ticket

INDIRECT TAX

Choose the correct option from the followings -

1. The exception to the one registration for one state is case of -
 - (a) Where registered person deals with two or more different products
 - (b) Where registered person provide both goods and services
 - (c) One as an input service distributor other for outward supply**
 - (d) One as intra state supply and other is inter state supply
2. The job workers who are involve in making supply in services in relation to jewellery, goldsmiths and silver smiths wares and other articles are
 - (a) Required compulsory registration where such job workers engaged in making inter State supply of service to a registered person.
 - (b) Eligible for exemption where such job workers engaged in making inter State supply of service to a registered person.**
 - (c) Required compulsory registration where such job workers engaged in making supply of service to an unregistered person.
 - (d) Requirements for registration depends whether the supply of services is within the State or outside the State
3. The aggregate turnover of a registered person will be computed
 - (a) Separately for goods and services
 - (b) Supply of goods or services to registered and unregistered persons
 - (c) Considering both import and exports
 - (d) PAN wise**
4. Person not liable for Registration under GST Act
 - (a) Supplier of Medicine
 - (b) Outdoor Catering
 - (c) An Agriculturist**
 - (d) Professional Training Centre
5. A casual taxable person making taxable supply in India has to compulsorily take registration
 - (a) There is no threshold limit for registration**
 - (b) If the turnover exceeds Rs 20 lakhs
 - (c) If the turnover exceeds Rs 40 lakhs
 - (d) Can avail option to pay tax under composition scheme
6. The certificate of registration shall be valid for the
 - (a) Period specified in the application for registration
 - (b) Ninety days from the effective date of registration.
 - (c) Period specified in the application for registration or ninety days from the effective date of registration whichever is earlier**
 - (d) As decided by the proper officer
7. A casual taxable person shall
 - (a) Require to file annual return
 - (b) Shall not require to file any annual return**
 - (c) Require to file quarterly return

- (d) Require to file half yearly returns
8. A non resident taxable person
- (a) cannot excise option to pay tax under composition scheme
 - (b) can excise option to pay tax under composition scheme
 - (c) can excise the option as per the discretion of proper officer
 - (d) can excise the option if turnover exceeds 20 lakhs
9. If input services are distributable to more than one recipient of credit, the distribution shall be in
- (a) The equal basis of turnover in the State / Union Territory
 - (b) As per the agreed terms of distribution
 - (c) As directed by the appropriate authority
 - (d) The pro rata basis of turnover in the State / Union Territory
10. An input service distributor will have to file monthly return in GSTR - 6 after the end of the month
- (a) Within 10 days
 - (b) Within 12 days
 - (c) Within 13 days
 - (d) Within 15 days
11. Certificate of registration shall be granted in Form
- (a) GST REG - 05
 - (b) GST REG - 06
 - (c) GST REG - 07
 - (d) GST REG - 08
12. The legal heir of the registered person can request cancellation of registration through an application in case of
- (a) Business has been discontinued
 - (b) If the registered person has violated any of GST provisions or laws.
 - (c) A normal registered person who has not filed returns consecutively for six months
 - (d) Death of the person
13. If a registered person is dealing only in exempted supplies or is availing the composition scheme (composition dealer), then such a registered person needs to issue a
- (a) A tax invoice
 - (b) A bill of supply
 - (c) A pro forma tax invoice
 - (d) Debit or credit note only
14. An invoice or a bill of supply need not be issued if the value of the supply is less than
- (a) Rs 50/-
 - (b) Rs 100/-
 - (c) Rs 200/-
 - (d) Rs 300/-
15. If a registered person is supplying taxable as well as exempted goods / services to an unregistered person then he can issue a single
- (a) Tax invoice
 - (b) bill of supply
 - (c) invoice cum bill of supply
 - (d) statement of supply
16. Where the goods being sent or taken on approval for sale or return are removed before the supply take place, the invoice shall be issued before or at the time of supply or
- (a) one month from the date of removal, whichever is earlier
 - (b) two month from the date of removal, whichever is earlier
 - (c) three month from the date of removal, whichever is earlier
 - (d) six month from the date of removal, whichever is earlier
17. A registered person supplying by way of admission to exhibition of cinematograph films in multiplex screens shall be require to issue
- (a) an electronics receipts
 - (b) an electronics ticket

- (c) an tax invoice
(d) a bill of supply
18. In case where tax invoice has been issued for a supply and subsequently it is found that the value or tax charged in that invoice is less than what is actually payable / chargeable, the supplier can issue
- (a) a debit note to the recipient
(b) a credit note to the recipient
(c) a revised invoice to the recipient
(d) a statement containing the difference details
19. Supply of services by Banking / NBFC / Insurer, Invoice shall be issued before or within
- (a) 15 days from the date of the supply of service
(b) 30 days from the date of the supply of service
(c) 45 days from the date of the supply of service
(d) 60 days from the date of the supply of service
20. A bill of supply is similar to a GST invoice except that bill of supply does not Contain
- (a) Any details of destination
(b) Any details of recipient
(c) Any details of supply
(d) Any tax amount



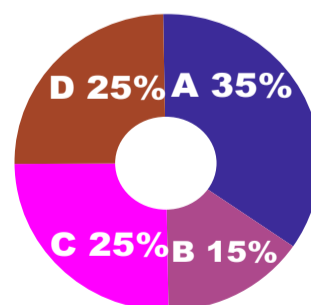


GROUP: iv, PAPER: 19

COST & MANAGEMENT AUDIT (CMAD)

CMA S S Sonthalia
Practicing Cost Accountant
He can be reached at:
sonthalia_ss@yahoo.co.in

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

Filing of Cost Audit Report in XBRL**Introduction**

Extensible Business Reporting Language (XBRL) is the open International standard for digital business reporting. It is used around the world in more than 50 countries and a step towards paperless reporting with more useful, more effective and more accurate digital version of reporting. XBRL is like the change from the film photography to digital photography.

The advantage of XBRL reporting is that the people consuming or utilising the information are confident that the information contained or the data provided to them can be consumed and analysed accurately and conforms to a set of pre-defined definitions.

The Government of India vide notification mandated that the Cost Audit Report filed in terms of Companies (Cost Records and Audit) Rules 2014 (CCRA Rules 2014), should be on XBRL format. Accordingly, the Cost Audit Report is filed with MCA in XBRL format as an attachment to the form CRA 4 along with the prescribed filing fee. It may be mentioned that as per the provisions of CCRA Rules 2014, the CRA 4 is needed to be filed with MCA, within 30 days of receipt of the Cost Audit Report from the Auditor.

Hardware and Software Requirement

In order to convert the Cost Audit Report, one needs to have a XBRL software which can be obtained from MCA portal / XBRL international / Authorised Vendor. Further, the computer should have the following operating system to run the software:

- a) Operating system - Windows XP / Windows Vista / Windows 7
- b) Minimum 2GB RAM and Minimum 28 MB free drive space
- c) Processor speed of 1GHz
- d) JAVA - JRE version of 1.6 or 1.7

Steps for filing of Cost Audit Report in XBRL Format

- a) **Creation of XBRL Instance Document.**
For creation of Instance Document, the information contained in the Cost Audit Report of a company need to be tagged with XBRL Taxonomy elements. After proper tagging and filing of information accurately, the file is converted into XML file. However, if there is any error or mismatch in filing of figures / tagging, the errors are reflected in the systems while generating the XML document. On correcting these information, the Instance Document in XML file is generated.
- b) **Download XBRL validation tool**
Validating the instance document with the MCA XBRL validation tool (for costing taxonomy) is a pre-requisite before filing the Cost audit report and Compliance report on MCA portal. The MCA XBRL validation tool (for costing taxonomy) can be downloaded from the XBRL website of the Ministry (www.mca.gov.in/XBRL). Before Validating an Instance document, the applicable taxonomy is to be

selected by the user from the drop down option "taxonomy".

- c) **Load the Instance Document**
To load the instance document, you need to click the open button, select the instance document and open it.
- d) **Validate the instance document**
The next step is to validate the instance document. The following validations are performed by the tool-
Validating that the instance document is as per the latest and correct version of taxonomy prescribed by MCA
All mandatory elements have been entered
Validations relating to XBRL technical Specifications as per taxonomy

In case the instance document is not properly created, then the tool will through up the list of errors, in a separate window, and they need to be corrected and validated again for successful uploading of the report.
- e) **Pre-scrutiny of the instance document**
Once the instance document is successfully validated from the tool, the next step is to pre-scrutinise the validated instance document with the help of the same tool using internet connection. In the Pre-scrutiny, the system verify the information from MCA21 database.
- f) **Convert to PDF and manually verify the contents of the instance document**
Once the instance document has been successfully pre-scrutinized, the next step is to generate PDF by using 'Export to PDF' function in the tool. The company and the cost auditor can use this feature to verify the accuracy of the instance document.

g) Attach instance document to the form CRA-4 and submit on MCA Portal

Form CRA-4 is available on the MCA portal. The Form has to be filled up correctly and thereafter, the validated and pre-scrutinised instance document for Cost Audit Report is attached to the Form. The form is signed by authorised representative of the company, pre-scrutinized and then upload. On payment of requisite payment challan is generated

Care to be taken while filling the XBRL

- a) While filling the form please ensure that the system has internet connectivity.
- b) While filling Company Master, just put the CIN of company and click prefill button. It will auto fill the data. Check the same and click update.
- c) While filling the Auditor Master, fill the name of the Auditor, double click the same and it will auto fill the data. Check the form and save.
- d) Please ensure that the figures put in Part A Para 4 - Other

Income of the Company is same as Part D Para 3 - Serial No 8 - Other Income of the Company.

- e) Please ensure that figure put in Part A Para 4 - Total Net Revenue, must tally with Part D Para 3 - Net Revenue from Operation.
- f) Please ensure the figure put in Part D Para 3 - Value Added, should tally with Part D Para 4 - Ratio Analysis - Value Added.
- g) Please ensure the figure put in Part B Para 2 - Margin as per Cost Statement, must tally with Part D Para 2 - Profit / Loss for Audited Products.
- h) Please ensure the figure put in Part D Para 2 - Profit / (Loss) in Financial Accounts should tally with Part D Para 4 - Ratio Analysis - Profit before Tax.
- i) For filling information for Related Party Transaction, first fill the details of related parties. For this fill up the CIN of all the Related Parties that are companies and / or PAN of Related Party Firm / Individual. Then click the Fill Party Name and it will auto fill the Related Party Name as per MCA database.

List of Errors and Interpretation

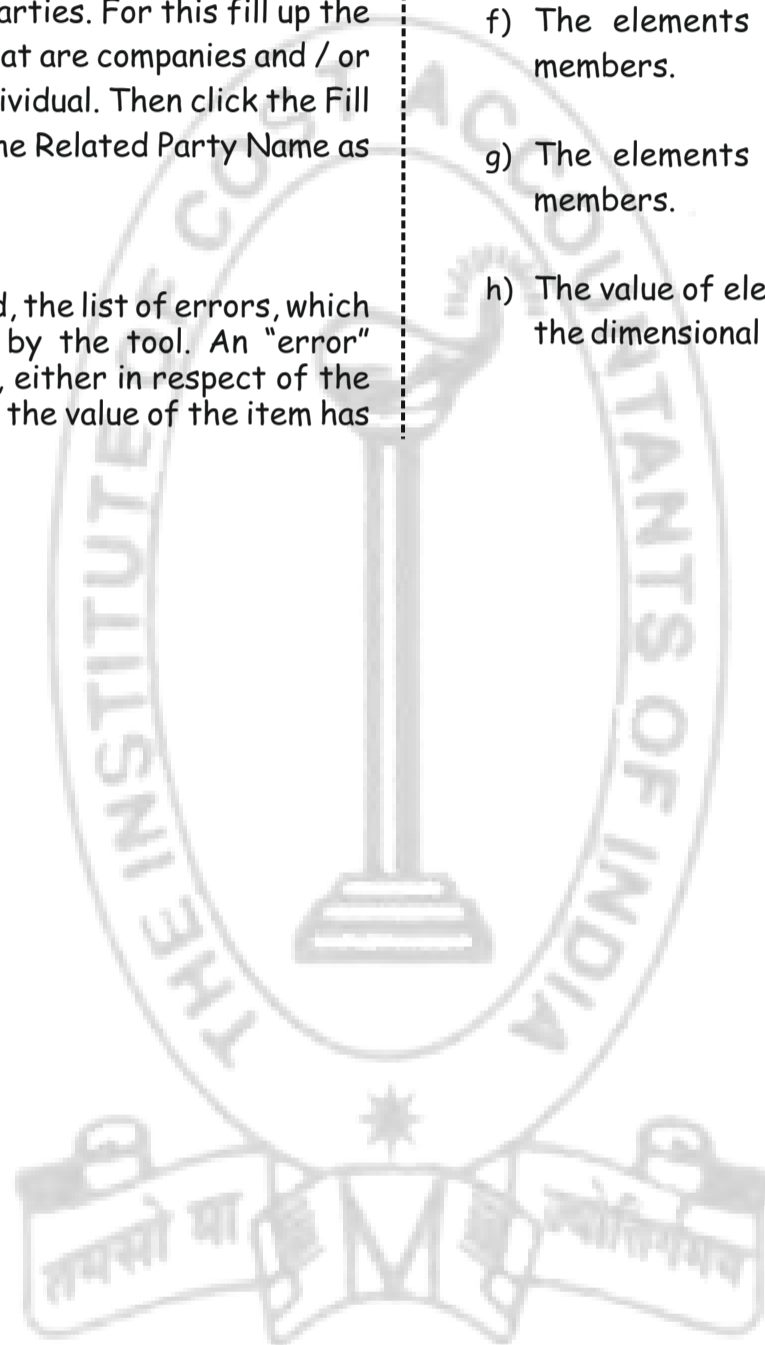
Once the validation has been performed, the list of errors, which may have occurred will be displayed by the tool. An "error" indicates that a mistake has happened, either in respect of the value of an item, or the format in which the value of the item has

been entered.

For example the date format 10-05-2018 is not the correct format, and it has to be entered as 10/05/2018.

Other issues are:

- a) Issue in net connectivity.
- b) 0-100 entered for Percentage Data Type fields
- c) Mandatory fields have not been entered.
- d) Mandatory line-items of a table are not entered in the instance document.
- e) The elements are not entered for any abstract.
- f) The elements are not entered for ordered explicit members.
- g) The elements are not entered for ordered explicit members.
- h) The value of element should be provided in at least one of the dimensional member.





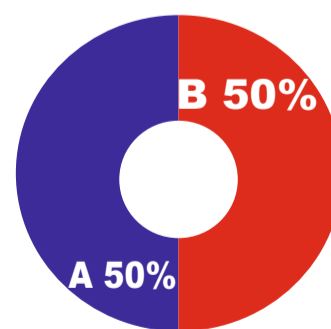
GROUP: iv, PAPER: 20

STRATEGIC

PERFORMANCE MANAGEMENT
AND BUSINESS VALUATION
(SPBV)

Dr. Ashish Kumar Sana
Professor, Department of Commerce
University of Calcutta
He can be reached at:
cu.ashis@gmail.com

Your Preparation Quick Takes



Syllabus Structure

A Strategic Performance Management 50%
B Business Valuation 50%

Learning objectives:

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

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

Strategic Performance Management**Section-A**

Choose the correct option from amongst the four alternatives given:
(Each question carries 2 marks)

- In perfect competition, a firm maximizing its profits will set its output at that level where**
 - Average variable cost = price
 - Marginal cost = price
 - Fixed cost = price
 - Average fixed cost = price
- The financial performance analysis which is undertaken by the outsiders of the business, namely investors, credit agencies, government agencies, and other creditors who have no access to the internal records of the company, is called:**
 - Internal analysis
 - External analysis
 - Horizontal Analysis
 - Vertical Analysis
- Six Sigma has two key methodologies. These are:**
 - DMAIC and DMADV
 - DMADC and DMADV
 - DMAIC and DMADC
 - DMAII and DMADV
- Which one of the following is NOT true about On-Line Analytical Processing (OLAP)?**
 - OLAP functionality includes trend analysis over sequential time periods
 - It provides slicing subsets for on-screen viewing
 - It is a category of hardware technology
 - It helps the end user to drill-down to deeper levels of consolidation data
- Identify which of the following is not a financial liability?**
 - X Ltd has 1 lakh Rs.10 ordinary shares issued
 - X Ltd has 1 lakh 8% Rs.10 redeemable preference shares issued
 - X Ltd has Rs.2,00,000 of 6% bond issued
 - Both (A) and (B)
- 12. A firm has PAT of Rs.33.6 lakh with extraordinary income of Rs.6 lakh. Cost of capital is 20% and the applicable tax rate is 40%. The value of the firm is:**
 - Rs.250 lakh
 - Rs.150 lakh
 - Rs.180 lakh
 - Rs.168 lakh
- In a synergistic merger, the post-merger value exceeds**
 - The sum of the separate companies pre-merger values
 - The separate companies pre-merger values
 - The separate companies post-merger values
 - Enterprise value
- The components of the Stewart Cycle or PDCA are:**
 - Plan-Do-Check-Act
 - Plan-Define-Check-Act
 - Plan-Do-Control-Act
 - Program-Do-Check-Ac

Answers:

Question	Answer	Question	Answer
1	(B)	2	(B)
3	(A)	4	⊙
5	(A)	6	(B)
7	(A)	8	(A)

Section -B

1. (i) X Ltd. is operating in a perfectly competitive market. The price elasticity of demand and supply of the product estimated to be 3 and 2 respectively. The equilibrium price of the product is Rs.100. If the government imposes a specific tax of Rs.10 per unit, what will be the new equilibrium price?

- (A)Rs.104
(B)Rs.106
⊙ Rs.110
(D)Rs.112

(ii) The price (P) per unit at which company can sell all that it produces is given by the function $P(x) = 300 - 4x$. The cost function is $500 + 28x$, where 'x' is the number of units, find x, so that profit is maximum.

- (A) 25 Units
(B) 34 Units
(C) 36 Units
(D) 40 Units

Answer:

1	(A)	2	(B)
---	-----	---	-----

2. The following information is provided in relation to the acquiring firm X Ltd. and the target firm Y Ltd.

Particulars	X Ltd.	Y Ltd.
Earnings after tax (` Rs.)	300 lakhs	60 lakhs
Number of shares outstanding	20 lakhs	10 lakhs
P /E Ratio	10	5

Based on the above information, answer the following questions:

(i) What is the swap ratio in terms of current market price?

- (A) 0.20
(B) 0.23
(C) 0.25
(D) 0.30

(ii) What is the EPS of P Ltd. after acquisition?

- (A) Rs. 15.50
(B) Rs. 16.00
(C) Rs. 16.23
(D) Rs. 17.00

(iii) What is expected market price per share of P Ltd. after acquisition assuming that P / E ratio of P Ltd. remains unchanged?

- (A) Rs. 160.50

- (B) Rs. 163.60
- (C) Rs. 165.00
- (D) Rs. 170.00

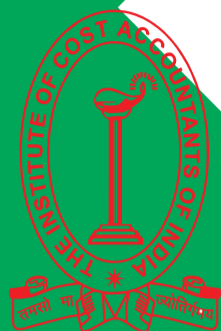
(iv) The market value of the merged firm would be:

- (A) Rs. 3599.20 Lakhs
- (B) Rs. 3600.00 Lakhs
- (C) Rs. 3605.20 Lakhs
- (D) Rs. 3610.20 Lakhs

Answer:

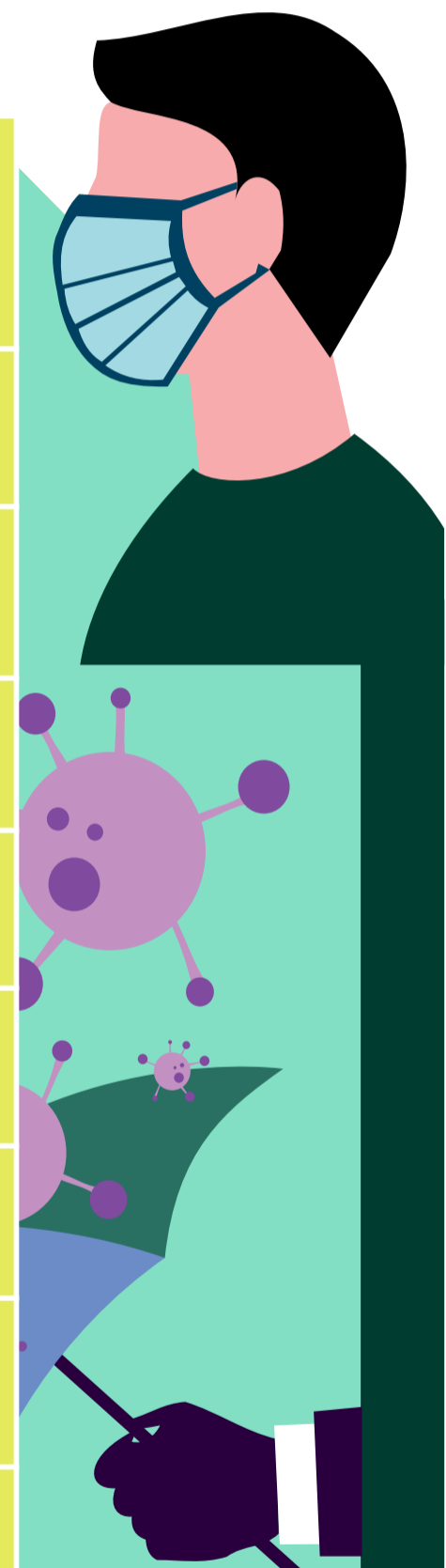
1	(A)	2	⊙
3	(B)	4	(A)



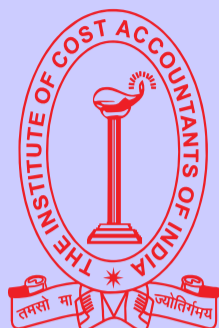


Examination TIME TABLE

Day & Date	Final Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
10 th December, 2020 (Thursday)	Corporate Laws & Compliance (Paper 13) (Group - III)
11th December, 2020 (Friday)	Corporate Financial Reporting (Paper 17) (Group - IV)
12th December, 2020 (Saturday)	Strategic Financial Management (Paper 14) (Group - III)
13th December, 2020 (Sunday)	Indirect Tax Laws & Practice (Paper 18) (Group - IV)
14th December, 2020 (Monday)	Strategic Cost Management - Decision Making (Paper 15) (Group - III)
15th December, 2020 (Tuesday)	Cost & Management Audit (Paper 19) (Group -IV)
16th December, 2020 (Wednesday)	Direct Tax Laws and International Taxation (Paper 16) (Group - III)
17th December, 2020 (Thursday)	Strategic Performance Management and Business Valuation (Paper 20) (Group - IV)



STAY HOME STAY SAFE



PRACTICAL Advice

ABOUT YOUR STUDIES - FINAL COURSE

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

START

01

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

**Solve Exercises
given in Study Note**

02

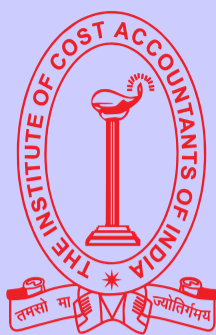
03

Assess Yourself

Appear For Examination

04

FINISHED



SUBMISSIONS



Dear Students,

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

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

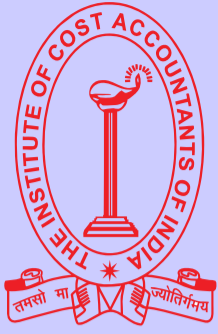
Please put your opinions so that we can make your e-bulletin everything that you want it to be.

All rights reserved. No part of this Bulletin may be translated or copied in any form or by any means without the prior written permission of the Institute of Cost Accountants of India.

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

Updation of E-Mail Address/Mobile:

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



Message from Directorate of Studies

Dear Students,

We from the Directorate of studies know your expectations from us and accordingly we are trying to deliver 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 Books, MCQs and we have conducted Webinar sessions.

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

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

Let us observe his memory by following his message.

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

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

Please refer the link mentioned below :

<https://icmai.in/studentswebsite>

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

GOOD LUCK

Be Prepared and Get Success;

Disclaimer:

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



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

Headquarters:

CMA Bhawan, 12 Sudder Street, Kolkata - 700016

Delhi Office:

CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

www.icmai.in



CMA LEADS

Last Date for Admission
June Exam
31st January
of the same Calendar Year

December Exam
31st July
of the same Calendar Year

5,00,000⁺
Students

75,000⁺
Members

4 Regional
Councils

98
Chapters

9
Overseas
Centres

Largest
CMA body
in Asia

2nd
Largest
CMA body
in the
Globe

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

ADMISSIONS OPEN 2020-2021

✉ studies@icmai.in

☎ 1800 345 0092/1800 110 910

For Online Admission

<http://cmaicmai.in/students/Home.aspx>

Cultivating and Enhancing Skills of Success

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

Excellent Campus Placement Record
in renowned Public and Private Sector Companies

Highest Salary Offered **Rs.18 Lakh p.a.** | Average Salary **Rs.7.5 Lakh p.a.**

Few of Our Proud Recruiters



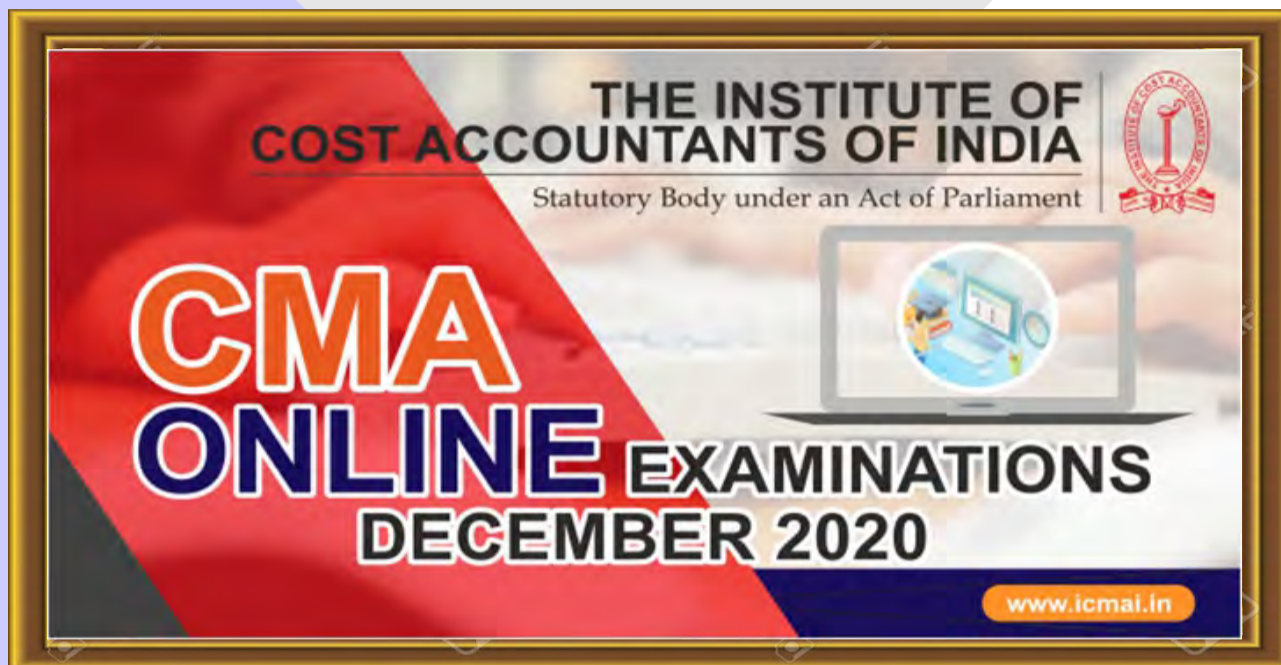
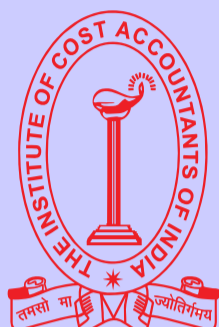
✉ placement@icmai.in / cpt@icmai.in

☎ + 91 33 40364770

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



Few Snapshots



CMA Biswarup Basu, President, CMA P.Raju Iyer, Vice-President, CMA Balwinder Singh, Immediate Past President of the Institute extending greetings to Shri Rajesh Verma, Secretary to the Government of India, Ministry of Corporate Affairs on 21st September 2020.



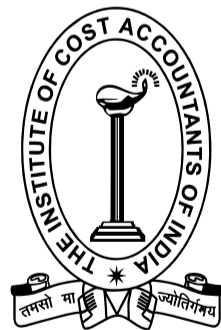
CMA Biswarup Basu, President along with CMA P. Raju Iyer, Vice-President, CMA Chandra Wadhwa, Past President and CMA B.B. Goyal, Former Addl. Chief Adviser, Ministry of Finance, GoI extending greetings to Shri Naresh Salecha, Member Finance, Railway Board on 14th October 2020.



CMA Biswarup Basu, President, CMA P.Raju Iyer, Vice-President of the Institute extending greetings to Shri Manoj Pandey, Joint Secretary to the Government of India, Ministry of Corporate Affairs on 21st September 2020.



CS Ashish Garg, President, ICSI along with CS Manish Gupta, Council Member, ICSI and CS Asish Mohan, Secretary, ICSI visited Delhi office of the Institute to meet CMA Biswarup Basu, President, CMA P Raju Iyer, Vice President and CMA Balwinder Singh, Immediate Past President of the Institute.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Headquarters: CMA Bhawan, 12, Sudder Street, Kolkata - 700 016

Phone: +91-33-2252-1031/34/35/1602/1492/1619/7373/7143

Delhi office: CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi - 110 003

Phone: +91-11-2462-2156/2157/2158

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