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FOUNDATION

CMAStudent E - Bulletin

150 YEARS OF CELEBRATING THE MAHATMA

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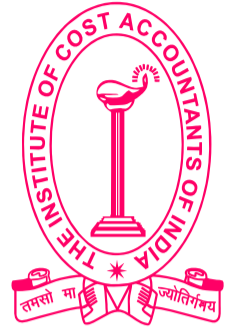
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Behind every successful business decision, there is always a CMA

Message from
The Chairman
CMA Manas Kumar Thakur
**Chairman,
Training & Education Facilities (T& EF) Committee**

CMA MANAS KUMAR THAKUR
Chairman, T & EF Committee
Directorate of Studies
President (2016-2017)

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MESSAGE FROM THE CHAIRMAN

Dear Students,

Greetings,

"True education must correspond to the surrounding circumstances or it is not a healthy growth"- M.K.Gandhi

Education gives us knowledge of the world around us and changes it into something better. It develops in us a perspective of looking at life. It helps us build opinions and have points of view on things in life. I have always focused on it because I wanted to become a professional. I knew it will be hard and very challenging, however I believed I can handle the challenge. Likewise, I feel, this professional course will help my beloved students to change their outlook about their life. I trust that "Optimism is the faith that leads to achievement; nothing can be done without hope and confidence".

We have stepped in to July and I know those appeared for June, 2019 term of examination is waiting anxiously to know about the outcome. As you know, fortune favours the brave, likewise those who did well in their examination will clear their term and those who did not, will have to try harder.

I am reiterating that the Directorate of Studies is trying continuously to guide you through various publications in e-form; Mock Test Papers (both questions and answers), Work Book (both questions and answers), monthly publication of E-bulletin & conducting of Webinar Sessions; all are for your continuous learning and practice. Try to grab those opportunities.

I am really thankful to all academicians who, despite their busy schedule, have helped the D.O.S. all the way and have encouraged you all by contributing their valuable input and which had also helped the D.O.S. in timely publications of E-bulletin. I hope, you will be enjoying those publications in future and will update yourself on a regular and continuous basis. As the Chairman of The Training & Education Facilities and Placement Committee, I would like to offer best wishes to all engaged in the process as I have enjoyed my stint with great pleasure.

My dear future professionals, I stand committed towards your development always and my sincere request to you all- please be a Good Samaritan and try to put your mark in shaping the nation.
I want to conclude with the words of M.K.Gandhi "An education which does not teach us to discriminate between good and bad, to assimilate the one and eschew the other is a misnomer".

CMA Manas Kumar Thakur

Be a CMA, be a Proud Indian

"Behind every successful business decision there is always a CMA

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150
YEARS OF
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THE MAHATMA

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

CONTENTS

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

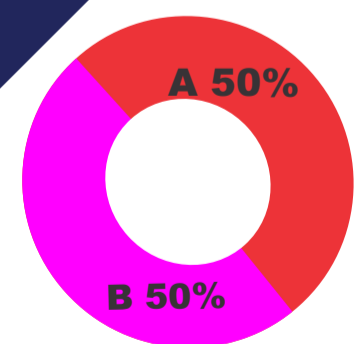**PAPER: 1, PART: I**

FUNDAMENTALS

OF ECONOMICS & MANAGEMENT
(FEM) – ECONOMICS

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Your Preparation Quick Takes

A 50%

B 50%

Syllabus Structure

A Fundamentals of Economics **50%**
B Fundamentals of Management **50%**

Learning Objectives:

- Studying economics, one will be able to develop the analytical skills needed to work successfully in the field, including the study of logical analysis.
- Students will be able to identify and explain economic concepts and theories related to the behaviour of economic agents, markets, industry and firm structures, legal institutions, social norms, and government policies.
- Students will be able to integrate theoretical knowledge with quantitative and qualitative evidence in order to explain past economic events and to formulate predictions on future ones.
- Students will be able to evaluate the consequences of economic activities and institutions for individual and social welfare.

ECONOMICS

Friends I hope the mock tests helped you a lot to prepare yourselves for the exam. We will continue our exercise of solving mock test papers in a somewhat relaxed mood as the tension of exam is over. But before you concentrate on the mock test please have a quick look at the study material which is the Bible for you so far as this course is concerned.

MOCK TEST

I. Chose the correct answer

1. If demand is greater than supply at a particular market price

   A. Then the market price will start falling
   B. Then the market price will start rising
   C. Then the market price will remain constant
   D. None of the above

2. Goods which are purchased to project the status and prestige of the consumer are called

   A. Giffen good
   B. Normal good
   C. Conspicuous good
   D. Inferior good

3. Price elasticity of demand of a product is close to zero if it

   A. Has no substitute
   B. Has a number of substitutes
   C. Is not a necessary good
   D. None of the above

4. (TCn – TCn-1) is equal to

   A. Marginal cost
   B. Marginal cost for the nth unit
   C. Marginal cost for the nth unit when the consumption level is a discrete variable
   D. Average cost for the nth unit

5. In the perfectly competitive market, when P = AR = MR =MC = AC. It is

   A. Long run equilibrium
   B. Short run equilibrium
   C. Very short run equilibrium
   D. None of the above

6. Product differentiation is the other name of

   A. Monopoly
   B. Monopolistic Competition
   C. Oligopoly
   D. Discriminating monopoly

7. Under Collusive oligopoly

   A. One company becomes the dominant competitor
   B. Firms form a cartel to fix the price and output in order to maximize profit
   C. Firms add a profit mark-up to the average cost of the product
   D. None of the above

8. The equilibrium equation $MR_1 + MR_2 = MC$ is related to

   A. Perfect competition
   B. Monopoly
   C. Oligopoly
   D. Discriminating Monopoly

9. Free entry and free exit is the condition of

   A. Monopoly and oligopoly
   B. Monopoly and Monopolistic Competition
   C. Duopoly and Monopolistic Competition
   D. Perfect Competition and Monopolistic Competition

10. Sticky price and output in the equilibrium situation is the property of

    A. Monopoly
    B. Perfect Competition
    C. Oligopoly
    D. Monopolistic competition

KEY: 1B, 2C, 3A, 4C, 5A, 6D, 7B, 8D, 9D, 10C

II. Fill in the Blanks

1. The book titled Wealth of the Nation by Adam Smith was published in the year ....
2. When total utility is maximum, marginal utility is ....
3. Long run average cost curve is the .... of all short run average cost curves
4. .... Law states that bad money drives good money out of circulation
5. To overcome the shortage of gold in the world economy, IMF issued a special currency in 1969 called ....

KEY: 1. 1776, 2. Zero, 3. Envelope, 4. Gresham's, 5. SDR(special

drawing right)

III.   **True or False:**

1.   Normal profit is part of the economic cost.
2.   Law of diminishing marginal productivity and law of diminishing returns to scale are not consistent.
3.   The demand curve of the firm under perfect competition is perfectly inelastic
4.   The supply curve of a monopolist is upward rising.
5.   The primary function of money is to serve as a medium of exchange.

KEY: 1.True, 2. False, 3.false, 4. False, 5. True

IV.   **Matching**

1. Robbins	A. deficit financing
2. Commercial Bank	B. AC
3. Inflation	C. scarcity definition of economics
4. NABARD	D. credit creation
5. AFC + AVC	E. Agriculture

KEY:1.C, 2.D, 3. A, 4.E, 5.B

Friends I hope you have enjoyed the mock test and possibly you have solved all the sections correctly and with considerable ease. If is not,then you have to study the reading material supplied to you by the Institute. Wish you all the best for your preparation.
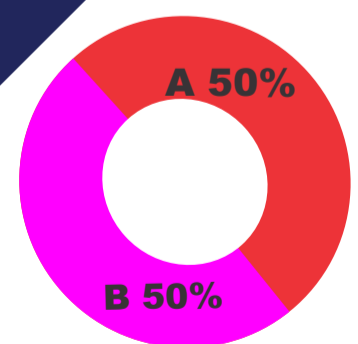
150
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PAPER: 1, PART: II

FUNDAMENTALS

OF ECONOMICS & MANAGEMENT
(FEM) – MANAGEMENT

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Your Preparation Quick Takes

A 50%

B 50%

Syllabus Structure

A Fundamentals of Economics **50%**
B Fundamentals of Management **50%**

MANAGEMENT

In recent times, management has become a more scientific discipline of study having certain standardized principles and practices. By the term 'Management' we mean " the process of getting things done by and through others".

Management as a science, arts and profession!

Like any other practice-whether engineering, accountancy, law or medicine; Management is an art. Artistic application of management know-how is evident. To manage effectively, one must have not only the necessary abilities to lead but also a set of critical skills acquired through time, experience, and practice. Managing is the "art of arts" because it organizes and uses human talent.

It is understood that managing is doing things artistically in the light of the realities of a situation.

But a modern manager can do better by using the knowledge, methods, concepts, theories, etc. of managing at his/her workplace. Management follows a systematic method to find the possible solution for a problem. It is true that the science underlying managing is inexact or a soft science at best.

As a matter of fact, this knowledge, methods, concepts, theories related to managing can be treated as science. It raises the question is management is an art or science or both.

Management is both science as well as art. Like science it has systematic and well- organised body of knowledge and like art it requires personal skill, creativity and practice to apply such knowledge in the best possible way. Science and art are not in contrast to each other; both exist together in every function of management.

Management as a Profession:
Profession can be defined as an occupation backed by specialised knowledge and training, in which entry is restricted. The entry to a profession is restricted through an examination or degree. For every profession there are set of ethical codes fixed by professional organisations and are binding on all the professionals of that profession. In case of management there is growing emphasis on ethical behaviour of managers.

In every profession there is practice of systematic body of knowledge which helps the professionals to gain specialised knowledge of that profession. In case of management also there is availability of systematic body of knowledge.

In general sense, profession means occupation. Occupation is rendering service. Similarly management is a distinct profession backed up by specialization. Here profession is not only an occupation of specialized skill but these skills should be applicable in large scale and interest of society as a whole.

Common contention that management involves activities that are directed towards determination and accomplishment of organizational goals. From these definitions emerge the functions of management which are namely:

(i) Planning
(ii) Organising
(iii) Staffing
(iv) Leading
(v) Controlling

Planning involves precisely determining the objectives, i.e. deciding in advance what is to be done, when it is to be done, and how it is to be done.

Organising refers to the identification of activities and creation of departments. Thus, it also leads to creation of authority and responsibility relationships throughout the enterprise.

Staffing involves manpower planning, employment of personnel through recruitment and selection, placement, induction, orientation, training, development, performance appraisal, industrial relations etc.

Leading or leadership is an indispensable activity which every manager has to perform for directing the people under him towards accomplishment of common goals. It includes communication, supervision, motivation etc.

Controlling involves setting standards of performance, comparing actual performance against these standards, identifying derivation and taking corrective actions to ensure that activities are carried but in conformity with the plans. Thus, control is a comparison and verification process.

Planning is an important function of management. Planning is an activity by which managers analyze present conditions to determine ways of reaching a desired future state. Planning is both an organisational necessity and a managerial responsibility. Through planning, organizations choose goals based on estimates or forecasts of the future. Concern for future is intensified by the fact of relentless, unremitting change.

The purpose of planning, in the words of Dalton McFarland, is twofold:

to determine appropriate goals, and
to prepare for adoptive and innovative change.

George Terry defines **organizing** as "establishing the effective authority relationships among selected works, persons, and workplaces in order for the group to work together effectively".

Process of Organising:
As a function of management, i.e. as a process, organizing includes the following steps:

identifying the work fundamentals of economics and management
  grouping the work
  establishing formal reporting relationships
  providing for measurement evaluation, and control
  delegation of authority and responsibility.

Staffing process is concerned with providing the organisation with the right number of people at the right place, and at the right time so that the organisation would be able to achieve its goals effectively. Just one wrong decision in the process would prove to be costly to the entire enterprise. A wrong placement in the organisation would adversely affect the productivity of the organisation as a whole.

Leading is another of the basic function within the management process.

 "Leading is the use of influence to motivate employees to achieve organizational goals" – Richard Daft. Managers must be able to make employees want to participate in achieving an organization's goals.

Three components make up the leading functions:
  Motivating employees
  Influencing employees
  Forming effective groups.

The leading process helps the organization move toward goal attainment.

Koontz and O'Donnell contend that "Managerial control implies the measurement of accomplishment against the standard, and the correction of deviations to assure attainment of objectives according to plans."

Control function is closely connected to planning. In fact, control is an effective counterpart to planning. Planning and control are so entwined that it becomes almost impossible to determine where one leaves off and the other begin. Planning without corresponding controls are apt to hollow hopes.

Training and development:

One of the important managerial activities in modern organisation is the training and development programmes. It is common that organisation first recruits and select the employees and provide them some of training to increase their versatility, knowledge, adaptability skills so that the jobs they perform becomes appreciable. Training is the systematic acquisition of knowledge, skills, rules, and attitudes that have specific or narrow applicability to a limited set of situations in a specific job environment. Training constitutes significant part of organisation's investment in human resources.

Every training programme is aimed at fulfilling the following purposes:

1. to increase the productivity of workforce;
2. to improve the quality lot products being manufactured;
3. to help an organisation to fulfil its future personnel needs;
4. to improve the health of workers;
5. to promote the safety of workers on the job;
6. to prevent the obsolescence of employees at work;
7. to maintain personal growth of employees in the enterprise;
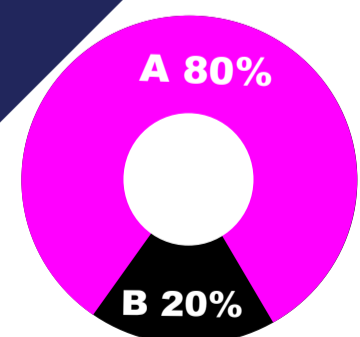8. to improve overall organisational climate.

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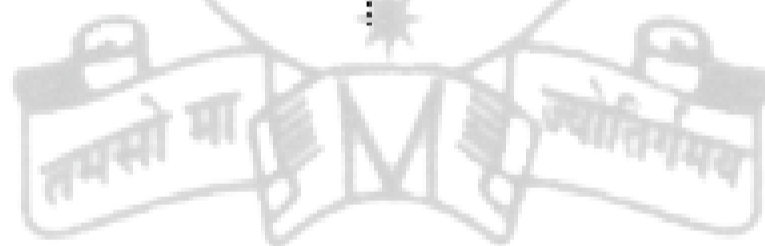
PAPER: 2

FUNDAMENTALS

OF ACCOUNTING (FOA)

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Your Preparation Quick Takes

A 80%

B 20%

Syllabus Structure

A Fundamentals of Financial Accounting **80%**

B Fundamental of Cost Accounting **20%**

Learning Objectives:

In order to internalize the concepts of subjects like accountancy one has to have an understanding of the learning objectives of the chapters. Try to go through the Statement of Objects and Reasons issued for every topics as it would give you a background to your study.

ACCOUNTING EQUATION

INTRODUCTION:

In this issue we will discuss a basic and fundamental concept of accounting i.e the dual aspect concept which states – 'for every debit there is a corresponding and equal credit'. Algebraically we can express this as an equation. Before we explain such equation let us explain the basic terms of accounting which are then components of this equation. These are assets, liabilities, capital , expenses, losses , income and gains.

Assets: An expense which provides a continuous benefit over the years will be termed as asset. For example Building, furniture etc.

Liabilities: It is an obligation of financial nature to be settled at a future date. For example loan taken.

Expenses: It means cost which is expired. That is amount spent to enjoy a current benefit. For example if you spend Rs. 10/- to buy a chocolate and eat it, you actually enjoyed the taste of the chocolate. This is an expense.

Losses: The only difference between loss and expense is that cost is expired here without a benefit. Repeating the same example if the chocolate is slipped from your hand and you could not enjoy the taste, it will be a loss.

Income: It means a gross inflow of cash , receivable or other consideration arising out of ordinary activities of an entity. For example sale of goods.

Gain: It is such income which are not generated through regular course of business. For example, sale of short term securities.

THE EQUATION:

Asset = Liabilities + Capital + Income + Gain – Expense – Loss.

FEATURES

The equation gives foundation to the double entry book keeping system
It holds good for every transaction
It is also known as balance sheet equation

EXAMPLE:

Business started with capital of Rs. 100000
Furniture purchased by cash Rs. 10000
Plant purchased in credit Rs. 50000
Goods purchased for Rs. 5000
Goods sold for Rs. 7000 (cost Rs. 4500)
Goods sold in credit Rs. 3000
Depreciation of plant Rs. 500
Bad debt Rs. 100
Cash collected from debtors Rs. 2000
Rent paid Rs. 500
Rent due but not paid Rs. 100
Interest accrued but not received Rs. 100
Salary outstanding Rs. 1000
Sale of short terms securities Rs. 500

TABLE SHOWING THE ACCOUNTING EQUATION FOR THE TRANSACTIONS

Sl. No.	ITEM	ASSETS=	LIABILITIES +	CAPITAL +	INCOME+	GAIN-	EXPENSE-	LOSS
1	Cash Capital	100000		100000				
2	Furniture Cash	10000 (10000)						

3	Plant Creditors	50000	50000					
4	Purchase Cash	5000	5000					
5	Cash Sales	7000 (4500)		2500				
6	Debtors Sales	3000			3000			
7	Depreciation Plant	(500)						
8	Bad Debt Debtors	(100)						
9	Cash Debtors	2000 (2000)						
10	Rent Cash	500 (500)						
11	Rent Outstanding rent		100				100	
12	Interest accrued Interest	100			100			
13	Salary O/S salary		1000				1000	
14	Cash ST Securities	500				500		
	Total	160500	56100	102500	3100	500	(1100)	(600)

In the above table you can see how every transaction forms an equation logically. Keep practicing this type of sums and experiment with any transaction you like.
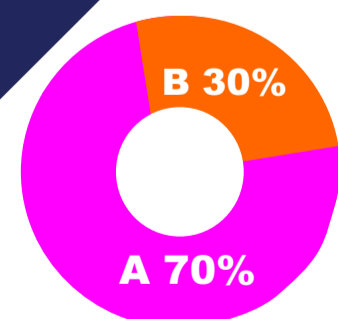
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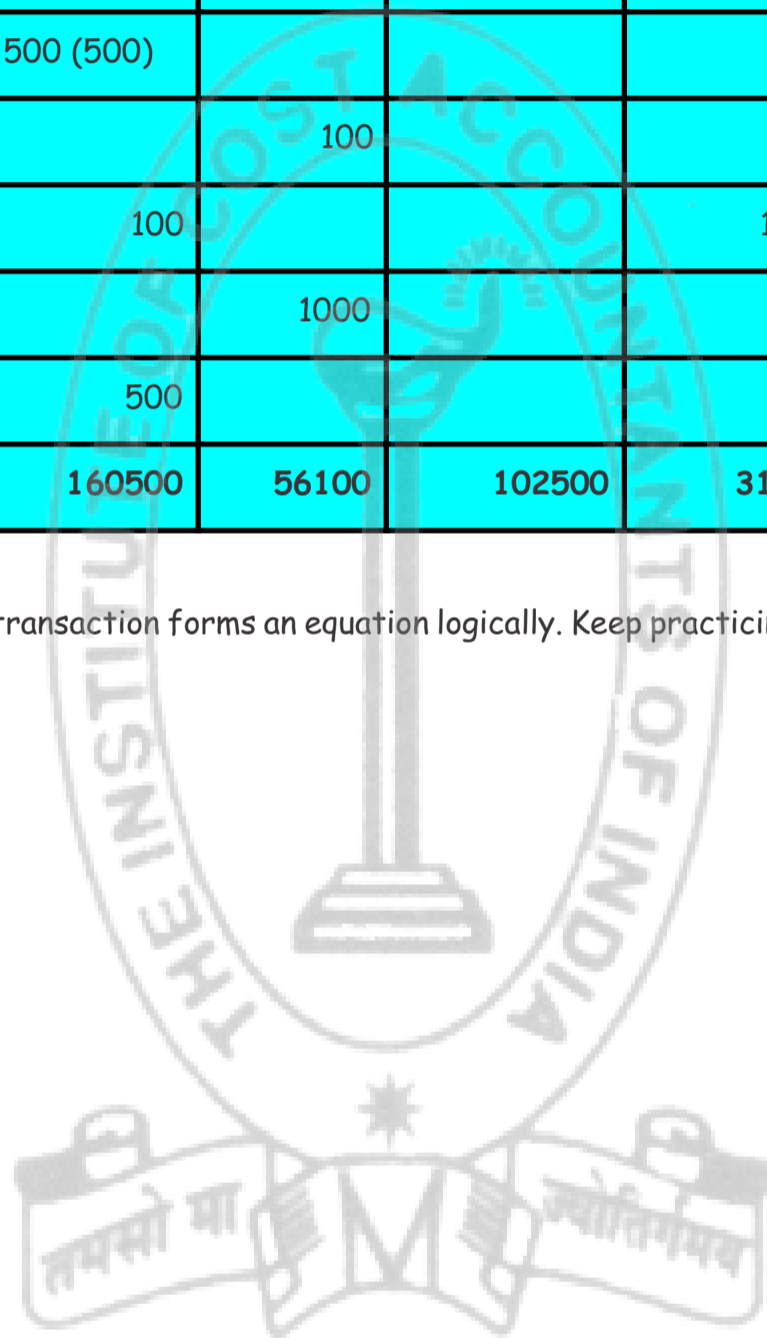
PAPER: 3

FUNDAMENTALS
OF LAWS AND ETHICS (FLE)

CA Partha Ray
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Your Preparation Quick Takes

B 30%

A 70%

Syllabus Structure

A Fundamentals of Commercial Laws **70%**
B Fundamentals of Ethics **30%**

⑪

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.

LAW & ETHICS

It is hoped that you keep on reading and recapitulating all that you have read for which you must prepare a time-table with time allotted for each subject – to read, write and revise .

Now, please appreciate why this paper is really very important for all of you who are aspiring to be true professionals and are all eager to proudly proclaim aloud that – **Yes, behind every successful decision, there is a CMA**.   With Mission CMA in mind, you the students , are advised to study this paper with a practical approach, as if the points concern you and you are given to deal with it as a professional. As a CMA in the making whether you decide to get employed or be self-employed and employ people, you will have to deal with people and establishments legally and establish Legal relationship for lawful consideration and perform your professional duties. Keeping that in mind, you have to study this subject seriously.

The first TIP is that you as a student now, must start thinking like A Teacher. You must start studying the subject and raise questions to yourself and find your own answers.

Paper 3 of the Syllabus – 2016

let us start discussing **Indian Contract Act,1872**

Essential Elements of Contract, Offer and Acceptance.

In every contract, there has to be two or more persons. One party will offer/propose to do something and the other party will agree/accept the **offer /proposal**. However, a party may even offer not to do something and the other party may **agree/accept** that.

The question arises – Will all agreements be contracts ?   **The answer is** – No, only those agreements that can be enforced in the court of law are contracts. For example , an agreement to play chess or sing a song just for fun.

So, now ask yourself – What is an Offer ?

The Answer is simple. An offer is just an act of making a Proposal. Read Sec.2(a) and understand that. The person making the Offer is the Offeror /Proposer/Promisee and the person to whom you propose is the Offeree. The offer has to be for a Consideration and when that is accepted by the other party, the other party becomes the Acceptor and there is a contract.

Well, ask yourself -How do I make an offer ?

 The answer is that that are certain **Rules regarding Offer** which are : **1.(i)** . **An offer can be in words spoken or written** and (ii). **An offer can be implied by conduct.** For example : X tells Y by word of mouth or in writing that he wants to sell his Mobile Phone for Rs.5000 that is an offer when Y accepts it , there is a contract.

The State Transport Corporation runs a Bus from Location A to location B along a fixed route. Here it is implied by conduct that the bus is offering to carry passengers against a specific fare structure. When a passenger boards the bus it is implied that he accepts to offer and wants to become a passenger. Here too, there is a implied contract**.   2. The terms of offer must be certain**. Example :When the passenger boards the bus, he accepts to pay the specific fare and follow certain terms offered. **3. A simple intention to sell is not an offer or an advertisement is an invitation to make an offer but is not an offer**. For example : A told C that his old mobile phone was fetching him Rs.5000 but he did not say that he was willing to sell at that price. Here there is no contract between A and C . **4. An offer must be communicated and the offeree must be aware of such offer. 5. If an offer is conditional, such conditions must be clearly communicated to the offeree.**

So, we arrive at the obvious question –

How should I communicate the offer to other person /s ?
As said above, a**n offer can be in words spoken or written** and (ii). **An offer can be implied by conduct.** The offer by the bus to move along a specified route and carry passengers is a clear example of an offer by conduct.

Section 2(b) states that a proposal when **accepted** becomes a promise. So, the question arises – **What are the Rules regarding Acceptance ?**

The answer is that –1.   Sec.7(1) lays that an acceptance must be absolute and unqualified. Even, if a insignificant point of variation between the terms of offer and the terms of acceptance is found, there is no contract. For example : You offer to sell your Office Premises to Y for Rs.5,00,000 and no payment term was laid.Y sends you a bank draft for Rs.1,00,000 and promises to pay the balance Rs,4,00,000 after 2 months. So, here the acceptance is conditional and so there is no contract. 2. **An acceptance must be expressed in a usual or reasonable manner**. (Refer Sec,7(2).Such acceptance can be by word of mouth, in writing or

by post or even by conduct, but the offeree must do what the offeror wants him to do. (Refer Sec.8) . **3. A mental acceptance is not a contract. Moreover, an acceptance which is not communicated is not a contract**. For example : You write to your friend X that you want to sell your Motorcycle for Rs.10,000 . Your friend mentally decides to buy the motorcycle and even writes a letter addressed to you, but forgets to post the letter to you or verbally inform you. This does not result in a contract. **4. If the Offeror prescribes a specific mode of acceptance, the Offeree must follow that particular** mode unless the offeror waives it. (Read Sec.7(2), **5.** Both the Communication of the Offer and he communication of the Acceptance must be complete. Another point is that the acceptance must be made till the offer is in force. For example : A desires to sell his Motor Car for Rs.50,000 before 31st January,2018 ,such an offer is not valid after 31st January,2018.

So, now you have a fair idea about – Offer, Acceptance and a Contract. The obvious question that will come to mind is – **What are the Essentials of a Contract ?**
 Just remember the following:

OAL3 – where O is Offer, A is Acceptance , first **L is Legal Relationship** and second **L is Lawful Consideration** and the third **L is Legally Capable** . Next remember

CFL –where **C is Capacity**, **F is Free Consent** , **L is Legality** Next remember

WNP – where **W is Written and Registered** , **N is Not Vague** and **P is Possibility of Performance**.

Please **Note** :Oral contract is legal but not always valid , for example – Sale of House Property has to be written and registered.

If you revise and recapitulate what you have read above, you can now raise the following question – **On what grounds can you revoke an offer ?**   The answer is given in Sec.6 and those are :

1.   When the offer is expressly revoked ;
2.   When the proposer prescribes a time for acceptance of the offer, that proposal expires as soon as the time expires.
3.   If there is no prescribed time, in that case the offer expires after a reasonable time depending on the circumstances of the case ,
4.   If the proposer lays some conditions and the acceptor fails to fulfill any condition ; and
5.   An offer lapses on the death or insanity of the proposer provided the acceptor gets to know about the death or insanity before acceptance.

So, two questions immediately arises - regarding **Communication of Revocation** (please read Sec.3 of the Contract Act,1872) and regarding **Revocation of Acceptance** please read Section 5 of the Contract Act,1872

Void and Voidable Agreements

Read Sec.2(g) and you will know that an agreement not

enforceable by law is said to be void.
 Here, the question arises – **What are void agreements ?**

  The answer is – a) An agreement made by a minor (b) an agreement made without consideration (with certain exceptions);(c) certain agreements with unlawful object ; (d) agreement in restraint of marriage (except marriage of a minor); (e)agreement in restraint of trade (with exceptions); (f)agreement in restraint of legal proceedings ; (g)agreements where the meaning contained therein is not certain or cannot be made certain (h) agreement where the money payable depends on the happening or non-happening of a future or uncertain event (example –gambling etc.) ;(i) agreement that cannot be enforced due to change of law ;and (j) agreement to do an impossible act. Please remember that a void agreement is not necessarily illegal but an illegal agreement is always void.

There is something which is called **Voidable Contracts**, let us understand that with a simple example.   Suppose Mr.A enters into an agreement at Gunpoint with Mr.Z to sell his Stationery Shop. Mr. Z can avoid the agreement and Mr.A cannot enforce it. However, if Mr.Z desires , he can enforce it against Mr. A . Avoidable Contracts can be due to Coercion, Undue Influence, etc. The example above is a case of coercive threat to cause injury.   .

Under essential elements of Contract, we read that there must be a Lawful Consideration. So, **what is consideration ?**

Section 2(d) of the Contracts Act 1872 defines consideration. All past, present and future promise, desire to do or abstain from doing something is a consideration for the promise . For example : A agrees to sell his Motorcycle to B for Rs.15,000. For A the consideration is Rs.15,000 for the promise and for B the consideration is the Motorcycle.

The question arises – **What is past consideration ?**

This can be explained with an example : X is asked by Z to do certain special extra work which X performs in the month of December,2017. In January,2018   X is paid Rs.5000 by Z to compensate for the work done in December,2017. In this case, the consideration of X is past consideration.

Almost all contracts require consideration, so the question is - what agreements are valid without consideration ? Please read Sec.25(1), Sec.25(3) and Sec 25(explanation 2)

 Section 25(1) specifies those cases where agreement without consideration is valid and those are :

1.   The agreement is freely made in writing
2.   The written document is registered with the Appropriate Authority
3.   The agreement is made on account of natural love and affection ;
4.   The parties to the agreement stand in near relation to one another.

At this point ,an interesting question comes to mind – **Can a stranger to a contract sue on a contract ?**

A stranger to a contract is a person who is not a party to the contract and so he cannot go to court to enforce it. However, **if a stranger is a party to the contract, he can sue to enforce it**. For example : There is an agreement between Anil, Billu and Chand , where Anil pays money to Billu to deliver to Chand. In this case, Chand can enforce the agreement even though he did not pay any part of the consideration.

Therefore, the next question is - What are the exceptions to the rule that a stranger to the contract cannot sue upon it ?

The exceptions are as follows :
1. An agreement to create a trust can be enforced by the beneficiary;
2. A party to a contract can transfer his rights under the contract to third parties. For example : A bearer cheque drawn on an individual can be transferred to any person he wishes.
3. In case of family disputes settled by mutual agreement , where the terms of settlement are written down in a document, such Family Settlements can be enforced by those persons who were not original parties to the settlement.

It may be noted that except for the three exceptions mentioned above, a contract does not give any right upon a person who is not a party to the contract.

Now, let us appreciate that we are all in the Computerized Environment. Therefore, Offers, Acceptances and Contracts can be electronically performed. Such **e-contracts** are paperless in the electronic form -made , communicated, executed ,deployed through software systems. All the essential elements of contract are satisfied but in order to give it the legal validity, The Information Technology Act,2000 has laid regulations for such e-contracts. It requires the parties to the contract to obtain Digital Signatures from the Competent Authority and affix the digital signature instead of the conventional manual signature. Digital Signatures are legally valid and cannot be denied as the signature is in digital form and delivered electronically. In this case, the lawful process of negotiation, acceptance of the terms and the final Contract is through E-mails which are valid in law.

Capacity of Parties and Free Consent

Capacity - It must be remembered that the parties to an agreement must be legally capable of entering into an agreement. If that capacity is wanting/absent, the agreement in that case cannot be enforced by a Court of Law.

So the question naturally arises - **In what way Want of Capacity arises ?**

The simple answer is that want of capacity arises **from – Minority, Lunacy, Idiocy, Drunkenness etc.** In such cases the of disability, the agreement with such person cannot be enforced by law, except in special cases.

Free Consent – Unless an agreement is based on Free Consent of all the parties to an agreement, it is not enforceable.
So, here again the obvious question coming to mind is – **When can we say that there is absence of Free Consent ?**

The answer is – If an agreement is induced by **Coercion, Undue influence, Mistake, Misrepresentation and / or fraud** in such circumstances it can be said that there is absence of Free Consent. The party guilty of coercion, undue influence, fraud etc. cannot enforce the agreement as the essence of the agreement is vitiated by such factors. However, the other aggrieved party to the agreement can enforce it, subject to certain rules laid in the Act.
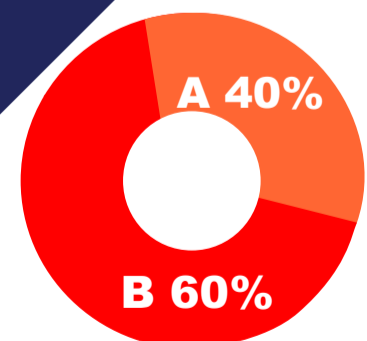
150 YEARS OF CELEBRATING THE MAHATMA

PAPER: 4

FUNDAMENTALS
OF BUSINESS MATHEMATICS
AND STATISTICS (FBMS)

CMA Ankan K Bandyopadhyaya
He can be reached at:
abanerjee8533@gmail.com

Your Preparation Quick Takes

A 40%

B 60%

Syllabus Structure
A Fundamentals of Business Mathematics **40%**
B Fundamentals of Business Statistic **60%**

15

Learning Objectives:

- The central objective of Statistics is to equip students with consequently requisite quantitative skills that they can employ and build on in flexible ways.
- Statistics help to design data collection plans, analyze data appropriately and interpret and draw conclusions from those analyses.
- To provide students with the idea of statistical calculations which promotes the efficient functioning of commerce and industry;

STATISTICS

In this issue we will discuss MCQs& other short type questions on Arithmetic Mean, Geometric mean & Harmonic mean.

Q1. Which one of the following is correct?

(a) $\dfrac{AM}{GM} = \dfrac{HM}{AM}$

(b) $\dfrac{AM}{GM} = \dfrac{GM}{HM}$

(c) $\dfrac{HM}{AM} = \dfrac{AM}{2GM}$

(d) $\dfrac{GM}{HM} = \dfrac{HM}{AM}$

Q2. If arithmetic mean of a series in x is 10 & $\Sigma f = 50$, then Σf is

(a) 5
(b) 0.2
(c) 500
(d) 2

Q3. Which one of the following is correct?

(a) 'Average' is a single value which is considered as the most representative value for a given set of data.
(b) 'Average' is the most prominent value which appears most of the times in a given set of data.
(c) 'Average' is a single value which is considered as the most extreme value for a given set of data.
(d) 'Average' is a single value which is considered as the least representative value for a given set of data.

Q4. Average is frequently referred to as Central Tendency because

(a) The average of a data set is the smallest value in the data set.
(b) The average of a data set is the largest value in the data set.
(c) The average of a data set is a number whose value is somewhere in middle of the data set
(d) The average of a data set is a number whose position is somewhere in middle of the data set

Q5. Which one of the following is not an objective of the study of averages?

(a) To get one single value that describes the characteristic of the entire data.
(b) To facilitate comparison by reducing the mass of data in one single figure
(c) To facilitate study of the characteristic of the entire population
(d) To facilitate development of other values of central tendencies like median and mode

Q6. If the weights $f_1, f_2, f_3 \ldots \ldots \ldots f_n$ are all equal then the weighted arithmetic mean becomes a

(a) Geometric mean
(b) Harmonic mean
(c) Simple arithmetic mean
(d) Quadratic mean

Q7. Which one of the following is correct?

(a) $\Sigma x = \Sigma f / \bar{x}$

(b) $\Sigma fx = \Sigma f * \Sigma x$

(c) $\bar{x} = \dfrac{\Sigma x}{\Sigma f}$

(d) $\bar{x} = \dfrac{\Sigma fx}{\Sigma f}$

Q8. Which one of the following is not a characteristics of a good average?

(a) It should not be rigidly defined

(b) It should be based on all observation

(c) It should be capable of further algebraic treatment

(d) It should have sampling stability

Q9. Which one of the following is correct?

(a) The algebraic sum of the deviations of the values from their AM is zero

(b) The algebraic sum of the deviations of the values from their AM is +1

(c) The algebraic sum of the deviations of the values from their AM is – 1

(d) The algebraic sum of the deviations of the values from their AM is ± 1

Q10. Values of a variable are 2, 5,9,11 with weights 8,7,3,2. This gives a mean of

(a) 5

(b) 6.75

(c) 25

(d) 3.70

Q11. $\sum_{i=1}^{n} \left(x_i - A \right)^2$ is minimum only when

(a) $A = \Sigma f$

(b) $A = \Sigma f z$

(c) $A = \bar{x}^2$

(d) $A = \bar{x}$

Q12. If A is the assumed mean and d is the deviation of respective values in the data set from A then weighted mean of the data set containing i number of values is

(a) $\bar{x} = \dfrac{\Sigma \left(A + d_i \right)}{\Sigma f_i}$

(b) $\bar{x} = \dfrac{\Sigma A + \Sigma d_i}{\Sigma f_i}$

(c) $\bar{x} = \dfrac{\Sigma f_i \left(A + d_i \right)}{\Sigma f_i}$

(d) $\bar{x} = \dfrac{\Sigma \left(A + d_i \right)}{\Sigma x_i}$

Q13. The sum of deviations of monthly income of five persons from R360 is (-) 20. Arithmetic average income of the 5 persons is

(a) R375

(b) R356

(c) R350,R328,R371,R314,R437

(d) R360

Q14. Consider the following table

Frequency	Deviation from A(= 5) [d = x-5]
7	- 4
11	- 3
16	- 2
17	- 1
26	0
31	1
11	2
1	3
1	4

From above arithmetic mean is computed as
(a) 1.59
(b) 3.59
(c) 5.59
(d) 4.59

Q15. Frequencies of respective classes in a frequency distribution are 5, 11, 18, 22, 16 & 8. Summated value of (frequency * deviations of mid values of respective classes from 54.5 are -230.
Arithmetic mean of the frequency distribution is
(a) 57.375
(b) 51.625
(c) 80
(d) 54.152

Q16. Two samples of sizes 50 and 100 respectively are combined to form a big sample of size 150 for which the mean is obtained as 51.57. If mean of the first group of size 50 is 54.1 then mean of the other group is
(a) 50.3
(b) 52.2
(c) 52.84
(d) 50.94

Q17. Geometric mean of 3, 6, 24 and 48 is
(a) 20736
(b) 6
(c) 144
(d) 12

Q18. The following table gives the life time in hours of 400 tubes of a certain make. Find the mean life time of the tubes.

Life time (hours)	Number of tubes	Life time (hours)	Number of tubes
Less than 300	0	Less than 800	265
Less than 400	20	Less than 900	324
Less than 500	60	Less than 1000	374
Less than 600	116	Less than 1100	392
Less than 700	194	Less than 1200	400

Ans:

Life time (in Hours)	Number of Tubes	Class Interval	Class Frequency (f)	Mid Value (m)	$d = m - 749.5$	$d` = d/100$	$fd`$
Less than 300	0						
Less than 400	20	300 - 399	20	349.5	- 400	- 4	-80
Less than 500	60	400 - 499	40	449.5	- 300	- 3	- 120
Less than 600	116	500 - 599	56	549.5	- 200	- 2	- 112
Less than 700	194	600 - 699	78	649.5	- 100	- 1	- 78
Less than 800	265	700 - 799	71	749.5	0	0	0
Less than 900	324	800 - 899	59	849.5	100	1	59
Less than 1000	374	900 - 999	50	949.5	200	2	100
Less than 1100	392	1000- 1099	18	1049.5	300	3	54

Less than 1200	400	1100 - 1199	8	1149.5	300	3	54
Total			400				-145
Mean	749.5 +(-0 145/400 -100=	713.25					

Q19. Find the H.M of 3, 6, 12, 24 whose weights are 6, 2, 4, 8 respectively.

Ans: $H.M = \dfrac{6+2+4+8}{\dfrac{6}{3}+\dfrac{2}{6}+\dfrac{4}{12}+\dfrac{8}{24}} = \dfrac{20}{2+\dfrac{1}{3}+\dfrac{1}{3}+\dfrac{1}{3}} = \dfrac{20}{2+1} = 6\dfrac{2}{3}$

Q20. The average weight of the following distribution is 58.5 kg

Weight in Kg	50	55	60	X+12.5	70	Total
Number of men	1	4	2	2	1	10

Find the value of x

Ans:

Weight X	Frequency f	fX
50	1	50
55	4	220
60	2	120
X + 12.5	2	2x + 25
70	1	70
Total	10	2x + 485

By question we can write $\dfrac{2x + 485}{10} = 58.5$ from where x is calculated as $\dfrac{58.5 \times 10 - 485}{2} = 50$

Q21. The marks secured by some students of a class are given below. Calculate the harmonic mean.

Marks	20	21	22	23	24	25
No of students	4	2	7	1	3	1

Ans:

Marks X	No of Students (f)	Reciprocal X	f × Reciprocal X
20	4	0.05	0.2
21	2	0.04762	0.09524
22	7	0.04545	0.31818
23	1	0.04348	0.04348
24	3	0.04167	0.12500
25	1	0.04000	0.04000
Total	18		0.82190
H.M	Reciprocal (0.82190 ÷ 18) =		21.90052316

Answers:

Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17
b	c	a	c	d	c	d	a	a	a	d	c	b	d	b	a	d

Suggestions:
This study note need to be read thoroughly. Supplementary readings could be made from other resources. This issue is based totally on study guide issued by the institute. Statistics for Management by Richard I Levin and Statistics by Sancheti Kapoor could be referred for additional expertise to attend the short questions. This lesson is an extension of our previous discussion on central tendency. Students should try to understand the illustrations considered. This is purely an aid to study guide on paper 4- Fundamental of Business mathematics and Statistics written and issued by Institute on Syllabus -16.
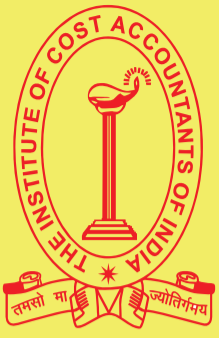
An idea can lead to a whole lot of Difference!

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He can be reached at:
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01.00 Innovation

Innovation means novelty; Innovation is invention; Innovation implies revolution; Innovation leads to evolution. Innovations, Discoveries, Inventions and Evolutions keep moving hand in hand.

Discovery of America by Christopher Columbus laid the foundation for a period of European exploration, conquest, and colonization that lasted for several centuries and the eventual integration of the world into one planet. Discovery of sea route to India by Vasco da Gama opened the way for an age of global imperialism. Discovery of Steam Engine by James Watt ushered in a new order of industrialization. All of them are innovations that kindled a new order of evolutions.

02.00 The redBus Story

redBus is India's first, largest and favorite bus tickets booking site. It got voted by Forbes among the top 5 hottest start ups in India. It is one of the most loved travel websites with some of the rarest features and has offices all over the country.

It is interesting to know that redBus was founded by three engineers -- Phanindra Sama, Charan Padmaraju and Sudhakar Pasupunuri. They were friends from BITS Pilani, one of India's finest engineering colleges, all with top IT MNCs - IBM, Texas Instruments and Honeywell.

The seed for the venture was sown when Phanindra couldn't get a bus ticket to go to Hyderabad from Bangalure during the long Diwali weekend in 2005. He ran around the city hunting for a ticket, but they were all sold out minutes before he reached the travel agents.

As he had no other work, he went to a bus ticket agent and asked how the whole process worked. He felt there might have been a bus which went vacant and he didn't know about it. When the agent explained how the system of bus ticket booking worked, Phanindra figured out that there were many inefficiencies in the system. He realized that suppose there are hundreds of buses from 30 operators running from Bengaluru to Hyderabad, the agents do not have access to all the operators.

When an agent gets a customer, he calls a bus operator to find out whether there are tickets available. The operator looks at the chart and tells him the number of vacant seats. The number of agents a bus operator can have is limited as he needs to identify all by phone. The agents also have only limited number of operators to work with. Then, the customers cannot always choose the seats as there is no transparency.

Another problem is, as the fares are not published, there is no fixed fare for the customer. But the major problem was booking return tickets. Every time you went home, you had to call someone and ask them to book the return tickets from there. Phanindra felt that computers could solve these problems easily.

That's when he thought of the possibility of providing consumers the convenience of booking a bus ticket over the internet. The objective was two-fold - to ensure that they don't have to leave the confines of their comfort to book a ticket, and to help them get a ticket when they need it the most. The idea was compelling. And why not? The internet was being voted as a medium people couldn't do without. PC and net penetration was increasing not only in urban areas, but also in rural India with innovative concepts like Shakti and e-Choupal. Also, people were getting used to booking tickets for travel using IRCTC and private airline websites. So, why not buses? However, the most compelling reason was that nobody in India had done this!

That weekend itself, Phanindra wrote a mail to his roommates telling them about the problem, and why he had to stay back. He also wrote, 'I see a solution to this problem and could we work on this?'. What he planned was, to create a software, sell it to bus operators and give the money to some NGO. It was not a business proposition at all.

It was very exciting to find a solution for such a problem that involved thousands of people. In January, 2006, the team -- the seven of the friends -- divided the work amongst them and started working on weekends on the project. When the prototype was ready, they went to the bus operators and tried selling it to them, but the operators were not even willing to take it for free. It was like, the team was trying to disturb the status quo. They didn't know what to do. That was when they heard of TiE, Bengaluru, and they went to them with the business plan. TiE provided the team three mentors who would advise on what to do and how to go ahead.

The venture started in August 2006 with Rs 5,00,000 which was the savings of the three -Phanindra, Charan and Sudhakar. One room of the house where they stayed was their office. In the morning they would keep the other parts closed so that the room looked like an office. By now, three more people who were young relatives of the promoters had joined them to help out.

After several visits and many requests, one operator agreed to give them five seats. It was on the August 18. He said, if you sell five seats in one week, it's fine. If you don't, don't bother me again. The team had one week to prove themselves. They put the seats up! They told all

their friends and colleagues and asked them to buy from them. They also requested one of their friends to write about them on their discussion board at Infosys.

On the 22nd of August, the first seat was sold. A lady working at Infosys booked a ticket to go to Tirupati. The friends were so tense that they went to the bus station and waited till she boarded the bus. They sold all the seats in five days and went back to the operator. Slowly, they could add more operators to their inventory.

When TiE selected the proposition as one of the three ideas out of 300 for mentoring, it became news. It was followed by venture capitalists contacting them as they found the idea interesting. The VCs asked them how much money was needed, the team said Rs. 30 lakhs as that was a big amount for them then. Then one of the VCs spent several hours with the team and the plan was revised seven times. At last, it was found that Rs. 3 crores was the sum needed to scale up the business. The agreement was that money would be invested in three years.

That was in February 2007 and the money was supposed to last till February 2010. But, all of the Rs. 3 crores was spent in one-and-a-half years. The VCs also asked the promoters to change the venture from an online bus ticketing company to just bus ticketing company, and that is what redBus is now.

redBus has come a very long way from the days of struggle to the days of growth. It has the largest number of tie-ups (and growing) with bus operators and a large and satisfied customer base. Being run by a team of young people, the culture is informal and everyone is ambitious and charged to make it larger than imagined. What started as a team of three grew into a team of 650 in 8 years. On offer are over 1500+ bus operators and 80,000 routes across the Indian map.

In June 2013 redBus was acquired by ibibo Group, India's leading online travel group that owns properties such as Goibibo.com (Leading B2C Online travel aggregator); and travelboutique (51% stake in the leading B2B online travel platform).   In April 2019 redBus is reported to have appointed Mahendra Singh Dhoni as its brand ambassador. Iconic industrialists like GMR keep mentioning the success story of redBus as an inspiration for the budding entrepreneurs!

03.00 Quick Take
Be it be the Discovery of America by Columbus or Phanindra'6s redBus, it is an idea that germinates the inkling for an innovation or invention which in turn leads to the evolution of a new order. It is an idea that can lead to a whole lot of difference!
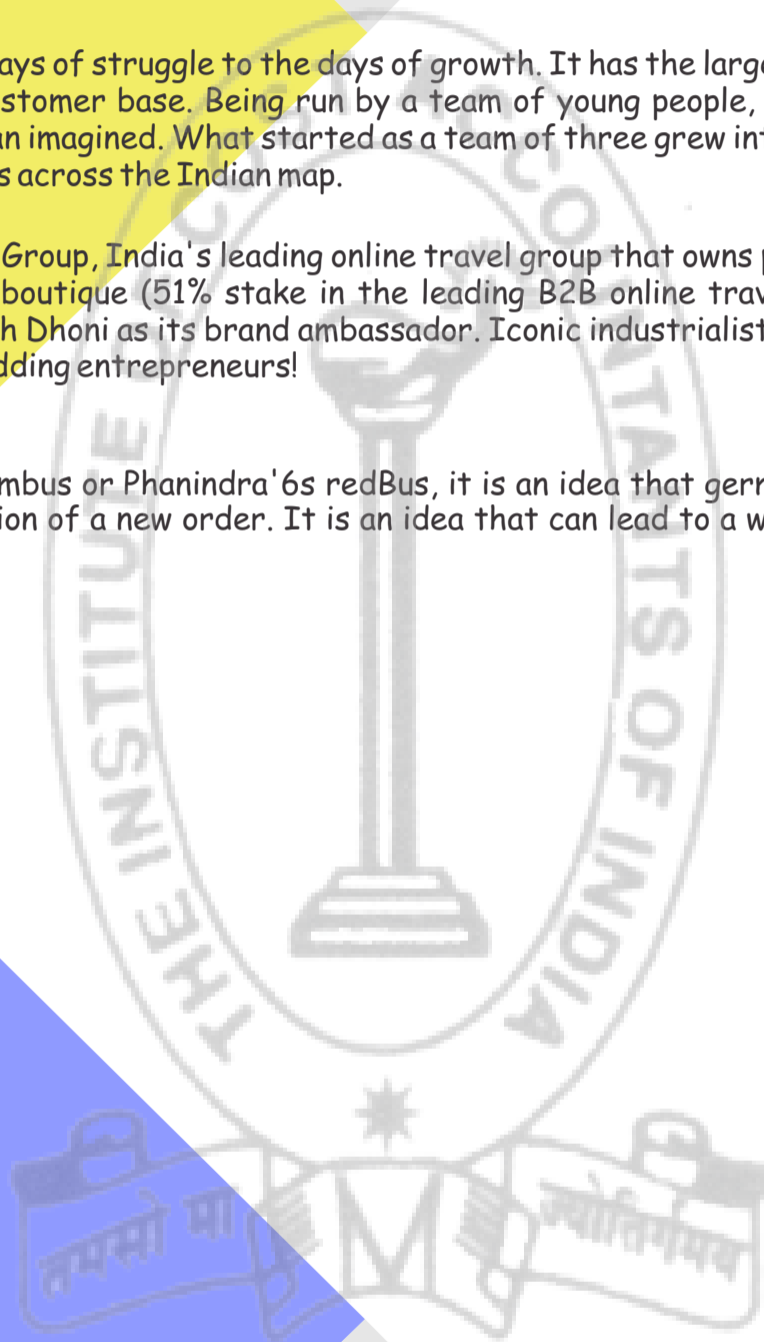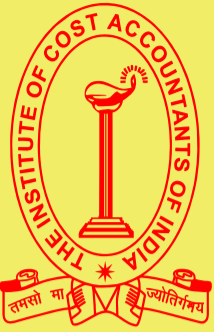
PRACTICAL Advice

ABOUT YOUR STUDIES - FOUNDATION COURSE

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

START

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

02 Solve Excercises given in Study Note

03 Assess Yourself

04 Appear For Examination

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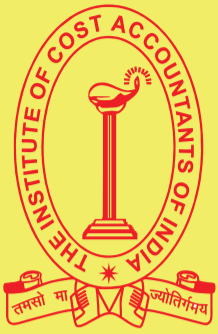
SUBMISSION

Submission

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.

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.
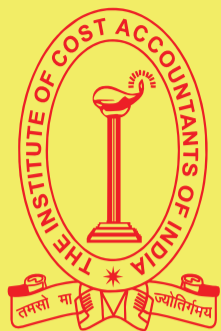
Message from
Directorate of Studies

Dear Students,

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

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

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

Let us observe his memory, following the above message.

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

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

Please refer the links mentioned below :

For Mock Test Papers (MTP) : **http://icmai.in/studentswebsite/mtp2016_j19_fnd.php**

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

Recorded Webinar Link: **http://icmai.in/Webinar_Portal/Students/StudentLogin.aspx**

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

We are sure that you will be motivated after looking into the placement news of our students' appeared in the Times of India, newspaper.

GOOD LUCK & Best wishes.

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.

Few Snapshots

CMA Amit A. Apte, President, Prof. Laxman Watawala, President, Institute of Certified Management Accountants of Sri Lanka (CMA Sri Lanka), CMA Dr. PVS Jagan Mohan Rao, President, SAFA, CMA A.N Raman, Former President, SAFA and CMA Balwinder Singh, Vice President & Chairman CASB during MOU signing ceremony at Colombo.

CMA Amit A. Apte, President along with CMA P.V. Bhattad, Past President & CCM, CMA H. Padmanabhan, CCM and CMA P Raju Iyer, CCM extending greetings to Shri Rajiv Kumar, IAS, Secretary to the Government of India, Department of Financial Services, Ministry of Finance.
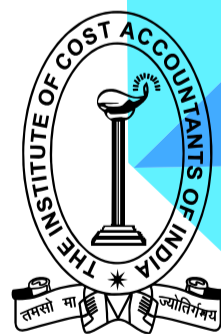

CMA Amit Anand Apte, President, ICAI inaugurating the National Regional Council & Chapters Meet, 2019 at Mysore on 16th February 2019.

CMA Amit A. Apte, President, CMA Balwinder Singh, Vice-President and CMA Sanjay Gupta, Immediate Past President of the Institute extending greetings to Shri Subhash Chandra Garg, Finance Secretary to the Government of India, Ministry of Finance.

CMA Amit A Apte, President and CMA Balwinder Singh, Vice-President of the Institute attended meeting of Technical Cell of the Institute on July 15, 2019 in New Delhi. CMA (Dr) Dhananjay V Joshi, Former President and Chairman, Technical Cell is also seen along with other members and invitees of the Technical Cell.

Behind every successful business decision, there is always a CMA