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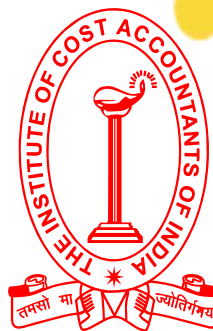
January

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Happy New Year
CMA's' Student
E - Bulletin
FOUNDATION



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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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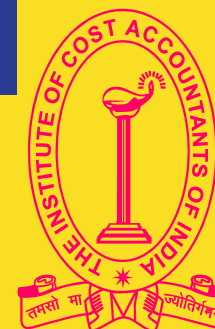
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Behind every successful business decision, there is always a CMA



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,

Season's Greetings,

Wishing you all a **Very Happy and Cheerful Professional Year-2019** & I do expect that most of your dreams will come true and you must be more enthusiastic in the very new year we have stepped in.

"Glory lies in the attempt to reach one's goal and not in reaching it"-as told by Mahatma Gandhi, father of the nation.

What an inspiring, authentic way to live! **Gandhi's philosophy** was not purely based on theory; instead he lived by rules of pragmatism. He practiced what he preached every day of his life. I hope you can take some time to display up the invaluable wisdom from the quote, and decide for yourself that how you will exhibit your own gentle, strength today. So, try to focus on making yourself better and not on thinking that you are better. Please remember that success doesn't come to you, you go to it.

Being a member of the CMA fraternity, you must be delighted to know that **59th National Cost Convention will be held on 20th and 21st January, 2019 at J.W. Marriot Hotel, Pune on the Theme-Cost and Management Accountants - "Power of the Past- Force of the Future"**. I hope, all of you must take an active role for the event of your own Institute and watch out the event.

The ICAI Students' Convention is scheduled to be held in February 2019 on 6th Wednesday and 7th Thursday at Thrissur, Kerala State, India. Please keep on watching your Institute's site for the updated information.

The Directorate of Studies is coming out soon with **revised work book**, for your practising purpose. As you are aware that study materials are continuously updated for incorporation of necessary amendments in paper's where those are extremely needed and also the updation is carried out in all the papers with the view of providing you the needed and relevant information. D.O.S. is **restructuring the live webinar session** and the calendar for the same will also be updated shortly. I am really thankful to all those academicians who are regularly updating your knowledge bank by extending their suggestions and input towards your all-round development.

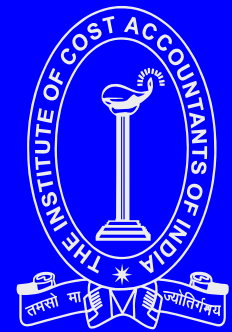
Day's are flowing in their own rhythm as water flows in the river and mind it; it will never be repeated. Likewise, try to grab the opportunities knocking at your door and convert in to reality within the 365 day's of this year and which will prove your worth of existence. Have faith on yourself and start believing that "In a gentle way, you can shake the world".

My good wishes are as always for all of you,

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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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.



PAPER: 1, PART: I

FUNDAMENTALS

**OF ECONOMICS & MANAGEMENT
(FEM) – ECONOMICS**

Dr. Bibekananda Raychaudhuri

Professor, Guest Lecturer

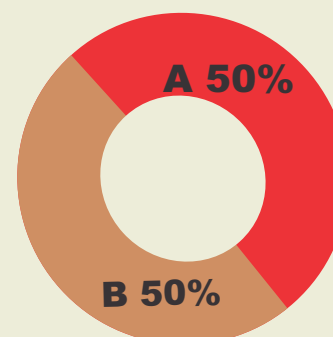
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Your Preparation Quick Takes



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.

MOCK TEST PAPER

I Choose the correct answer

1. Who was the father of economics

- (a) Marshall
- (b) Adam Smith
- (c) Robbins
- (d) Schumpeter

2. In the case of a straight line demand curve meeting the two axes, the price elasticity of demand at the mid-point of the line would be

- (a) 0
- (b) 1
- (c) 1.5
- (d) 2

3. In the case of inferior goods, the income elasticity of demand is

- (a) Positive
- (b) Zero
- (c) Negative
- (d) Infinite

4. Elasticity of supply refers to the degree of responsiveness of supply of a good to change in its

- (a) Price
- (b) Demand
- (c) Cost of production
- (d) State of technology

5. Solutions of central problems in a capitalistic economy is done through

- (a) Government policies
- (b) Economic planning
- (c) Price mechanism
- (d) None of the above

6. For the equilibrium of a consumer in the indifference curve analysis

- (a) Indifference map is required
- (b) Budget line is required
- (c) Indifference map and the budget line both are required
- (d) Consumer's decision is required

7. A firm's average fixed cost is Rs. 20 at 6 units of output. What will it be at 4 units of output?

- (a) Rs.60
- (b) Rs.40
- (c) Rs.20

(d) Rs.30

8. Which is the first order condition for the firm's profit to be maximum?

- (a) $AC = MR$
- (b) $MC = MR$
- (c) $MR = AR$
- (d) $AC = AR$

9. When marginal utility begins to be negative, the total utility starts to

- (a) Become zero
- (b) Become negative
- (c) Increase
- (d) Decrease

10. During depression the RBI should

- (a) Decrease the bank rate
- (b) Sell govt. securities in open market
- (c) Increase CRR
- (d) Increase margin requirements

II Fill in the blanks

- Cobb-Douglas production function exhibits returns to scale
- In the law of variable proportions, when total product declines, marginal product is
- Commodities which are perishable in nature have Supply
- Money is the of exchange
- For the equilibrium of a discriminating monopolist, marginal revenue of one market should be equal to the marginal revenue of the second market and both should be equal to

III True or False

- Diminishing returns to scale is a short run phenomenon
- Firm is a price taker under perfect competition
- Product differentiation is the other name of price discrimination
- Deficit financing is an important type of fiscal policy
- If we sum up marginal revenues of each and every unit, we get average revenue

IV Matching

- | | |
|------------------------------------|------------------------|
| 1. Rectangular hyperbola | A. Keynes |
| 2. CRR | B. Perfect competition |
| 3. Selling cost demand curve | C. Unit elastic |
| 4. Liquidity preference | D. RBI |
| 5. Homogeneous product competition | E. Monopolistic |

V Define in one sentence

1. Short run production function
2. Scarcity definition of economics
3. Monopoly
4. Average cost
5. Normal profit

Key

Choose the correct answer

1.(b) 2.(b) 3.(c) 4.(a) 5.(c) 6.(c) 7.(d) 8.(b) 9.(d) 10.(a)

Fill in the blanks

1. Constant
2. Negative
3. Inelastic
4. Medium
5. Marginal cost

True or False

1. False
2. True
3. False
4. True
5. False

Matching

1. C
2. D
3. E
4. A
5. B

Define in one sentence

1. The time period during which it is not possible to change all the inputs in amount that are being used in the production process ie.,at least one of the inputs remain fixed in amount is termed as short run and the production relation between inputs and output during such time is called short run production function
2. Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.
3. In a monopoly market there is only a single producer who produces a product which has no close substitute and the entry in this market is highly restricted which prevents the monopolist from having a competitor.
4. Average cost is per unit cost and it is calculated by dividing the total cost of production by the total unit produced.
5. Normal profit is the minimum amount of profit that must be made available to the producer in order to induce him to remain in business ie.,normal profit is part of the total production cost.

Friends, I hope you will have a fair idea of the type of questions you have to face in your exam. Please go through the study material thoroughly. If you do, I am sure you will have no problem in scoring pretty high in your exam. All the best!!!



PAPER: 1, PART: II

FUNDAMENTALS

**OF ECONOMICS & MANAGEMENT
(FEM) – MANAGEMENT**

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Additional Director,

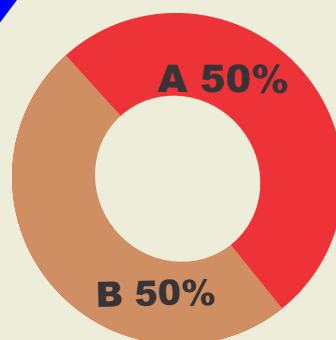
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Your Preparation Quick Takes



Syllabus Structure

A Fundamentals of Economics **50%**

B Fundamentals of Management **50%**

Learning Objectives:

Students will demonstrate their knowledge of business and management principles
 Students will reveal effective written and oral communication
 Students will exhibit an awareness of the global environment in which businesses operate
 Students will display the ability to recognize when change is needed, adapt to change as it occurs, and lead change

MANAGEMENT**Delegation and Decentralisation**

Delegation of authority is "the process a manager follows in dividing the work assigned to him so that he performs that part which, only he, because of his unique organisational placement, can perform effectively and so that he can get others to help with what remains".

By simple words, delegation means assigning work to others and giving them authority to do it. It involves granting the right to decision making in certain defined areas and charging the subordinates with responsibility for carrying out the assigned tasks.

Importance of Delegation:

Delegation of authority provides the following advantages:

- i. It enables the managers to distribute their workload to others. By reducing the workload for routine matters, they can concentrate on more important policy matters.
- ii. Delegation facilitates quick decisions because the authority to make decisions lies near the point of action.
- iii. Delegation helps to improve the job satisfaction, motivation and morale of subordinates.
- iv. Delegation binds the formal organisation together.
- v. Delegation enables a manager to obtain the specialised knowledge and expertise of subordinates.
- vi. Delegation helps to ensure continuity in business because managers at lower levels are enabled to acquire valuable experience in decision making.

Process of Delegation

The process of delegation involves the following steps:

1. Determination of Results Expected
2. Assignment of Duties
3. Granting of Authority
4. Creating Accountability for Performance.

Thus, duty, authority and accountability are three fundamental components of delegation. All the three phases of delegation are interdependent.

Obstacles to Delegation:

Even though delegation is vital for the efficient functioning of an organisation, in practice, there are several factors which prevent effective delegation. These problems in delegation may be classified in to three categories:

- I Superior
- ii. Subordinate, and
- iii. Organisation.

Decentralisation

Decentralisation refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points. It is the distribution of authority throughout organisation.

Decentralisation should not be confused with dispersion of physical facilities and operations. Therefore, geographical dispersion of activities should be differentiated from decentralisation of authority.

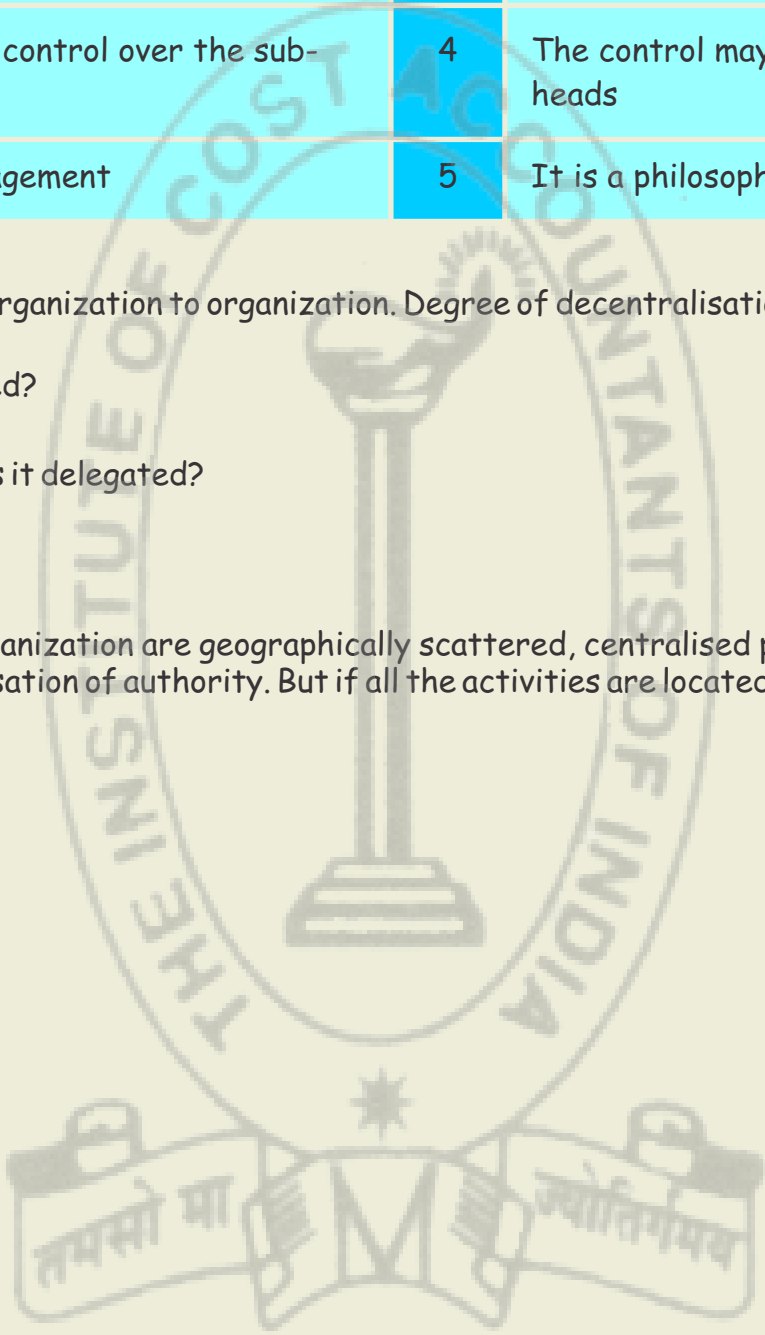
Delegation & Decentralisation –A Comparison

1	It is a process or an act	1	It is the end result of delegation
2	It denotes relationship between a superior and a subordinate	2	It denotes relationship between the top management and various departments or divisions
3	It is essential for management process	3	It is optional as top management may or may not disperse authority
4	The delegator exercises control over the sub-ordinates	4	The control may be delegated to departmental heads
5	It is a technique of management	5	It is a philosophy of management

Degree of decentralisation varies from organization to organization. Degree of decentralisation can be judged by three criteria:

- 1. What kind of authority is delegated?
- 2. How far down in the organisation is it delegated?
- 3. How consistently is it delegated?

When the production and sales of an organization are geographically scattered, centralised process control becomes very difficult and there is greater pressure for decentralisation of authority. But if all the activities are located in one building, centralised control is much easier.





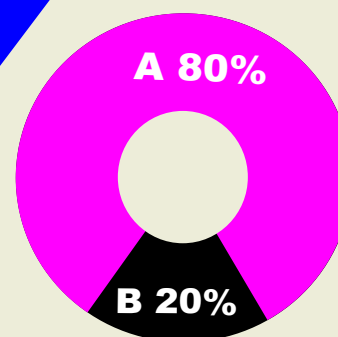
PAPER: 2

FUNDAMENTALS

OF ACCOUNTING (FOA)

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Your Preparation Quick Takes



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.

SECTION: A UNIT: 2.3
ACCOUNTING FOR SPECIAL TRANSACTION JOINT VENTURE

INTRODUCTION

Venture or to be more specific terminable venture is a kind of business which is formed to perform a specific project and terminates at the completion of the project. This is a very short lived business and does not follow the going concern concept. During Holi road side shops are opened for selling dry colours, balloons etc and wrapped up after Holi may be a good example of very small venture. A joint venture is a venture formed with more than one person like partnership business. The business is dissolved after the termination of the venture. The parties involved are Co Venturers.

ACCOUNTING SYSTEM

1. WHEN A SEPARATE SET OF BOOKS IS KEPT
2. WHEN NO SEPARATE SET OF BOOKS IS KEPT

In this issue we will discuss the first method. In the next issue we will discuss the next method along with the illustrations of both the methods.

Generally when the size of the business is large a separate set of books is maintained by opening the following accounts :

- a. Joint Bank account
- b. Joint Venture account and
- c. Co venturers account

Follow the following format to understand how the accounts are maintained :

JOINT VENTURE A/C

TO JOINT BANK ACCOUNT- PURCHASE		BY JOINT BANK ACCOUNT -SALES	
TO CO VENTURERS A/C - GOODS SUPPLIED BY CO VENTURERS		BY CO VENTURERS A/C - GOODS TAKEN OVER BY CO VENTURERS	
TO JOINT BANK ACCOUNT- EXPENSES		BY DEBTORS A/C- CREDIT SALE	
TO CRDITORS - CREDIT PURCHASE			
TO CO VENTURERS A/C - PROFIT ON VENTURE			
TOTAL		TOTAL	

JOINT BANK A/C

TO CO VENTURERS ACCOUNT - CASH INTRODUCED BY CO VENTURERS		BY CREDITORS - PAYMENT TO CREDITORS	
TO DEBTORS - COLLECTION FROM DEBTORS		BY JOINT VENTURE - PURCHASE	
TO JOINT VENTURE - SALES		BY JOINT VENTURE - EXPENSES	
		BY CO VENTURERS - FINAL PAYMENT	
TOTAL		TOTAL	

CO VENTURERS A/C

TO JOINT VENTURE - GOODS TAKEN OVER			BY JOINT BANK ACCOUNT - CASH INTRODUCED		
			BY CO VENTURERS - GOODS SUPPLIED		
TO JOINT BANK - FINAL PAYMENT					
TOTAL			TOTAL		

1. **JOINT VENTURE ACCOUNT** : in this account in the debit side all expenses (paid personally by the co venturers or out of joint bank) irrespective of its nature (i.e capital or revenue) are recorded. In the credit side all sales (to outsiders as well as to the co venturers) are recorded. In this way the difference is considered as profit / Loss on venture transferred to co venturers account in their profit sharing ratio.
2. **JOINT BANK ACCOUNT** : This is basically the cash book of the business. All cash inflows are recorded in the debit side and the outflows are recorded in the credit side. Final settlement of the co venturers are lastly put into this account so that it tallies.
3. **CO VENTURERS ACCOUNT** : It is like the capital account in the partnership business and is opened in multicolumnar form to record the transaction of individual venture. Balance in this account refers to the claim of a co venture to / from the business and is settled through the joint bank account.

NOTE :

1. SINCE THE TYPE OF BUSINESS IS VERY SHORT LIVED NORMALLY A FIRM NAME IS NOT USED IN THIS KIND OF BUSINESS
2. AS A BASIC FEATURE OF ACCOUNTING FOR SPECIAL TRANSACTION ALL TRANSACTIONS ARE RECORDED IN THE NAME OF JOINT VENTURE. YOU MUST REFER TO CONSIGNMENT ACCOUNTS WHERE ALL EXPENSES AND INCOMES WERE CHARGED TO A SINGLE CONSIGNMENT ACCOUNT. SIMILARLY HERE ALL EXPENSES AND INCOMES OF THE BUSINESS ARE RECORDED IN THE NAME OF JOINT VENTURE ACCOUNT SO THAT THE TRANSACTIONS OF THE MAIN BUSINESS ARE NOT MIXED WITH THIS KIND OF TERMINABLE BUSINESS.

WHEN NO SEPARATE SET OF BOOKS IS KEPT

When the size of the business is small and co venturers are living in distant places this method is generally applicable and in that case the venturers write transactions in his own books. This may again be done in two ways:

- a. When venturer maintains a complete records of all joint venture transactions:

Each co-venturer will record the transactions in the following ledger-

Joint venture account and personal account of joint venture. For example if Anil and Mukesh are two venturers Anil will keep Joint venture account and Mukesh account. In the same way Mukesh will keep Joint Venture account and Anil account.

Example:

Anil and Mukesh enter into a venture to take a job for Rs.240000. they provide the following information regarding the expenditure incurred by them:

	ANIL	MUKESH
MATERIALS	68000	50000
CEMENT	13000	17000
WAGES		27000
ARCHITECTS FEES	10000	
LICENSE FEES		5000
PLANT		20000

Plant was valued at Rs.10000 at the end of the contract and Mukesh agreed to take it at that value. Contract amount was received by Anil. Show necessary accounts.

SOLUTION
IN THE BOOKS OF ANIL

JOINT VENTURE A/C

TO BANK A/C:		BY BANK A/C : CONTRACT PRICE	240000
MATERIALS	68000	BY MUKESH A/C : PLANT TAKEN OVER	10000
CEMENT	13000		
ARCHITECTS FEES	10000		
TO MUKESH A/C:			
MATERIALS	50000		
CEMENT	17000		
WAGES	27000		
LICENSE FEES	5000		
PLANT	20000		
TO MUKESH A/C: SHARE OF PROFIT	20000		
TO P/L A/C : SHARE OF PROFIT	20000		
TOTAL	250000	TOTAL	250000

CO VENTURER (MUKESH) A/C

TO JOINT VENTURE A/C	10000	BY JOINT VENTURE A/C	119000
		BY PLANT	10000
TO BALANCE C/D	129000		
TOTAL	139000	TOTAL	139000

IN THE BOOKS OF MUKESH

JOINT VENTURE A/C

TO ANIL A/C:		BY ANIL A/C : CONTRACT PRICE	240000
MATERIALS	68000	BY MUKESH A/C : PLANT TAKEN OVER	10000
CEMENT	13000		
ARCHITECTS FEES	10000		
TO BANK A/C:			
MATERIALS	50000		
CEMENT	17000		
WAGES	27000		
LICENSE FEES	5000		
PLANT	20000		
TO MUKESH A/C: SHARE OF PROFIT	20000		
TO P/L A/C : SHARE OF PROFIT	20000		
TOTAL	250000	TOTAL	250000

CO VENTURER (ANIL) A/C

TO JOINT VENTURE A/C		240000	BY JOINT VENTURE A/C		91000
			BY JOINT VENTURE		20000
			BY BALANCE C/D		129000
TOTAL		240000	TOTAL		240000

b. When venturer maintains a records of his own transactions (memorandum method)

EXAMPLE:

A and B decided to work on a joint venture for the sale of electric motors. On 21.05.2016 A purchased 200 electric motors @ Rs.175/- each and dispatched 150 motors to B incurring Rs.1000/- as freight and insurance charges, 10 motors were damaged in transit. On 01.02.2017 Rs.500 was received by A from the insurance company in full settlement of claim. On 15.03.2017 A sold 50 motors @Rs.225 each. He received Rs.15000 from B on 01.04.2017.

On 25.05.2017 B took delivery of motors and incurred the following expenses:

Clearing charges Rs.125, repairs charges for the damaged motors in transit Rs.300, and godown rent Rs.600, B sold the electric motors as follows:

On 01.02.2017 10 damaged motors @Rs.170/- each, on 15.03.2018 40 motors @Rs.200/- each and 01.04.2017 20 motors @Rs.315 each, on 03.04.2017 80 motors @ Rs.250 each.

It is agreed that they are entitled to commission @ 10 % on the respective sales effected by them and that profits and losses will be shared by A and B in the ratio of 2:1. B remits to A the balance of money due on 30.04.2017. Prepare joint venture a/c with B in the books of A and Memorandum joint venture account.

SOLUTION

IN THE BOOKS OF A
IN THE BOOKS OF A

JOINT VENTURE WITH B A/C

TO BANK A/C : PURCHASE		35000	BY BANK : INSURANCE CLAIM		500
TO BANK A/C : FREIGHT		1000	BY BANK : SALE PROCEEDS		11250
TO COMMISSION RECEIVED		1125	BY BANK : AMOUNT RECEIVED		15000
TO P/L A/C: SHARE OF PROFIT		4000	BY BANK : BALANCE RECEIVED		14375
TOTAL		41125	TOTAL		41125

MEMORANDUM JOINT VENTURE ACCOUNT

TO A :			BY A :		
COST OF MOTORS	35000		SALE	11250	
FREIGHT AND INSURANCE	18000		INSURANCE CLAIM	500	11750
COMMISSION	1125	37125			
TO B :					
CLEARING CHARGES	125		BY B : SALE		36000
REPAIRS	300				
GODOWN RENT	600				
COMMISSION	3600	4625			
TO NET PROFIT:					
A 2/3	4000				
B 1/3	2000	6000			
TOTAL		47750	TOTAL		47750



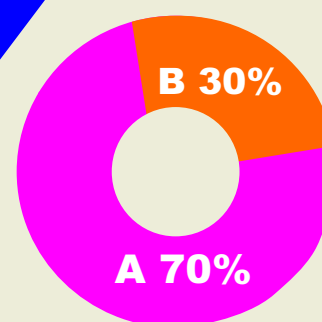
PAPER: 3

FUNDAMENTALS OF LAWS AND ETHICS (FLE)

CA Partha Ray

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Your Preparation Quick Takes



Syllabus Structure

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

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, let us understand 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.

Now, let us start covering part by part, Paper 3 of the Syllabus - 2016

Let us start with in The Indian Contracts Act, 1872 :

Start with, let us cover 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 there 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, an 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 the 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 arise - 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 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. Voidable 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.



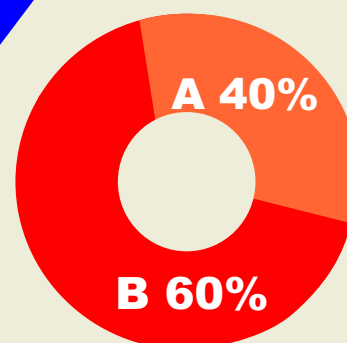
PAPER: 4

FUNDAMENTALS

**OF BUSINESS MATHEMATICS
AND STATISTICS (FBMS)**

CMA Ankan K Bandyopadhyaya
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Your Preparation Quick Takes



Syllabus Structure

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

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 do discussions on fundamentals of Probability. In general probability is the chance of something that will happen. In a tossing of a Rs.5 coin, either head will appear or tail. Something mentioned in the previous line is this appearing of head or tail in a tossing of a coin.

If we toss the coin are you certain head will come? Answer is just NO. Head may come or tail. So we are not certain, we depend on chance. This chance is statistically called Probability.

Probabilities are expressed as fractions ($\frac{1}{3}$, $\frac{2}{3}$, $\frac{4}{5}$) or as decimals (0.333, 0.667, 0.8) between zero and 1.

Probability 0 means that something will never happen---- in a tossing of coin the coin will never land on its edge).

Probability 1 means that something will always happen---- in a tossing of coin the coin will always show head or tail.

The word "something" is statistically called Event.

In probability theory an event is one or more of the possible outcomes of doing an activity. If we toss a coin—

Tossing of the coin is the activity

Coming head or tail in the toss is the outcome or Event.

Getting head is an event. Getting tail is another event. In playing dice getting (•) or (••), or (•••) or (••••) or (•••••) or (••••••) all are events.

Tossing of a coin, or playing dice is called Activity. In statistical terms activity is called Experiment.

With this formal statistical language we could put questions like----

In a coin-toss experiment what is the probability of the event head?

If the coin is unbiased i.e. if the coin is fair there is an equal chance of coming down on either side. And therefore the answers to the above sort of questions:

Chance of getting head---probability of getting head = $\frac{1}{2} = 0.5$;
Or

Chance of getting tail---probability of getting tail = $\frac{1}{2} = 0.5$;

Now it is clear that

We have done one activity----one experiment---- Tossing of a coin once;

This activity has two outcomes/events----- either getting Head or getting Tail;

The set of all possible outcomes of an experiment is called the Sample Space for the experiment. In the aforesaid coin-toss experiment the sample space is:

$S = (\text{Head, Tail}) = (H, T)$

In the experiment of playing the dice once the sample space is:

$S = [(••), (•••), (••••), (•••••), (••••••)]$

Note that in the event of tossing a coin once either we will get Head or Tail but not both together. Same we could say in playing dice once. Either we will get ((•) or (••), or (•••) or (••••) or (•••••) or (••••••) not altogether.

Such type of events are said to be Mutually Exclusive if one and only one of them can take place at a time.

Some example of Mutually Exclusive events:

Getting head or tail in an experiment of tossing a coin;

Getting Spade or Club or Diamond or Heart in an experiment of drawing a card from a pack of 52 cards;

Passing or Failing in an experiment of appearing in an examination;
Medicine can be effective or non-effective in an experiment of treating a disease with medicine;

The crucial question to ask in deciding whether events are really mutually exclusive is:

Can two or more events occur at one time in an experiment?

If the answer to the above question is yes then the events are not mutually exclusive.

When a list of the possible events that can result from an experiment includes every possible outcome, the list is called Collectively Exhaustive.

In an experiment of tossing a coin collective exhaustive list is (H, T)

In an experiment of playing dice collective exhaustive list is

$[(•), (••), (•••), (••••), (•••••), (••••••)]$

In an election with 3 parties A, B, C, event of winning the election if listed as (A, B) then the list is not a collective exhaustive list as C also could win the election and it would be also an event.

Illustration: Give a collectively exhaustive list of the possible outcomes of tossing two dice.

Ans: The list is placed below:

(1,1)	(1,2)	(1,3)	(1,4)	(1,5)	(1,6)
(2,1)	(2,2)	(2,3)	(2,4)	(2,5)	(2,6)
(3,1)	(3,2)	(3,3)	(3,4)	(3,5)	(3,6)
(4,1)	(4,2)	(4,3)	(4,4)	(4,5)	(4,6)
(5,1)	(5,2)	(5,3)	(5,4)	(4,5)	(4,6)
(6,1)	(6,2)	(6,3)	(6,4)	(6,5)	(6,6)

Illustration: Which of the following are pairs of mutually exclusive events in the drawing of a single card from a standard deck of 52?

- a) A Heart and a Queen; b) A Club and a Red card; c) An even number and a Spade; d) An Ace and an even number;

Ans: Mutually exclusive events are (b), (d)

Illustration: Which of the following are mutually exclusive outcomes in the rolling of two dice?

- a) A total of 5 and a 5 on one die; b) A total of 7 and an even number of points on both dice; c) A total of 8 and an odd number of points on both dice; d) A total of 9 points and a 2 on one die; e) A total of 10 points and a 4 on one die;

Ans: Mutually exclusive events are (a), (b), and (d).

Illustration: Give the probability for each of the following totals in the rolling of two dice: 1, 2, 5, 6, 7, 10, and 11

Ans: Refer table given in answer to first illustration

Total number of outcomes 36.

Number of outcomes with total = 1 is 0; Probability = $0/36 = 0$
Number of outcomes with total = 2 is 1; Probability = $1/36$
Number of outcomes with total = 5 is 4; Probability = $4/36 = 1/9$
Number of outcomes with total = 6 is 5; Probability = $5/36$
Number of outcomes with total = 7 is 6; Probability = $6/36 = 1/6$
Number of outcomes with total = 10 is 3; Probability = $3/36 = 1/12$
Number of outcomes with total = 11 is 2; Probability = $2/36 = 1/18$

Illustration: In a recent meeting of union members supporting Mr X for union president, X's leading supporter said "chances are good" that X will defeat the single opponent facing him in the election

- a) What are the events that could take place with regard to the election?
b) Is your list collectively exhaustive? Are the events in your list mutually exclusive?
c) Disregarding the supporter's comments and knowing no additional information, what probabilities would you assign to each of your events?

Ans: Outcomes are: (1) Mr X win, (2) Mr X lost, (3) Mr X and his opponent each get same no of votes;

- b) List above is collectively exhaustive and events are mutually exclusive;
c) Probability of each event is $1/3$

Illustration: Kolkata telephones is considering the distribution of funds for a campaign to increase long distance calls in the state. The following table lists the markets in the state that the company considers worthy of focused promotions:

Market Segment	Cost of Special Campaign aimed at group
A) Minorities	Rs.500000
B) Businesspeople	Rs.750000
C) Women	Rs.250000
D) Professionals	Rs.250000
E) Working Class	Rs.500000

There is up to Rs1 million available for these special campaigns.

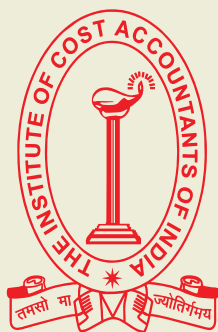
- a) Are the market segments listed in the table collectively exhaustive? Are they mutually exclusive?
b) Make a collectively exhaustive and mutually exhaustive list of the possible events of the spending decision.
c) Suppose the company has decided to spend the entire Rs1 million on special campaigns. Does this change your answer to part(b)? If so what is your new answer?

Ans:

- a) The market segments listed in the table is collectively exhaustive. They are not mutually exclusive
b) A, B, C, D, E, AC, AD, AE, ACD, BC, BD, CD, CE, CDE, DE;
c) AE, ACD, BC, BD, CDE;

Suggestions:

This study note need to be read thoroughly. Supplementary readings could be made from other resources. This issue is based on Statistics for Management by Richard I Levin and Statistics by Sancheti Kapoor. In this issuebasic concepts of Probabilityis discussed as supplement to the discussions in the study guide. Students should try to understand the illustrations considered. For clear conception go thoroughly on the subject Guide book on the paper 4-Fundamental of Business mathematics and Statistics written and issued by Institute on Syllabus -16. Further discussions on Probability will be discussed in the next few issues of e-bulletin.



The Magnanimity of Decision Making

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01.00 The Kid in a Candy Store

Here is a story that I have come across. A kid walked into a candy store with his dad and was bedazzled by the array of treats on offer. "What should I choose? What should I choose? What should I choose?" He asked himself. "Come on son, we don't have all day," his dad said.

The kid wanted them all, but ended up with nothing because he couldn't choose just one

"These are my favourites. No wait, these are my favourites." He walked along the aisles, picking up bags and putting them back. He just couldn't make up his mind. "Quick son, make up your mind, we have to go," His impatient dad said.

Frantically, the boy ran around the store, his eyes moving from one shelf to another, but all of the options looked so good and he couldn't make a decision. Eventually, the dad had enough, grabbed his son by the hand and they walked out of the store empty-handed. The young boy had tears in his eyes. He wanted them all, but ended up with nothing because he couldn't choose just one.

We're all that kid. The world is that candy store. We have a myriad of options available to us, but if we don't make a decision about our career, education, relationships, investments, religion or other important issues, we end up empty-handed. Sometimes we worry about making the wrong choice. What if we regret the direction that we take and it's too late to go back?

The bigger danger is that we make no decision at all and end up going nowhere and doing nothing.

02.00 Concept

People often say that they find it hard to make decisions. It is a fact that we all have to make decisions all the time, ranging from trivial issues like what to have for lunch, right up to life-changing decisions like where and what to study, and who to marry.

In its simplest sense, decision-making is the act of choosing between two or more courses of action.

According to the Oxford Advanced Learner's Dictionary the term decision making means - the process of deciding about

something important, especially in a group of people or in an organization. In its simplest sense, decision-making is the act of choosing between two or more courses of action. In the wider process of problem solving, decision-making involves choosing between possible solutions to a problem. Decisions can be made through either an intuitive or reasoned process, or a combination of the two.

Intuition is using your 'gut feeling' about possible courses of action. Although people talk about it as if it was a magical 'sense', intuition is actually a combination of past experience and your personal values. It is worth taking your intuition into account, because it reflects your learning about life. It is, however, not always based on reality, only your perceptions, many of which may have started in childhood and may not be very mature as a result. It is therefore worth examining your gut feeling closely, especially if you have a very strong feeling against a particular course of action, to see if you can work out why, and whether the feeling is justified.

Reasoning is using the facts and figures in front of you to make decisions. Reasoning has its roots in the here-and-now, and in facts. It can, however, ignore emotional aspects to the decision, and in particular, issues from the past that may affect the way that the decision is implemented.

Intuition is a perfectly acceptable means of making a decision, although it is generally more appropriate when the decision is of a simple nature or needs to be made quickly. More complicated decisions do require a more formal, structured approach, usually involving both intuition and reasoning. It is important to be wary of impulsive reactions to a situation.

03.00 Individual Context

Individual decision making has certain pros and cons in comparison to a group. Few of the pros and cons are mentioned below:

Pros

An individual generally makes prompt decisions. Individuals do not escape responsibilities. They are accountable for their acts and performance. While in a group it is not easy to hold any one person accountable for a wrong decision. Individual decision making saves time, money and energy as individuals make prompt and logical decisions.

Cons

A group has potential of collecting more and detailed



information as compared to an individual while making decisions.

An individual uses his own intuition and views while making any decision. A group has many members, and hence the decisions are based on collective views and broader perspective. Hence a group tends to make better decisions. A group can discover hidden talent and core competency of employees of an organization.

An individual may not take into consideration every members interest. While a group will take into account interest of all members of an organization.

04.00 Organizational Context

In an organizational context, decision making needs the right kind of information, the complete information and the ability to synthesize and make sense of the information. While the first two attributes depend on external sources, the ability to make informed decisions is

Successful CEO's are those who can take into account the different viewpoints and divergent perspectives and arrive at the right decision.

a personality trait. Hence, successful CEO's are those who can take into account the different viewpoints and divergent perspectives and arrive at the right decision.

The business landscape is littered with examples of companies that have made strategic errors and these are mostly to do with lack of proper decisions taken by the CEO's and managers in these firms. For instance, the failure of Chrysler and Ford (the automobile majors in the United States) to meet the challenge of competition from Japanese auto majors like Toyota was mostly due to the lack of imaginative decisions that would have responded to the threat in a coherent manner. Of course, it is another matter that these companies (Chrysler in particular) under the stewardship of Lee Iacocca were able to successfully meet the competition by the Japanese because of firm decisions taken by him.

The other aspect that relates to decision making in an organizational context is that there must be complete and accurate information made available to the decision maker. Incomplete and insufficient information leads to poor decisions and wrong choices. Partial information or faulty information often leads to "analysis paralysis" which is another term for poor decision making abilities.

Finally, even with reliable and accurate information, the decision maker ought to have good problem solving skills and astute decision making abilities to arrive at sound judgments regarding the everyday problems and issues. The overriding rule in decision making is that the decision maker ought to have legitimacy and authority over the people who he or she is deciding upon.

It is interesting to note that some people put off making decisions by endlessly searching for more information or getting other people to offer their recommendations. Others resort to decision-making by taking a vote, sticking a pin in a list or tossing a coin.

Decision makers succeed only when their decisions are honoured and followed by the people or groups that the decision impacts. In many cases, the fragmented nature of the organizations with different interests represented by factions often undermines the decision making capabilities of the decision maker. Hence, it is worth remembering that due authority must be vested with the decision maker.

Any decisions taken at any level have to take into account the conflicting needs of the individuals who are affected by the decisions and hence conflict resolution is a part of the decision making process. How well the conflicts are resolved depends on the skill and leadership traits of the decision maker.

After all, any decision that is taken is to balance competing interests and is essentially an allocation of shared resources among the different groups. The point, here, is that in any organization there are scarce resources that need to be allocated among competing groups and hence the decision maker has to ensure that all the needs and concerns of the different groups are taken into consideration when making the decision.

05.00 The Process

Decision making process can be regarded as check and balance system that keeps the organization growing both in vertical and linear directions. It means that decision making process seeks a goal.

Problems are sorted out through comprehensive decision making process.

The goals are pre-set business objectives, company missions and its vision. To achieve these goals, the company may face lot of obstacles in administrative, operational, marketing wings and operational domains. Such problems are sorted out through comprehensive decision making process.

Decision making process is continuous and dynamic. No decision comes as end in itself. There could always be the emergence of a new set of problems staring for solution. When one problem is solved another emerges and so on, such that the cycle keeps on recurring.

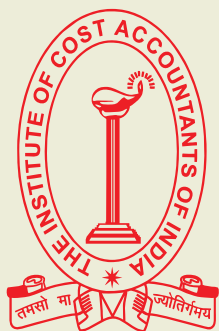
In a management setting, decision making should adopt the following simple steps:

- Defining the problem
- Gathering information and collecting data
- Developing and weighing the options
- Choosing best possible option
- Planning and execution
- Follow up action

The result of decision making process in a professional organization is always magnanimous and productive.

06.00 Quick Take

A manager ought to be decisive and magnanimous.



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
Live Webinar**

**Solve Exercises
given in Study Note**

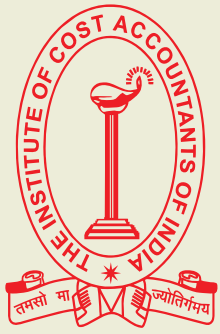
02

03

Assess Yourself

Appear For Examination

04



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.

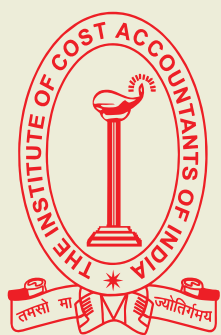
Please put your opinions so that we can make your e-bulletin everything that you want it to be.

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

Updation of E-Mail Address/Mobile:

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



Message from Directorate of Studies

Dear Students,

Wishing you all, a very Happy and Prosperous New Year 2019.

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 Revisionary Test Papers (RTPs), Mock Test Papers (MTPs), Work book, and we are conducting Webinar sessions (live) and where your active participation is amazing. 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 Dont's 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:

" The future depends on what you do today".

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_j18_fnd.php

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

Live Webinar Link : <http://icmai.in/icmai/news/889.php>

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 as always.

Be Prepared and Get Success;

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of the same Calendar Year

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98
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The Institute of Cost Accountants of India is a premier professional Institute and a statutory body constituted under an Act of Parliament under the administrative control of **Ministry of Corporate Affairs (MCA), Govt. of India** to regulate and develop the profession of Cost and Management Accountancy (CMA) in the country. The Institute established in **1944** is now celebrating the **Platinum Jubilee year** of its glorious presence.

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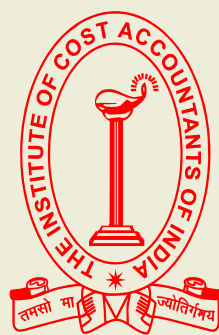
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