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CMA Student E - Bulletin

FINAL

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Behind every successful business decision, there is always a CMA

Message from The Chairman

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

MESSAGE FROM THE CHAIRMAN

Dear Students,

Greetings!!

"Instead of celebrating my birthday, it would be my proud privilege if 5 September is observed as Teachers' Day"- Dr. Sarvepalli Radhakrishnan said in 1962. Since then, Teachers' Day is observed across the country on his birthday, i.e., September 5.

A recipient of Bharat Ratna, Dr. Radhakrishnan, stands at the top when it comes to impeccable contribution to education. Dr. Radhakrishnan is one of the role models to many aspiring minds. He was involved in various roles starting from Philosopher to the President of India, but people remember him majorly for his contribution as a teacher; thus, Dr. Radhakrishnan is acclaimed for dedicating his life towards education and improving the standards in the field of education. Being a student, you should follow his path.

The Directorate of Studies is working conscientiously to provide the students with all possible supports and guidance. Live Webinars are being conducted, recorded webinars are also there in the e-library. Answers to the Mock Test Papers (MTPs), updated Work Books, and monthly E-bulletins are uploaded on our website as per the pre-scheduled manner. Learned academicians and professionals are contributing in their own way to the development of our students despite the odd situation faced by everybody during the pandemic Covid-19. Being the Chairman of the Training & Educational Facilities and Placement Committee, I am really thankful to all of them. So, don't give up hope, carry on with your exercises, and try to utilize the facilities and opportunities being offered by the Directorate of Studies. The Training & Placement Directorate has announced August - September 2020 as online Campus Placement months and already many reputed companies have started recruiting qualified CMAs of December 2019 batch.

"The end product of education should be a free creative man, who can battle against historical circumstances and adversities of nature." Thus, following the above sayings of Dr. Radhakrishnan, you should march ahead and it is through your contribution in the society, our India will lead the planet in the years to come.

Best wishes as always,

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

Be a CMA, be a Proud Indian

Stay Home
Stay Safe

Vol: 5, No.: 9.
September 2020, Issue

150 YEARS OF CELEBRATING THE MAHATMA

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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.

150 YEARS OF CELEBRATING THE MAHATMA

GROUP: iii, PAPER: 13

CORPORATE LAWS & COMPLIANCE (CLC)

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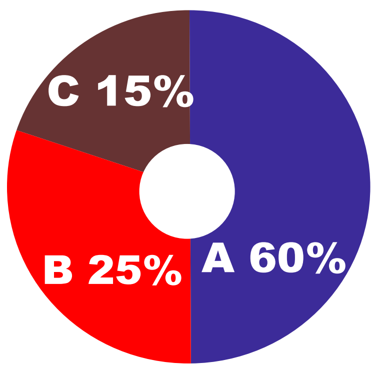
Your Preparation Quick Takes



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

Learning Objectives:

Read the Study Material minutely.

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

PRACTICE QUIZZ

Time Allowed: 20 minutes **Maximum Marks: 20**

Instructions:

Tick at the correct answer clearly; ticking in between will amount to no answer.

(i) How many minimum meetings of Board of Directors should be held in a calendar year?
a) 3
b) 4
c) 6
d) 8

(ii) A listed company should have at least one .... directors in the Board.
a) Independent
b) Non executive
c) women
d) executive

(iii) What should be the maximum time gap (in months) between two Annual General Meetings?
a) 9 months
b) 12 months
c) 15 months
d) 18 months

(iv) Interim Dividend is decided in _______________.
a) Board Meeting
b) Annual General Meeting
c) Extraordinary General Meeting
d) None of the above

(v) An alternate director is appointed by:
a) Central Govt.
b) shareholders
c) Board of Directors
d) any one of the above

(vi) The person who presides over a Board meeting is designated as :
a) President
b) Managing Director
c) Chairman
d) None of the above

(vii) CSR Committee of the Board of Directors, shall have at least …………independent director(s).
a) 1
b) 2

c) 3
d) 4

(viii) A company shall appoint or re-appoint any person as its managing director, whole-time director or manager for a term exceeding ………years at a time.
a) 2
b) 3
c) 4
d) 5

(ix) How many clear days' notice of the Annual General Meeting shall be given by the company?
a) 21
b) 14
c) 25
d) 10

(x) Company has to place the final annual accounts before the annual general meeting, within ______________ months of closure of the accounting year.
a) 4
b) 5
c) 6
d) 7

(xi) What is the maximum number of directors in a private company may have?
a) No limit
b) 20
c) 15
d) 17

xii) A debenture shall have:
a) Fixed rate of interest
b) Flexible interest rate
c) May not have interest rate
d) Any of the above

xiii) Rules under Companies Act is made by:
a) Central Govt.
b) Parliament
c) MCA
d) State Govt.

xiv) In case of joint sector Company the Central Government / State Government should jointly hold at least ………… of the shares or voting rights.
a) 26
b) 49
c) 51
d) 74

(xv) Unpaid dividend , after 7 years is transferred to:
a) Profit and loss account of the company
b) Investor Education and Protection Fund
c) Reserve Bank of India
d) none of the above

(xvi) A foreign company is a company, is a company:
a) Incorporated out of India;
b) Incorporated out of India and doing business in India, directly or indirectly;
c) Companies having 100 % equity holding by a company registered outside India;
d) None of the above

(xvii) Section 2 (54) of the Companies Act, 2013 defines a "Managing Director" as a director who is entrusted with substantial powers of management of the affairs of the company by ;-

a) virtue of the articles of a company,
b) an agreement with the company,
c) a resolution passed in its general meeting, or by its Board of Directors, and includes a director occupying the position of the managing director, by whatever name called.
d) all of the above

(xviii) A company under Section 271(1) may be wound up by the tribunal if:

a) if the company is unable to pay its debts.
b) if the company has, by special resolution, resolved that the company be wound up by the Tribunal.
c) if the company has acted against the interests of the sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order, decency or morality.
d) All of the above

(xix) The Registrar may call on the company to furnish in writing any information or explanation on matters specified in the order within such time as he may specify therein and carry out such inquiry as he deems fit after providing the company a reasonable opportunity of being heard, if the Registrar is satisfied:
a) on the basis of information available with or furnished to him, or
b) on a representation made to him by any person that the business of a company is being carried on for a fraudulent or unlawful purpose or not in compliance with the provisions of this Act, or
c) the grievances of investors are not being addressed
(d) all the above

(xx)Penalties have been made stringent and fines have been increased by:
a) Companies Act, 2013
b) companies(Amendment) Act, 2017
c) Companies (Amendment Act) 2019
d) none of the above.

150 YEARS OF CELEBRATING THE MAHATMA

GROUP: iii, PAPER: 14

STRATEGIC FINANCIAL MANAGEMENT (SFM)

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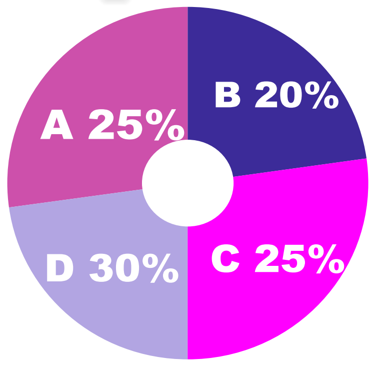
Your Preparation Quick Takes



Syllabus Structure

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

Learning objectives:

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

- understand the direct and indirect quotations
- know the European terms and American terms

Strategic Financial Management

Study Note 1: Investment Decision, Project Planning and Control

Mathematical Programming Approach in Capital Rationing (cont. from previous issues)

Goal Programming Technique:

We can apply linear programming model only when a firm can identify one goal (i.e. objective) such as maximization of profits or minimization of losses. However, there are many imperfections in the market like economic instability, difference in interest rates, inflation rate differential etc., due to which a firm may require to consider a set of multiple goals, like employment stability, high product quality, etc. along with a goal of profit or wealth maximization. In order to optimize multiple goals of a firm, a different technique known as goal programing technique, is used for decision-making.

Goal programming technique, a special type of technique was developed by Charnes and Cooper for finding optimum solution to a single dimensional or multi-dimensional objective function with a given set of constants which are expressed in a linear form. In goal programming model, all management goals whether one or many, are incorporated with the objective of minimizing the deviations from the set of given goals which are ranked priority-wise. In goal programming, management is made to set some estimated targets for each of their goals and to rank them in the order of their priorities or importance. When this information is supplied, the goal programming tries to minimize the deviations from the targets that were set. It starts with the most important goal and continues until the achievement of a less important goal would cause that management to fail to achieve a more important one.

Mathematical Statement of the Model

Generally, goal programming format is represented as shown below:

$$\text{Minimize } Z = \left\{Q_1\left[f_1\left(a_1^{+}, a_1^{-}\right)\right] + Q_2\left[f_2\left(a_1^{+}, a_1^{-}\right)\right] + \ldots\ldots\ldots\ldots + Q_m\left[f_m\left(d_m^{+}, d_m^{-}\right)\right]\right\}$$

Subject to:

$\Sigma aj1 \ X_j \le C_1$

$\Sigma aj2 \ X_j \le C_2$

....

$\Sigma ajk \ X_j \le C_k$

$\Sigma bj1 \ X_j + d_1^{-}, d^{+}_1 = G_1$

$\Sigma bj2 \ X_j + d_2^{-}, d^{+}_2 = G_2$

....

$\Sigma bjm \ X_j + d_m^{-}, d^{+}_m = G_m$

$X_j, d_i^{-}, d^{+}_i \ge 0$

The goal programming model has three basic components:

(a) Objective function,
(b) Economic Constraints and
(c) Goal constraints.

Let us consider the following example.

	Economic Constraints				Managerial Goals		
Project	Cash Outflow Year 1	Cash Outflow Year 2	Management Supervision	NPV	Net income Year 1	Net income Year 2	Net income Year 3
1 2	20 35	15 10	1 11	9 55	5 1	6 2	7 6
Amount available	25	15	5				
Desired Goal Levels				Maximum	1	3	5

Suppose that the management has decided that priority levels 1, 2 and 3 may be accorded to the goals of achievement of net income in years 1, 2 and 3 and the goal relating to achievement of the NPV be accorded a priority of 4.
Let us now formulate the three parts of the Goal Programming Problem.

(a) Objective Function

The objective function for the above problem will be:

Minimize $P_1 d_1^- + P_2 d_2^- + P_3 d_3^- + P_4 (d_4^- - d_4^+)$

Where -dj means positive deviation from the goal and +dj means negative deviation from the goal.

The term $P_1 d^-_1$ indicates that negative deviations from the required goal have to be minimized for the goal accorded first priority.

Similarly, the other two components $P_2 d^-_2$ and $P_3 d^-_3$ can be interpreted. $P_4 \left(d_4^- - d_4^+\right)$ relates the goal with priority number four.

The requirement is to minimize the negative deviations $\left(d_4^-\right)$ and maximize the positive deviations $\left(d_4^+\right)$

The various situations relating to minimization of negative deviations can be summarized as follows:

Achieve, but do not exceed a given goal – minimize d^+
At least reach the given goal – minimize d^-
Minimize the achievement relative to a given goal – minimize $(d^+ - d^-)$
Maximize the achievement relative to a given goal – minimize $(d^- - d^+)$
Reach as close as possible to the given goal - minimize $(d^+ + d^-)$

(b) Economic Constraints

The economic constraints are as follows:

$20X_1 + 35X_2 \leq 25$

$15X_1 + 10X_2 \leq 15$

$1X_1 + 11X_2 \leq 5$

$X_1 \leq 1$

$X_2 \leq 1$

X_i, d_j^+ and $d_j^- > 0$ where $i = 1$ or 2

$P_k >> P_{k+1}$ $j = 1,2,3,$ or 4

Let us consider each of the above constraints one by one. $20X_1 + 35X_2 \leq 25$ means the cash outflow on account of both projects 1 and 2 put together cannot exceed the funds available in the year 1, that is, 25. Similarly, in year 2, the outflow on the two projects put together should not cross 15. This means, obviously, that we accept project 1 or project 2. We have, therefore, used X_1 and X_2 as the fractions of projects 1 and 2 that can be accepted. This leads us to the constraints $X_1 \leq 1$ and $X_2 \leq 1$, which do not call for any further explanation. The equation $X_1 + 11X_2 \leq 5$ symbolizes the constraint that the inputs in the form of managerial supervision cannot exceed 5. $P_k >> P_{k+1}$ indicates that the priority with a lower numerical is always more dominant than the one with a higher number. That is, priority 1 is always more important than priority 2.

Goal Constraints

Goal constraints represent the target levels of various goals that are pursued by the decision maker. Defined as strict equalities, goal constraints contain, in addition to an expression showing the impact of decision variables on goal attainment, two deviational variables denoted by d_i^+ and d_i^-. d_i^+ indicates that the desired level of goal i has been over-achieved, d_i^- indicates that the desired level of goal i has been under-achieved. When the desired level of goal has been over-achieved d_i^+ is non-zero and d_i^- is zero. When the desired level of goal has been under-achieved, +diis zero, and -di is non zero. When the desired level of goal is exactly achieved, both d_i^+ and d_i^- are zero. The deviational variables tie the goal constraints and the objective function. For each goal, the appropriate deviational variable(s) is (are) placed in the objective function.

The student should observe that the equations relating to goal constraints are equalities.
Let us first see the equations for our illustration:

$5X_1 + X_2 + d_1^+ = 1$

$6X_1 + 2X_2 + d_2^- - d_2^+ = 3$

$7X_1 + 6X_2 + d^-_3 - d_3^+ = 5$

$9X_1 + 55X_2 + d_4^- - d_4^+ = 50$

The equation $5X_1 + X_2 + d_1^- - d_1^+ = 1$ means that the total net income in year 1,

from th functions of project 1 and 2 should be equal to 1. The other equations should be interpreted similarly. The last equation relating to the achievement of NPV is also similar with the exception that the value of 50 has been arbitrarily set and has not been given in information in the illustration.

YEARS OF CELEBRATING THE MAHATMA

GROUP: iii, PAPER: 15

STRATEGIC COST MANAGEMENT- DECISION MAKING (SCMD)

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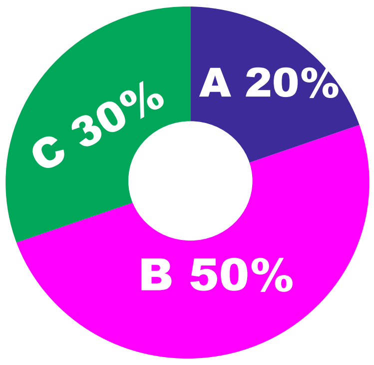
Your Preparation Quick Takes



Syllabus Structure

A Cost Management **20%**

B Strategic Cost Management Tools and Techniques **50%**

C Strategic Cost Management - Application of Statistical Techniques in Business Decisions **30%**

Learning Objectives:

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

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

Choose the Appropriate Answer

Warm-up

The first question in the examination paper has always been of an objective model wherein the examinee gets the choice of choosing an appropriate answer amongst the given alternatives. There are in all ten such questions each carrying 2 marks and the total marks aggregating to twenty.

All of these objective questions are conceptual in nature and cover the entire syllabus. Therefore, a review of these questions during examination time would serve the purpose of an effective revision. At the same time, they are less cumbersome, less time consuming and more scoring.

Given below are the questions and answers of these objective shorties relating to the examination held in December 2018.

Question 1

A company has a breakeven point when sales are Rs. 3,20,000 and variable cost at that level of sales are Rs. 2,00,000. How much would contribution margin increase or decrease if variable expenses are dropped by Rs.30,000?

a. Increase by 27.5%
b. Increase by 9.375%
c. Decrease by 9.375%
d. Increase by 37.5%

Answer

Increase by 9.375% {i.e. (b)}

Workings

Contribution = (Sales – Variable Costs) = (3,20,000 – 2,00,000) = Rs.1,20,000/-
C/S Ratio = {(Contribution ÷ Sales) x 100} = {(1,20,000 ÷ 3,20,000) X 100} = 37.5%
Decrease in Variable Cost = Rs.30,000
Revised Variable Cost = (2,00,000 – 30,000) = Rs.1,70,000/-
Revised Contribution = (3,20,000 – 1,70,000) = Rs.1,50,000/-
Revised C/S Ratio = {(1,50,000 ÷ 3,20,000) X 100} = 46.875%
Increase in Contribution Margin = (46.875% - 37.5%) = 9.375%

Question 2

Twin Ltd. uses JIT and back flush accounting. It does not use a raw material stock control account. During September 2018, 10000 units were produced and sold. The standard cost per unit is Rs. 150 which includes materials of Rs. 60. During September 2018, Rs. 9,90,000 of conversion costs were incurred. The debit balance in cost of goods sold account for September 2018 is:

a. Rs.14,00,000
b. Rs.14,80,000
c. Rs.15,90,000
d. Rs.16,20,000

Answer

Debit balance in cost of goods sold account = Rs.15,90,000/- {i.e. (c)}

Workings

Standard Material Cost = (10,000 x 60) = 6,00,000
Actual Conversion Cost = 9,90,000
Debit Balance = (Material Cost + Conversion Cost) = 6,00,000 + 9,90,000 = 15,90,000

Question 3

A company operates a standard absorption costing system. The budgeted fixed production overheads for the company for last year were Rs. 3,30,000 and budgeted output was 220,000 units. At the end of the company's financial year, the total of the

fixed production overheads debited to the Fixed Production Overhead Control Account was Rs. 2,60,000 and the actual output achieved was 2,00,000 units. The under/over absorption of overhead was:

a. Rs.40,000/- Over absorbed
b. Rs.40,000/- Under absorbed
c. Rs.50,000/- Over absorbed
d. Rs.50,000/- Under absorbed

Answer
Rs.40,000/- Over absorbed {i.e. (a)}

Workings
Overhead Absorption Rate = Budgeted Overhead ÷ Budgeted Output
= 3,30,000 ÷ 2,20,000 = 1.50
Absorbed Overhead = Actual Output × Overhead Absorption Rate
= 2,00,000 × 1.50 = Rs.3,00,000/-
Actual Overhead = Rs.2,60,000/-
Under (+) / Over (-) Absorbed Overhead = Absorbed Overhead - Actual Overhead
= (3,00,000 – 2,60,000) = (-)Rs.40,000

Explanatory Comment
Fixed production overheads of Rs. 2,60,000 /- debited to the Fixed Production Overhead Control reflects the actual overheads incurred.

Question 4
A company has the capacity of producing 80000 units and presently sells 20000 units at Rs. 100 each. The demand is sensitive to selling price and it has been observed that with every reduction of Rs. 10 in selling price the demand is doubled. What should be the target cost in selling price if the demand is doubled at full capacity and profit margin on sale is taken at 25%?

a. Rs.75/-
b. Rs.90/-
c. Rs.25/-
d. Rs.60/-

Answer
Rs.60/- {i.e. (d)}

Workings

Particulars	Price (Rs.)	Demand (Units)
As at present	100	20,000
Reduction of price by Rs.10/-	90	40,000
Reduction of price by another Rs.10/-	80	80,000 (Full Capacity)

Therefore, at full capacity of 80,000 units:
Selling Price = Rs.80/-
Target Profit = 25% of Selling Price = 25% of 80 = Rs.20/-
Target Cost = (Selling Price – Profit) = (80 – 20) = Rs.60/-

Question 5
A factory can make only one of the three products X, Y or Z in a given production period. The following information is given:

Per unit Rs.	X	Y	Z
Selling Price	1500	1800	2000
Variable Cost	700	950	1000

Assume that there is no constraint on resource utilization or demand and similar resources are consumed by X,Y and Z. The opportunity cost of making one unit of Z is:

a. Rs.850/-
b. Rs.800/-
c. Rs.1,800/-
d. Rs.1,500/-

Answer
Rs.850/- {i.e. (a)}

Workings

Serial	Particulars	X	Y	Z
1	Selling Price	1500	1800	2000
2	Variable Cost	700	950	1000
3	Contribution (1-2)	800	850	1000
4	Ranking	3	2	1

Explanatory Comment
Next best alternative for Z is Y which gives a contribution of Rs.850/-. Therefore Opportunity cost of Z = Rs.850/-

Question 6
AB company is a supermarket group that incurs the following costs:
(A) The bought-in price of the goods
(B) Inventory finance costs
(C) Self refilling costs
(D) Costs of repacking or 'pack out' prior to storage before sale

AB company's calculating of direct product profit (DPP) would include:

a. Costs (a) and (c) only.
b. All of the above cost except (b)
c. All of the above costs except (d)
d. All of the above costs.

Answer
All of the above costs {i.e. (d)}

Explanatory Comment
All of the costs mentioned can be identified with specific goods/product and hence may be classified as direct product costs. Therefore, they can be deducted from the selling price to determine the direct product profit.

Question 7
S Ltd. manufactures a product whose time for the first unit is 1000 hours. It experiences a learning curve of 80%. What will be the total time taken in hours for units 5 to 8?

a. 4096 hours
b. 3200 hours
c. 1536 hours
d. 2000 hours

Answer
1536 hours {i.e. (c)}

Workings

Production (Units)	Hours per unit	Total Hours
1	1000	1000x1 =1000
2	80% of 1000 = 800	800x2 = 1600
4	80% of 800 = 640	640x4 = 2560
8	80% of 640 = 512	512x8 = 4096

Therefore,
Time taken for 8 units = 512 x 8 = 4096 hours
Time taken for 4 units = 640 x 4 = 2560 hours
Time taken from 5 to 8 units = (4096 – 2560) = 1536 hours

Question 8
H Group has two divisions, Division P and Division Q. Division P manufactures an item that is transferred to Division Q. The item

has no external market and 6000 units produced are transferred internally each year. The costs of each division are as follows?

	Division P	Division Q
Variable Cost	Rs. 100 per unit	Rs. 120 per unit
Fixed cost each year	Rs. 1,20,000	Rs. 90,000

Head Office management decided that a transfer price should be set that provides a profit of Rs. 30,000 to Division P. What should be the transfer price per unit?

a. Rs.145
b. Rs. 125
c. Rs. 120
d. Rs. 135

Answer
Rs.125/- {i.e. (b)}
Workings
For Division P
Target Profit = Rs.30,000/-
Fixed Cost = Rs.1,20,000/-
Target Contribution = (30,000 + 1,20,000) = 1,50,000
Target Contribution per unit = 1,50,000÷6000 = 25
Target Sale Price per unit = (Target Contribution + Variable Cost)
= (25 + 100) = Rs.125/-

Question 9
In the context of Critical Path Analysis, the portion of the float of an activity which cannot be consumed without affecting adversely the float of the subsequent activities is called:

a. Free float
b. Interfering float
c. Independent float
d. Total float

Answer
Interfering float {i.e. (b)}

Explanatory Comment
Interfering float is that part of the total float which causes a reduction in the float of the successor activities. It is the difference between the latest finish time of the activity in question and the earliest starting time of the following activity or zero, whichever is larger.

Question 10
In CPA (Critical Path Analysis) which of the following is not a correct step in sequence?

a. Understanding the logic of the system under consideration
b. Constructing the net work
c. Providing estimates for activity duration
d. Implementing and controlling the net work

Answer
Implementing and controlling the net work {i.e. (d)}

Explanatory Comment
Going by the sequence, step no. (d) should be 'satisfying the objectives'. Implementing and controlling the network would be the step that will follow later.

Quick Take
Objective questions tend to be quick scorers.

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.

MULTIPLE CHOICE QUESTIONS

Choose the correct alternative:

1. What is the due date of filing the return of income in case of a company who is required to furnish a report in Form No. 3CEB under section 92E?

a. September 30 of the assessment year

b. November 30 of the assessment the year

c. July 31 of the assessment year

d. June 30 of relevant assessment the year

Reason:

As per explanation 2 to sec. 139(1), the due date of filing the return in case of a company who is required to furnish a report in Form No. 3CEB u/s 92E is November 30 of the assessment year.

2. Assessment under following section is termed as scrutiny assessment

a. 143(3)

b. 144

c. Both of the above

d. None of the above

Reason:

Assessment u/s 144 is termed as "Best Judgment Assessment'. Assessment u/s 143(3) is termed as 'Scrutiny Assessment'

3. Which of the following can be corrected while processing the return of income under section 143(1)?

a. any arithmetical error in the return

b. any error in the return of income

c. any mistake in the return of income

d. any claim by the taxpayer which is against law

Reason:

Processing of the return u/s 143(1) is like preliminary checking of the return of income. At this stage no detailed scrutiny of the return of income is carried out. The total income or loss is computed after making the basic adjustments (if any), like (i) any arithmetical error in the return; or (ii) an incorrect claim, if such incorrect claim is apparent from any information in the return.

4. The objective of carrying out assessment u/s 147 is to bring under the tax net __________

a. Any money, bullion, jewellery, valuable article, etc. which are undisclosed

b. Any income which has escaped assessment

c. Any of the above

d. Both of the above

Reason:

The objective of carrying out assessment or reassessment or recomputation u/s 147 is to bring under the tax net any income which has escaped assessment. Sec. 147 is also known as Income Escaping Assessment.

5. Every company to whom the provisions of MAT apply is required to obtain a report from a chartered accountant in Form No. ______ on or before the due date of filing the return of income

a. 29

b. 29A

c. **29B**

d. 29C

Reason:

Every company to whom the provisions of MAT apply is required to obtain a report from a chartered accountant in Form No. 29B on or before the due date of filing the return of income

6. Prosecution can be launched and the taxpayer can be punished if he commits wilful failure to produce before the tax authorities the accounts and documents as demanded under section ___________.

a. 154

b. 147

c. 143(1)

d. 142(1)

Reason:

Section 142(1) deals with the general provisions relating to an inquiry before assessment. U/s 142(1), the Assessing Officer can issue notice asking the taxpayer to file the return of income, if he has not filed the return of income or to produce or cause to be produced such accounts or documents as he may require and to furnish in writing and verified in the prescribed manner information in such form and on such points or matters (including a statement of all assets and liabilities of the taxpayer, whether included in the accounts or not) as he may require. Sec. 276D provides for prosecution in the case of wilful failure by the taxpayer to produce accounts and documents under section 142(1)

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

a. 4 years

b. 2 years

c. 1 year

d. **6 months**

Reason:

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

8. Provisions relating to advance ruling are provided in sections ________.

a. 80C to 80U

b. 245A to 245L

c. 237 to 245

d. 245N to 245V

Reason:

Provisions relating to advance ruling are provided in sections 245N to 245V.

9. *Uncontrolled transaction* means a transaction between ______________, whether resident or non-resident

a. enterprises other than associated enterprises

b. associated enterprises

c. any enterprises

d. none of the above

Reason:

Uncontrolled transaction means a transaction between enterprises other than associated enterprises, whether resident or non-resident

10. Countries that employ explicit policies designed to attract international trade oriented activities by minimization of taxes and reduction or elimination of other restrictions on business operations is described as ________.

a. Tax Havens

b. Tax Planning

c. Tax Evasion

d. Tax Management

Reason:

Many fiscally sovereign territories and countries use tax and non-tax incentives to attract activities in the financial and other services sectors. These territories and countries offer the foreign investor an environment with a no or only nominal taxation which is usually coupled with a reduction in regulatory or administrative constraints. The activity is usually not subject to information exchange because, for example, of strict bank secrecy provisions. These jurisdictions are known as tax havens. In other words, any country which modifies its tax laws to attract foreign capital could be considered a tax haven. The central feature of a haven is that its laws and other measures can be used to evade or avoid the tax laws or regulations of other jurisdictions. A tax haven is a state or a country or territory where income tax are levied at a low rate or no tax at all is levied.

GROUP: iv, PAPER: 17

CORPORATE FINANCIAL REPORTING (CFR)

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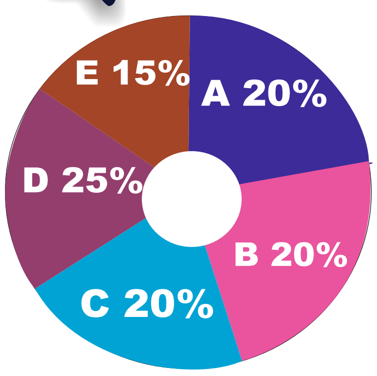
Your Preparation Quick Takes



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:

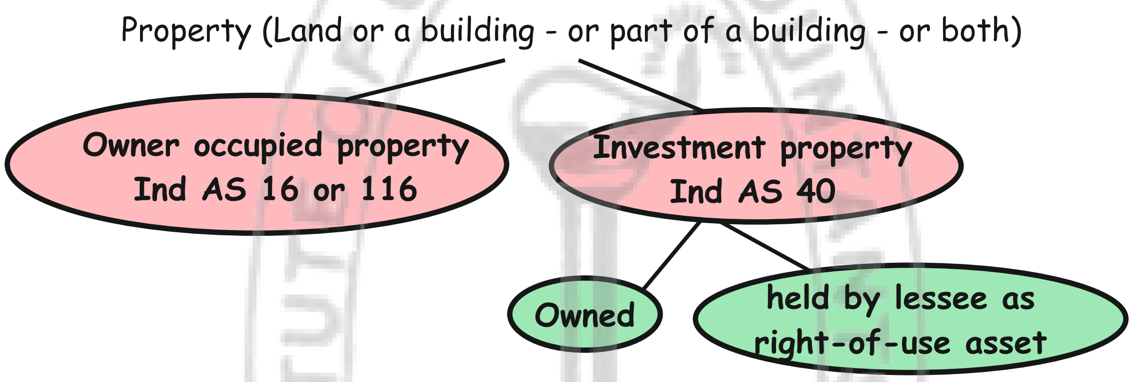
- Learn how to highlight the achievements of a company to its investors, creditors, bankers, public, employees, regulatory bodies and Government on a periodic basis
- To convey future based strategic roadmap for the company.

A brief introduction to Ind AS 40 and Ind AS 116

In this issue I shall briefly introduce two Ind Ass along with MCQs.

Ind AS 40 Investment Property

This standard prescribes accounting treatment of investment property and related disclosure.
1. Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both, and it is dealt in Ind AS 40.
It is different from owner-occupied property which is held [by the owner (Ind AS 16) or by the lessee as a right-of-use asset(Ind AS 116)] for use in the production or supply of goods or services or for administrative purposes.



2. Investment property shall be recognised as an asset when, and only when:
   (a) it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and
   (b) the cost of the investment property can be measured reliably.

3. Initial measurement:
3.1. An owned investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement.
3.2. An investment property held by a lessee as a right-of-use asset shall be measured initially at its cost in accordance with Ind AS 116.
3.3. An entity shall adopt as its accounting policy the cost model for subsequent measurement of all of its investment property.
3.4. This Standard requires all entities to measure the fair value of investment property, for the purpose of disclosure even though they are required to follow the cost model.
3.5. After initial recognition, an entity shall measure investment property in accordance with Ind AS 16's requirements for cost model, unless it is investment property classified as held for sale (or are included in a disposal group that is classified as held for sale) which shall be measured in accordance with Ind AS 105.

4. Transfers to, or from, investment property shall be made when, and only when, there is a change in use, from, or to Inventory or Owner occupied property.

5. An investment property shall be derecognised (eliminated from the balance sheet) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.
5.1. The disposal of an investment property may be achieved by sale or by entering into a finance lease.

6. An entity shall disclose:
(a) its accounting policy for measurement of investment property.
(b) the amounts recognised in profit or loss for:
   (i) rental income from investment property;
   (ii) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; and
   (iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period.
(c) the fair value of investment property and related information
(d) carrying amount, depreciation and impairment and related information

(e) transfer to and from inventory and owner occupied property.

Ind AS 116 Leases

This Standard sets out for both the entities the principles for

a) the recognition,
b) measurement,
c) presentation and
d) disclosure of leases,

so that users of financial statements may assess the effect of lease on financial position, financial performance and cash flows of the entities.

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A period of time may be described in terms of the amount of use of an identified asset (for example, the number of production units that an item of equipment will be used to produce).

Classification of lease into operating lease and financial lease is made in lessor's accounts and not in lessee's accounts.

Lessee:

Recognition:

At the commencement date, a lessee shall recognise (I) a right-of-use asset and (II) a lease liability.

Exemption: A lessee may elect not to recognise under this standard (i) short-term leases; and (ii) leases for which the underlying asset is of low value.

Further expenses shall be recognised and disclosed for (i) Depreciation, (ii) Interest (iii) Expenses related to Short term leases or low value leases.

Measurement:

At the commencement date, a lessee shall measure the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

(i) the amount of the initial measurement of the lease liability
(ii) any lease payments made at or before the commencement date, less any lease incentives received;
(iii) any initial direct costs incurred by the lessee; and
(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments :

(i) fixed payments ;
(ii) variable lease payments ;
(iii) amounts expected to be payable by the lessee under residual value guarantees;
(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement of a right-of-use asset

After the commencement date, a lessee shall measure the right-of-use asset applying a cost model, unless it applies the revaluation model as applied to the particular class of PPE.

To apply a cost model, a lessee shall measure the right-of-use asset at cost: (a) less any accumulated depreciation and any accumulated impairment losses; and (b) adjusted for any remeasurement of the lease liability specified.

A lessee shall apply the depreciation requirements in Ind AS 16, Property, Plant and Equipment, in depreciating the right-of-use asset. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. A lessee shall apply Ind AS 36, Impairment of Assets, to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

At the commencement date, a lessor shall recognise assets held under a finance lease in its balance sheet and present them as a

receivable at an amount equal to the net investment in the lease.
A lessor shall recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis.
A lessor shall recognise costs, including depreciation, incurred in earning the operating lease income as an expense.

With this brief introduction to these two standards here you may test your understanding from the following MCQs:

1. **Which of the following is an investment property?**
   a) land held for long term capital appreciation
   b) building occupied by employees at a less than market rate of rent
   c) building occupied by employees at market rate of rent
   d) Plant leased out on operating lease

2. **Which of the following statements is true?**
   a) Property held for earning rental is owner occupied property
   b) Plant leased out on operating lease is investment property
   c) Property leased out on finance lease is investment property
   d) Land held for a currently undetermined future use is investment property.

3. **Investment property is**
   a) land or building held for sale
   b) Machinery held for rental income
   c) Property leased out on finance lease
   d) none of these

4. **Jupitar Ltd. owned a G+7 storied building, ground to 3rd floor are used for its own office and 4th to 7th floor are let out for rent but no part of the building could separately be sold or leased out under finance lease.**
   a) The building is entirely Investment property.
   b) The building is entirely owner occupied property as owner occupied portion is significant.
   c) Ground, 4th and 5th floors are investment property and 1-3rd and 6-7th floors are owner occupied property.
   d) Ground floor to 3rd floor is owner occupied property and 4-7th floor are investment property.

5. **Moon Ltd. owned a G+7 storied building, ground floor is used for its own office (considered an insignificant portion of the property) and 1st to 7th floor are let out for rent but no floor/part of the building could separately be sold or leased out under finance lease.**
   a) The building is entirely Investment property as the owner occupied portion is insignificant.
   b) The building is entirely owner occupied property.
   c) Ground floor is investment property and 1st-7th floors are owner occupied property.
   d) Ground floor is owner occupied property and 1-7th floor are investment property.

6. **Saturn Ltd. owned a hotel building let out for rent. Rent includes significant service charges for hospitality.**
   a) The hotel is Investment property.
   b) The hotel is owner occupied property.
   c) The hotel is partly investment property and partly owner occupied property.
   d) The hotel building is neither owner occupied property nor investment property.

7. **An equipment owned by a company and leased out under an operating lease. Which Ind AS/s is/are applicable?**
   a) Ind AS 2.
   b) Ind AS 16 and Ind AS 116
   c) Ind AS 40 and Ind AS 116
   d) None of the above.

8. **A building owned by a company and leased out under an operating lease. Which Ind AS/s is/are applicable?**
   a) Ind AS 2.
   b) Ind AS 16 and Ind AS 116
   c) Ind AS 40 and Ind AS 116
   d) None of the above.

9. **A building held by a company as a Right-Of-Use asset and leased out under an operating lease. Which Ind AS/s is/are applicable?**
   a) Ind AS 2.
   b) Ind AS 116
   c) Ind AS 40 and Ind AS 116
   d) Ind AS 40.

10. **A property owned by a company and leased out under a finance lease. Which Ind AS is applicable?**

a) Ind AS 2.
b) Ind AS 16
c) Ind AS 40.
d) Ind AS 116.

11. A property acquired by a company for development and sale in ordinary course of business. Which Ind AS is applicable?
a) Ind AS 2.
b) Ind AS 16
c) Ind AS 40.
d) Ind AS 116.

12. In a lease, Lessee recognises Right-Of-Use asset when it obtains:
a) possession of an asset without any right to receive any economic benefit from its use
b) possession of an asset without any right to direct its use
c) right to control use of an identified asset
d) right to obtain a part of economic benefits from the use of an identified asset.

13. In a lease, Lessee recognises Right-Of-Use asset at:
a) cost
b) present value of lease payments
c) cost excluding estimated dismantling costs
d) None of the above.

14. At the inception of a lease, Lessee recognises lease liability at:
a) cost of the Right-Of-Use asset
b) present value of lease payments that are not paid at that date
c) present value of fixed lease payments only
d) present value of variable lease payments only

15. Under cost model Right-Of-Use asset is measured at:
a) cost less accumulated depreciation
b) cost less any accumulated depreciation and accumulated impairment losses
c) cost less any accumulated depreciation and accumulated impairment losses after adjustment for remeasurement of lease liability
d) revalued amount

16. In Lesee's accounts which of the following is not shown?
a) Right-Of-Use asset
b) lease liability
c) Depreciation
d) Net Investment in lease

17. In Lessor's accounts for a finance lease which of the following is shown?
a) Right-Of-Use asset
b) Net Investment in Lease
c) Depreciation on asset leased out
d) None of the above

Ans:

1. (a), 2. (d), 3(d), 4. (b), 5. (a). 6.(b), 7. (b), 8. (c), 9. (c), 10. (d), 11. (a), 12. (c), 13. (a), 14. (b), 15. (c), 16. (d), 17. (b).

GROUP: iv, PAPER: 18

INDIRECT TAX

LAWS & PRACTICE (ITP)

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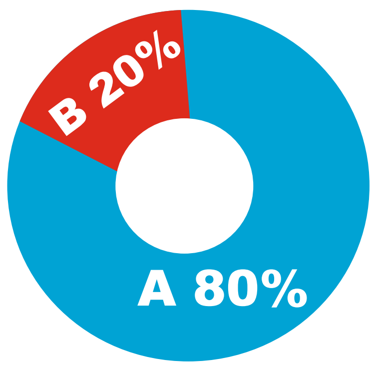
Your Preparation Quick Takes



Syllabus Structure

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

B Tax Practice and Procedures **20%**

Learning Objectives –

Through the following MCQ, students can refresh themselves about

- Due date of payment of GST
- GST on Advance Payment
- Time of Supply of Goods or Services or Both
- Place of Supply of Goods or Services or Both
- OIDAR Services
- GST on maintenance charges of Housing Society
- Liability for payment of GST in certain special cases
- Charging of Input Tax Credit

INDIRECT TAX

Choose the correct option from the followings –

1. Due date for the Assessee turnover not exceeds Rs 1.50 crores in the previous Year

(a) 10th of the following month
(b) 20th of the following month
(c) 18th of the month following the quarter
(d) 20th of the following month from the end of relevant quarter.

2.No GST payable on advance payment received for supply of goods by small taxpayers having aggregate annual turnover of –

(a) Up to Rs 75 lakhs
(b) Up to Rs 1.00 crores
(c) Up to Rs 1.50 crores
(d) Up to Rs 2.00 crores

3. Time of supply in case of goods sent for approval will be earlier of the following –

(a) Date of receipt of the goods or date of payments
(b) Date of receipts of the goods or date immediately following 30 days from the date of invoice
(c) Time when it becomes known that supply is taken place or six month from the date of removal
(d) Date of receipt of the goods or date immediately following 60 days from the date issue of invoice by the supplier.

4. Place of supply of goods in case of supply does not involve movement of goods.

(a) Place where movement terminate for delivery to the recipient
(b) Location of goods at the time of delivery to the recipient
(c) Principal place of business of the third person
(d) Location where goods are taken board

5. The location of the recipient service received at more than one establishment is

(a) Location of such place of business
(b) Location of such fixed establishment
(c) The location of establishment mot directly connected with the receipt of the supply
(d) The location of the usual place of residence of the recipient

6. Place of supply for Pre Paid Telecommunication service sold through internet is

(a) Location where the line is installed
(b) Billing Address
(c) Location where the prepaid voucher is sold
(d) Place of actual user / recipient of service

7.Place of supply of services in relation to training and performance appraisals provided to an un registered person

(a) Location of immovable property
(b) Location of supplier
(c) Location of recipient of service
(d) Location where the services are actually performed

8. Which one of the following will be considered Online information and data base access or retrieval service (OIDAR).

(a) Supplies of goods, where the order and processing is done electronically

(b) Online gaming
(c) Service of lawyer and financial consultant who advise clients through e mail
(d) Booking service of tickets to establishment events, hotel accommodation or car hire.

9. **Which one of the following will not be considered Online information and data base access or retrieval service (OIDAR).**
(a) Individually commissioned content sent in digital form
(b) PDF document automatically emailed by provider's system
(c) Stock, photographs available for automated download
(d) On line courses consisting of pre recorded videos and downloadable PDF's.

10. **As per the GST Act if the discount is given after supply of goods and not known at the time of Supply**
(a) Discount will be added to the value of the goods
(b) Discount will be deducted from the value of the goods
(c) Can be claimed as deduction from transaction value
(d) Can not be claimed as deduction from transaction value

11. **A member of a Housing Society is exempt from paying GST for his / her contribution (maintenance charges) charged by Residential Welfare Association is up to**
(a) Rs 5000/-
(b) Rs 6000/-
(c) Rs 7500/-
(d) Rs 9000/-

12. **Time of supply of vouchers for goods and services i.e. issue of redeemable Gift Voucher or a coupon etc if the supplies is not identifiable at that point will be**
(a) Date of announcement of such voucher to the customer
(b) Date of issue of voucher
(c) Date of redemption of voucher
(d) Date when actually account for by the entity.

13. **State the liability to pay GST in case collection charges paid by the Airport Operator to Airlines in consideration for services provided by the Airlines to the Airport Operator.**
(a) Airport operator under reverse charge mechanism
(b) Airline under reverse charge mechanism
(c) Airport operator under forward charge
(d) Airlines under forward charge

14. **The GST rate without input tax credit is applicable on construction of commercial apartment having carpet area of not more than 15% of total carpet area of all apartment is**
(a) 1%
(b) 2%
(c) 5%
(d) 7%

15. **In case of buy one get one free offer the applicability of GST will**
(a) be on reverse charge basis
(b) depend up on as to whether the supply is a composite supply
(c) depend up on as to whether the supply is a mixed supply
(d) depend up on as to whether the supply is a composite supply or a mixed supply

16. **presently Input Tax Credit of IGST can be adjusted**
(a) IGST only
(b) Equally between IGST and CGST or any other proportion of the option of the assessee.
(c) Equally between IGST and SGST or any other proportion of the option of the assessee.
(d) Equally between CGST and SGST or any other proportion of the option of the assessee.

17. **Where tax is payable on reverse charge basis the Input Tax Credit shall be reversed if the recipient of goods or services or both do not pay the supplier (including tax from the date of issue of invoice within**
(a) 90 days
(b) 120 days
(c) 150 days
(d) 180 days

18. **If the details of invoices or debit notes have not been uploaded by the suppliers in their GSTR – 1 then as per Section**

37(1) the maximum ITC can be availed by a registered person is

(a) 10%
(b) 15%
(c) 20%
(d) 28%

19. state in which of the following supply of goods or services or both ITC will be allowed

(a) Membership of a club, health and fitness centre
(b) Tax paid for an input service for further supply of works contract service
(c) Cosmetic and plastic surgery
(d) Rent a cab service

20. If in case of a job work principal send input or capital goods directly to the job workers without bringing them to his / her premises

(a) Can avail the credit of tax paid on such inputs or capital goods
(b) Can not avail the credit of tax paid on such inputs or capital goods
(c) Job worker can avail the credit of tax paid on reverse charge on such inputs or capital goods
(d) Job worker can not avail the credit of tax paid on reverse charge on such inputs or capital goods

ANSWERS

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

150 YEARS OF CELEBRATING THE MAHATMA

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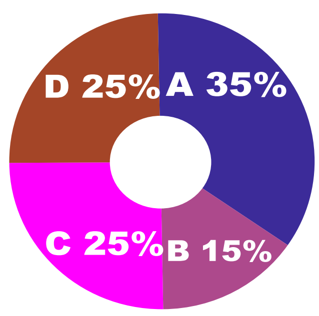
GROUP: iv, PAPER: 19

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

Cost & Management Audit

Section-A

1. Choose the correct option among four alternative answer and justify your answer:

(I) The basic quantitative information on capacity is covered in the_____of CRA 3 of Cost audit report.

a) Annexure 3 of Part B and C

b) Annexure 1 of Part D

c) Annexure 1 of Part B and C

d) Annexure 1 of Part A

Ans: (c)Annexure 1 of Para B & C

As per form CRA-3 pursuant to rule 6(4) of Companies (Cost Records & Audit) Rules, 2014, the Quantitative information regarding manufacturing sector is specified under Annexure-1 of para-B while for service sector it is Annexure -1 of para-C.

(II) Royalty paid on production ₹ 55,000, hire Charges ₹ 20,000, Special Design Charges ₹ 40,000, Software Development Charges related to Production ₹ 18,000, and Travelling abroad for Training ₹ 22,000. Find the Direct Expenses as per CAS 10 is ₹ ______________.

(a) ₹1,33,000
(b) ₹1,35,000
© ₹1,55,000
(d) ₹98,000

Ans: (c) ₹ 1,55,000

As per CAS 10 Direct expenses includes = royalty paid on production + hire charges + Special Design Charges + Software development charges related to production + Travelling abroad for training = ` (55,000 + 20,000 + 40,000 + 18,000 + 22,000) = ₹ 1,55,000

(III) The cost auditor of the company who is in default shall be punishable in the manner as provided in __.

a) Section 139 of Companies Act, 2013

b) sub-sections (1) to (3) of section 148 of Companies Act, 2013

c) Section 143 of Companies Act, 2013

d) sub-sections (2) to (5) of section 147 of Companies Act, 2013

Ans: **d) sub-section (2) to (5) of section 147 of Companies Act, 2013**

If an Auditor of a company contravenes any of the provisions of Section 139, Section 143, Section 144 or Section 145 then the auditor shall liable for punishable under Section 147.

(IV) Which of the following statement is not part of Annexure-D of Cost Audit Report?

a) Product & Profitability Statement

b) Related Party Transactions

c) Profit Reconciliation

d) Abridged cost statement

Ans: **(d) Abridge cost statement**

As per CRA-3, "Abridge Cost Statement" is under Part-C of Annexure to Cost audit report.

(V) The Cost Auditing Standard 102 deals with___.

a) Cost Audit Documentation
b) Planning an audit of Cost Statements
c) Knowledge of business, its processes and the business
d) Overall objectives of the independent cost auditor

Ans: **(a)Cost Audit Documentation**

This Standard deals with the cost auditor's responsibility to prepare audit documentation for the audit of cost statements, records and other related documents.

(VI) Who appoints Management Auditor?

a) Departmental Head
b) Board of Directors
c) Shareholders
d) Chairman of the company

Ans: Board of Directors

Board of Directors of the company appoint the Management auditor.

(VII) Cost auditor to report fraud under_______ of Companies Act, 2013.

a) Section 140(12)
b) Section 148(2)
c) Section 144(10)
d) Section 143(12)

Ans: **(d)Section 143(12)**

The auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Central Government under section 143 (12) of Companies act, 2013.

(VIII) Rule 4 of the Companies (Cost Records and Audit) Rules, 2014 deals with:

a) Application of Cost Records
b) Application of Cost Audit
c) Appointment of Cost Auditor
d) Cost Audit Report.

Ans:B) Application of Cost Audit.

Rule 4 of the Companies (Cost Records and Audit) Rules, 2014 prescribes the turnover based threshold limits for applicability of Cost Audit.

(IX)The foreign exchange component of imported material is converted at the rate on–

a) Date of Payment
b) Date of Delivery
c) Date of Transaction
d) Date of Use

Ans: (c) **Date of transaction.**

AsperCAS6the forex component of imported material cost shall be converted at the rate onthe date of the transaction. Any subsequent change in the exchange rate till payment orotherwise shall not form part of the material cost.

(X) Penalty paid to Employee State Insurance (ESI) authority is ______________ in Employee Cost.

a) Included
b) Excluded
c) Depending upon the individual case
d) Partly included

Ans: (b) Excluded

Penalty paid to PF authorities is not normal cost and hence is excluded as per CAS 7 from employee cost.

(XI) Which of the following is not forming part of Cost of transportation?

a) Cost of transport
b) Insurance
c) Demurrage Charge
d) Cartage

Ans: (c) **Demurrage**

As per CAS -5, Cost of Transportation comprises of the cost of freight, cartage, transit insurance and cost of operating fleet and other incidental charges but does not include detention anddemurrage charges.

(XII) Alfa Mines Ltd. showed during the Financial Year 2019-20, the following financial data (₹ lakh): Net Sales 1,620, Export Incentives 25, Adj. of Finished Stock (+) 50, Materials 823, Stores & Spares 20, Utilities 110, Salaries 322, Overheads 85, and Tax 29. The Value Added as per Rules is (₹ lakh) ______________.

a) 1,825
b) 566
c) 1,002
d) 888

Ans: (c) ₹ 1,002 Lakh.

(Sales 1620 + Export Incentive 25 + Adj of Finished stock 50+ Stores & Spares 20+ Utilities 110)-(Materials 823) = ₹ 1,002Lakh.

(XIII) WhocanbeappointedasInternalAuditorasperthe CompaniesAct,2013

a) A Chartered Accountant
b) A Cost Accountant
c) Such other professional
d) All of the above

Ans: (d) All of the above.

AS perSection138 of the CompaniesAct,2013 an internal auditor, shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

(XIV) Within a period of______days, company shall file a copy of the cost audit report to the Central Government.

a) 30days
b) 45days
c) 60days
d) 90days

Ans: **(a)30days**

Rule6(6),of the Companies (Cost Records and Audit) Rules, 2014, as amended by the Companies (Cost Records and Audit) Amendment Rules, 2016, with in a period of thirty days, company shall file a copy of the cost audit report to the Central Government.

(XV) Kaizen costing is used for the purpose of

a) Cost Reduction
b) Pricing and decision making
c) Total performance management
d) Cost Control.

Ans: (a) Cost Reduction

Kaizen costing is a management accounting tool which is used for the purpose of cost reduction of the organization.

(XVI) KPI can be:

a) Quantitative
b) Qualitative
c) Actionable
d) All of the above.

Ans: **(D) All of the above.**

Key Performance Indicators are simply the variables, independent or inter-dependent, in respect of which goals can be set and performance can be measured to assess whether it is in furtherance of the enterprise objectives. These may be quantitative, qualitative, actionable, or trends.

(XVII) ______of the Annexure to the Cost Audit Report of Companies (Cost Records and Audit) Rules, 2014 indicates the details of Quantitative Information.

a) PartA,Para1
b) PartA,Para2
c) PartA,Para3
d) PartA,Para4

Ans: **d)Part-A,Para4**

AsperCRA-3, Annexure to the Cost Audit Report of Companies (Cost Records and Audit) Rules, 2014 require reporting of Net Operational

Revenue of every CETA Heading separately comprised in the Total Operational Revenue as per Financial Accounts. The quantitative information and abridged cost statements will have to be provided for each unique combination of CETA Heading and UOM of the Products which are covered under cost audit.

Section- B

Short Questions

2. a) What are the advantages of XBRL reporting?

XBRL makes reporting more accurate and more efficient. It allows unique tags to be associated with reported facts and allowing:

(i) people publishing reports to do so with confidence that the information contained in them can be consumed and analysed accurately

(ii) people consuming reports to test them against a set of business and logical rules, in order to capture and avoid mistakes at their source

(iii) It helps in saving costs and improving the efficiency in managing business information financial or cost.

(iv) It is useful in exchange of information between different information systems in entirely different organisations. This allows for the exchange of business information across a reporting chain.

(v) people using the information to do so in the way that best suits their needs, including by using different languages, alternative currencies and in their preferred style

(vi) Comprehensive definitions and accurate data tags of XBRL helpful in preparation, validation, publication, exchange, consumption and analysis of business information of all kinds.

b) Telco Ltd. has two divisions. Division – I is involved in manufacturing of Railway locomotives & Division – II is involved in providing service to their customer. His Aggregate annual turnover from manufacturing division is ` 95 crores and annual receipts from service division is ` 35 crores. State whether Companies (Cost Records and Audit) Rules, 2014 is applicable to the company?

Answer: As per Rule 3 of Companies (Cost Records and Audit) Rules, 2014, the class of companies including foreign companies, engaged in the production of the goods or providing services, specified in the Table, having an overall turnover from all its products and services of ` 35 crore or more during the immediately preceding financial year, shall maintain cost records for such products or services in their books of account.

In the given case, the product is covered under item (B) as non-regulated sector as per rule 3. The overall turnover of the company is ` 130 crores. Hence the company is required to maintained cost records under Rule 3 and also the aggregate turnover of the individual product —Railway Locomotives‖ manufacturing by the company is not less than ` 35 crore. Hence, the company is also required to do cost audit as per Rule 4 of Companies (Cost Records and Audit) Rules, 2014.

c) Explain the procedure for appointment of a Cost Auditor of the Company?

Answer: The Board of Directors of the companies as specified in rule 3 and the thresholds limits laid down in rule 4, shall within 180 days of the commencement of every financial year, appoint a cost auditor. [Rule 6(1) Companies (Cost Records and Audit) Rules, 2014]

Every company referred to in rule 6(1) shall inform the cost auditor concerned of his or its appointment as such and file a notice of such appointment with the Central Government within a period of thirty days of the Board meeting in which such appointment is made or within a period of 180 days of the commencement of the financial year, whichever is earlier, through electronic mode, in Form CRA-2, along with the fee as specified in Companies (Registration Offices and Fees) Rules, 2014. [As per Rule 6(2) Companies (Cost Records and Audit) Rules, 2014]

Any casual vacancy in the office of a cost auditor, whether due to resignation, death or removal, shall be filled by the Board of Directors within thirty days of occurrence of such vacancy and the company shall inform the Central Government in Form CRA-2 within thirty days of such appointment of cost auditor.

d) Write a short note on the role of Internal Auditor of a company to review Custodianship and Safeguarding of Assets?

Ans: The Internal Auditor should review the control system to ensure that all assets are accounted for fully. He/ she should review the means used for safe guarding assets against losses viz, fire, improper or negligent activities, theft, illegal activities etc. He/she should review the control system for intangible assets, e.g, the procedure relating to credit control. Where a company uses electronic control equipment, the physical and system control on processing facilities as well as data storage should be examined and tested. He or she should review adequacy of the insurance cover for the various risks involved.

He/she should also verify the existence of assets. Para 30 of the Companies (Cost Records And Audit) Rules, 2014 states that "records of physical verification may be maintained in respect of all items held in the stock such as raw materials, process materials, packing materials, consumable stores, machinery spares, chemicals, fuels, finished and then assets etc. Reasons for shortages or surplus arising out of such verifications and the method followed for adjusting the same in the cost of the goods or services shall be indicated in the records."

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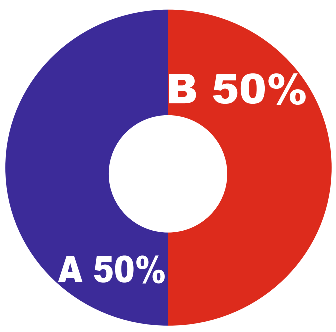
GROUP: iv, PAPER: 20

STRATEGIC PERFORMANCE MANAGEMENT AND BUSINESS VALUATION (SPBV)

Your Preparation Quick Takes



Syllabus Structure

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

Learning objectives:

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

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

Strategic Performance Management

Section-A

Choose the correct option from amongst the four alternatives given:

(Each question carries 2 marks)

.

1. Which one of the following is not a measure related to Balanced Score Card?

(A)Financial
(B)Customer Satisfaction
(C)GAP Analysis
(D)Internal Processes

2. Which out of the following financial ratios is not in the Altman Model: Z-Score?

(A) Market Value to Book Value of equity shares
(B) Working Capital to Total Assets
(C) Retained Earnings to Total Assets
(D) Sales to Total Assets

3. X Limited is considering to acquire Y Limited through all shares deal. Relevant information about these companies are given below;

Particulars	X	Y
Present Earnings- (Rs. in crores)	Rs.	Rs.
No. of Equity Shares (in crores)	4	2
Price/Earnings Ratio	10	9

Given the above information, the exchange ratio based on the market price will be:

(A) 0.58
(B) 0.60
(C) 0.87
(D) 1.23

4. Which of the following is not an accounting technique to analyse financial performance?

(A) Trend analysis
(B) Common-size financial analysis
(C) Ratio analysis
(D) Time series analysis

5. The six sigma DMAIC process consist of:

(A) define, measure, analyze, improve, control
(B) define, manage, analyze, improve, control
(C) define, measure, analyze, improve, co-ordination
(D) deliver, measure, analyze, improve, control

6. In order to maximize profits, a firm should produce at the output level for which:

(A) Average cost is minimized
(B) Marginal revenue equals marginal cost
(C) Marginal cost is minimized
(D) Price minus average cost is as large as possible

7. The concept of is the process of identification of separate risks and put them all together in a single basket, so that the monitoring, combining, integrating or diversifying risk can be implemented:
   (A) Physical risk
   (B) Financial risk
   (C) Pooling risk
   (D) Business risk

8. Identify which of the following is not a financial liability
   (A) X Ltd. has 1 lakh Rs. 10 ordinary shares issued
   (B) X Ltd. has 1 lakh 8% Rs.10 redeemable preference shares issued
   (C) X Ltd. has Rs.2,00,000 of 6% bonds issued
   (D) Both (A) and (B)

9. Shareholders of target companies are typically paid in
   (A) Government bonds held by the target company
   (B) Government bonds held by the acquiring company
   (C) Cash and / or shares of the acquiring company
   (D) None of the above

10. If the expected rate of return on a stock exceeds the required rate
   (A) The stock is experiencing super normal growth
   (B) The stock should be sold
   (C) The company is not probably trying to maximize price per share
   (D) The stock is a good buy

Section –B

1. Yummy Ltd. had earning per share of ` 11.04 in 2016-17 and paid a dividend of Rs.7 per share. The growth rate in earnings and dividends in the long term is expected to be 5%. The return on equity at Yummy Ltd. is expected to be 13.66%. The beta of Yummy Ltd. is 0.80 and the risk free Treasury bond is 6% while risk premium is 4%. Based on the information, the Book Value Ratio would be:
   (A) 44.00
   (B) 44.74
   (C) 45.20
   (D) 45.78

[4 marks)

2. ABC Ltd has FCFF of Rs. 170 Crores and FCFE of Rs.130 Crores. ABC Ltd's WACC is 13% and its cost of equity is 15%. FCFF is expected to grow forever at 7% and FCFE is expected to grow forever at 7.5%. ABC Ltd has debt outstanding at Rs.1500 Crores. Find the value of ABC Ltd using FCFF approach and FCFE approach.
   (A) Rs. 1863.33 Crores
   (B) Rs. 1887.20 Crores
   (C) Rs. 1911.23 Crores
   (D) Rs.1923.53 Crores

[4 marks)

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04 Appear For Examination

FINISHED

SUBMISSIONS

Dear Students,

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

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

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

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September 2020, Issue

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.

All of you must be aware that 5th of September in every year is celebrated as Teachers' Day. "Knowledge gives us power; love gives us fullness"- as told by Dr. Sarvepalli Radhakrishnan. So, being a student it is your duty to gain real knowledge and parallel that to be sympathetic enough, to serve the society in your own way.

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

Let us observe his memory by following his message.

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

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

Please refer the link mentioned below :

https://icmai.in/studentswebsite

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

GOOD LUCK

Be Prepared and Get Success;

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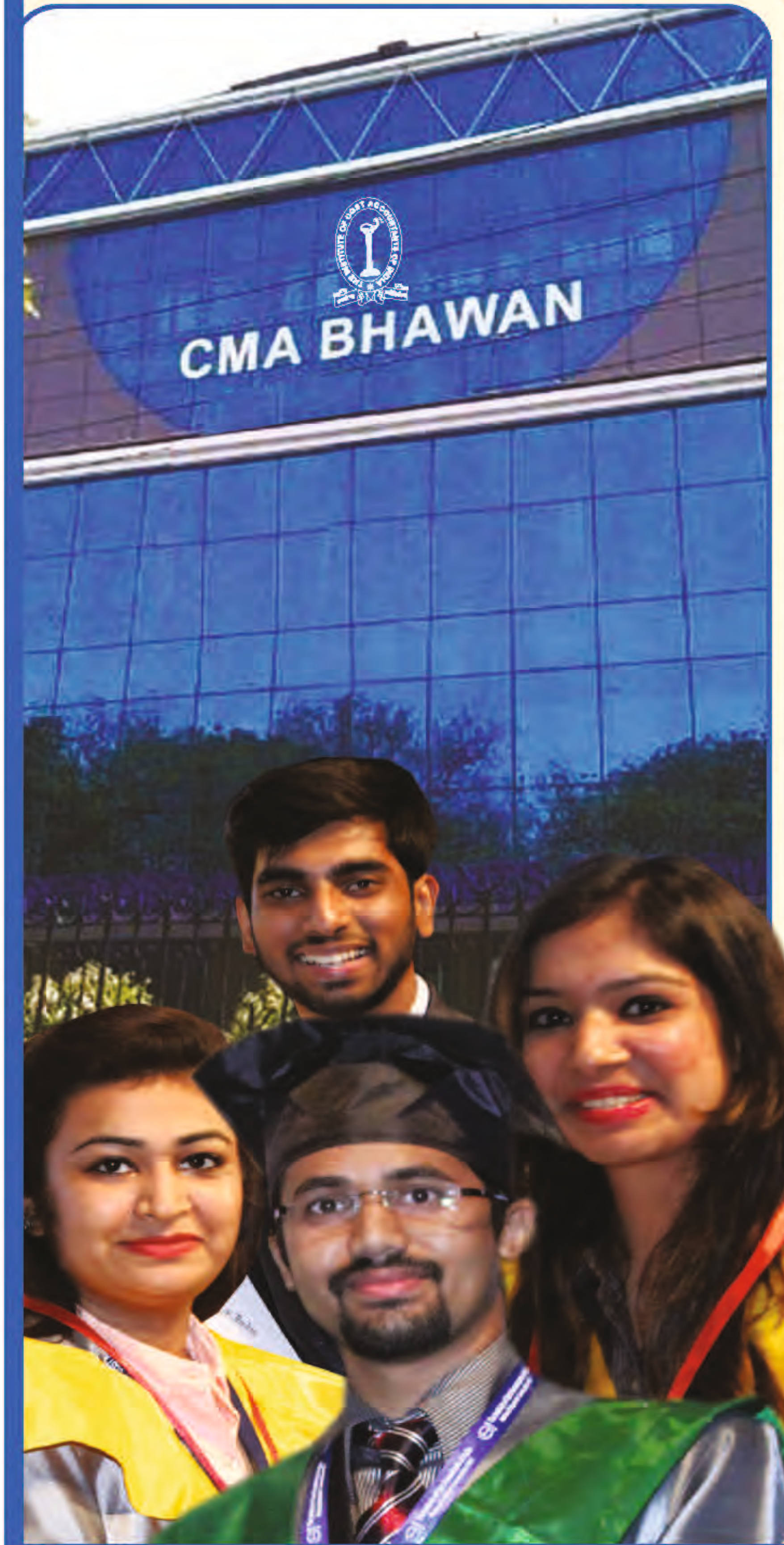
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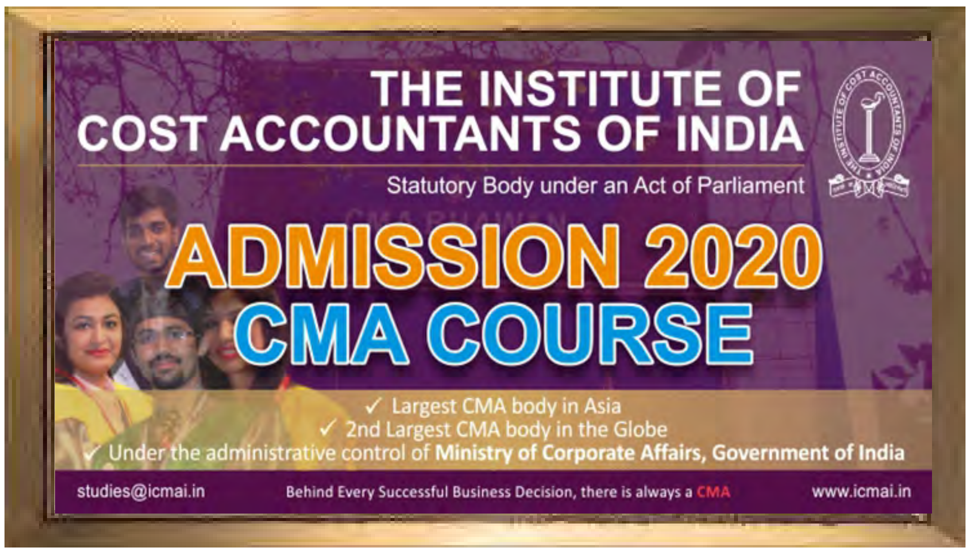
Launch of Bank of Baroda CMA one - Credit Card




इंडिया सूपरपॉवर पर वेबिनार संपन्न

Sri. G M Rao, Group Chairman GMR Group WEBINT address on 'India: Superpower to Superpower' along with CMA Balwinder Singh President, CMA Biswarup Basu, VP, CMA Dr Ch K V S N Murthy, CMA H Padmanabhan Council Members and CMA K V Lavanya, Former Chairperson HCCA ICAI

Dubai Overseas Center organised WEBINT on 'Challenging Time Need People, who can Challenge Themselves' by CMA Radhakrishnan, on 11th SEP 2K20. Along with MCM and Members of Overseas Center CMA H Padmanabhan Council Member participated

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