www.icmai.in

CMA STUDENTS'

TOLL FREE 18003450092 / 1800110910

e Bulletin

VOL: 3, No.: 4 ,April , 2018 ISSUE

INTERMEDIATE

FOLLOW US ON

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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

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

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

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

Behind every successful business decision, there is always a CMA

VOL: 3, No.: 4. APRIL 2018, ISSUE
STUDENTS' E-bulletin Intermediate

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)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
CMA BHAWAN, 12, SUDDER STREET, KOLKATA-700 016, India
Mobile : 79802 72019 / 98740 81422
E-mail : tmanasda@yahoo.com • Website : www.icmai.in

MESSAGE FROM THE CHAIRMAN

Dear Students,

"Education is an ornament in prosperity and a refuge in adversity".

We are already stepped in the fourth month of the year,2018. We know that 'Time and tide wait for none', hence, it is our collective duty to utilise time in the most efficient and effective way. ***'Learning is a treasure that will follow its owner everywhere.'***

'***Teachers who love teaching teach children to love learning',*** towards this end the Directorate of Studies are providing reading materials to you in various forms and it is your duty to deliver by your performances. **PPT on 'Achieve your GOAL'** has been uploaded in our site I request you all to please go through the slides so that you may avoid to be panic stricken while appearing for the examination. '**Work Book'** for Intermediate students' has been uploaded by the Directorate of Studies which carries lots of examples in subjects and which I am sure will help you in your smooth flow of preparation. 'Work Book' for Final students' will be uploaded shortly.

'***Never stop learning; for when we stop learning, we stop growing.'*** Please try to optimise your preparation by availing the benefits given by the academicians. **E-bulletin**; if followed seriously will help you to prepare yourself in a systematic way. Mock Test Papers **(MTP)** and Revisionary Test Papers (RTP) are also help you in making your preparation flawless. Please keep on watching the students' site on a regular basis which will optimise your plan of preparation.

I hope you have enjoyed 53rd National Cost Convention held at Vigyan Bhawan New Delhi and have come to know the importance of your Institute as been referred by all the dignitaries. Those could not attend it personally may see the glimpses as displayed in our site. I am sure that it will give you immense pleasure.

'Education is the key to unlock the golden door of freedom'.
Wishing you all to lead a successful life,

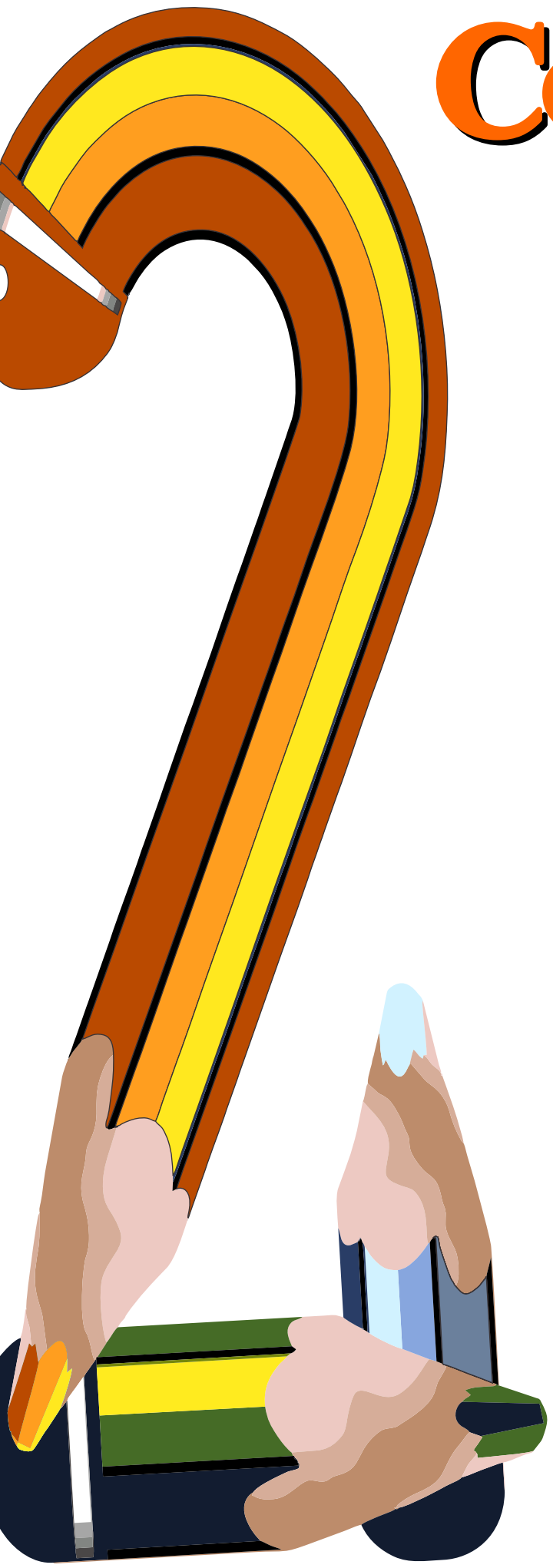
CMA Manas Kumar Thakur

Be a CMA, be a Proud Indian

"Behind every successful business decision there is always a CMA"

VOL: 3, No.: 4. APRIL 2018, ISSUE
STUDENTS' E-bulletin Intermediate

CONTENTS



Message from the Chairman -	i
Knowledge Update -	1
Group : I Paper 5: Financial Accounting (FAC) -	2
Group: I Paper 6: Laws & Ethics (LNE) -	6
Group: I Paper 7: Direct Taxation (DTX) -	9
Group: I Paper 8: - Cost Accounting (CAC)-	13
Group: II Paper: 9, Part - i: Operations Management & Strategic Management Operations Management (OMSM)-	17
Group: II Paper: 9, Part - ii: Operations Management & Strategic Management Strategic Management (OMSM) -	24
Group: II Paper: 10: Cost & Management Accounting and Financial Management (CMFM) -	27
Group: II Paper 11: Indirect Taxation (ITX) -	31
Group: II Paper 12: Company Accounts & Audit (CAA) -	34
Positive Self Talk -	38
Examination Time Table -	39
Practical Advice -	40
Submissions -	41
Message from the Directorate of Studies -	42
Snapshots -	43

VOL: 3, No.: 4. APRIL 2018, ISSUE
STUDENTS' E-bulletin Intermediate

KNOWLEDGE Update

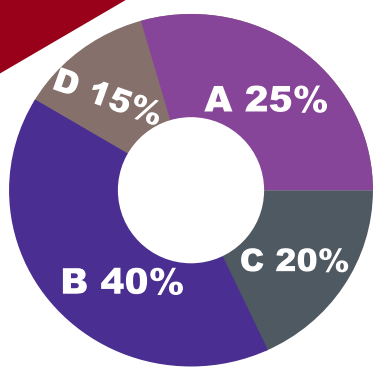
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.

GROUP: 1, PAPER: 5

FINANCIAL ACCOUNTING (FAC)

CMA (Dr.) Nibir Goswami
Associate Professor in Commerce
Vidyasagar Mahavidyalaya, W.B.
He can be reached at:
drnibirgoswami@gmail.com

Your Preparation Quick Takes



Syllabus Structure

A Accounting Basics **25%**
B Preparation of Financial Statements **40%**
C Self Balancing Ledger, Royalties, Hire Purchase & Installment System, Branch & Departmental Accounts **20%**
D Accounting in Computerised Environment and Accounting Standards **15%**

Learning Objective:

- *Students will demonstrate their knowledge of the fundamental and technical concepts of accounting.*
- *Students will reveal critical-thinking and problem-solving skills.*
- *Students will exhibit the ability to recognize when change is appropriate, to adapt to change as it occurs, and to take the lead in creating change.*
- *Students will display a sense of responsibility and a capacity for the subject after learning*

SECTION: B
PARTNERSHIP ACCOUNTS

INTRODUCTION:

In an earlier issue we have discussed about partnership and the appropriation of profit. Now in detail we will see how accounting treatments are made for admission of a new partner. Before doing that we have to learn the treatment of goodwill which is a part and parcel of this area. New partner is allowed to enter the business by paying some amount as premium for goodwill. We must learn this treatment of goodwill before knowing the accounting treatment of admission of a new partner.

TREATMENT OF GOODWILL WHEN A NEW PARTNER IS ADMITTED:

1. When the new partner brings premium for goodwill:

When the new partner brings an amount as premium for goodwill such amount will be shared by the old partners in sacrificing ratio and the entry will be –

Bank A/C.....dr
To Old Partners Capital A/C

Sacrificing ratio

It is the difference between the old ratio and new ratio. This is illustrated with an example:
Say sujata and sutapa are partners sharing profits in the ratio of 2:1. Sanjukta enters in the business with $1/5^{th}$ share of profit. Now new ratio will be calculated as follows:

1-1/5=4/5 is the share left for sujata and sutapa. So sujata will get 4/5 x 2/3 = 8/15 and sutapa will get 4/5x 1/3= 4/15. Sanjukta is getting 1/5 =3/15. Thus the new ratio becomes 8:4:3. (eliminating the common dinominator)

In that case sacrificing ratio will be calculated as follows:

	Sujata	sutapa	Sanjukta
Old ratio	2/3=10/15	1/3=5/15	Nil
New ratio	8/15	4/15	3/15
Sacrificing ratio	2/15	1/15	(3/15)

From the above table you can understand sacrificing partners are sujata and sutapa and gaining partner is sanjukta where sacrifice is 2:1 and gain is 2+1=3. i.e the sacrifice made by old partners is exactly equal to the gain by the new partner.

2. When the new partner fails to bring premium for goodwill:

If the new partner fails to bring the necessary premium for goodwill his capital account is debited by such amount and credited to the old partners capital account.

New partners capital A/c.... dr
To old partners capital A/C

Note : after issuance of AS-10 read with AS-26 the question of raising the amount of Goodwill and writing it off is no longer valid. Always follow the principle of capital adjustment as discussed above.

Other than adjustment of goodwill when a new partner is admitted the balance sheet of the firm is reformed i.e assets and liabilities are revalued as a measure of current update. This change in the value of assets and liabilities may
lead to profit or loss on revaluation. To find out such profit or loss a Revaluation account is opened. The profit or loss on such revaluation is shared by the old partners in their old profit sharing ratio.
A standard format of revaluation account

REVALUATION ACCOUNT

	Dr		Cr
To decrease in the value of assets		By increase in the value of assets	
To increase in the value of liabilities		By decrease in the value of liabilities	
To profit on revaluation		By loss on revaluation	
Total		**Total**	

Note: Remember to take the difference in value only (not the changed value). For example, if the value of building is revalued as Rs. 20,00,000 form Rs. 18,00,000 the take Rs. 2,00,000 in the revaluation account.

To solve the standard problem on admission of partner you have to open one revaluation account one composite capital account of all partners and a new balance sheet giving all such effects.

EXAMPLE:
Anik and babul were carrying on business in partnership sharing profits and losses in the ratio of 3:2. On December 31, 2017 their balance Sheeet was as follows:

BALANCE SHEET

LIABILITIES	RS	ASSETS	RS
Capital : Anik	30200	Land and Building	40000
Babul	35400	Furniture	10600
Bank Loan	20000	Stock	38500
Sundry Creditors	20800	Debtors	19000
Bills payable	10000	Cash	20300
Workmen compensation fund	12000		
Total	**128400**	**Total**	**128400**

On January 1, 2018 charu was admitted to partnership on the following conditions:

a. Charu would be entitled to 1/3rd share in profits
b. Charu would bring Rs.30000 as his capital
c. He would not be able to bring his share of Goodwill in cash for Rs.10000.
d. The book value of land and building will be increased by Rs.10000, that of furniture would be reduced to Rs. 10000 and stock would be reduced by 10 %.
e. A provision for bad debts @ 5 % of sundry debtors would be created
f. The actual liability of workmen compensation fund is estimated at Rs.2000
g. Bank loan would be paid off

Prepare Revaluation Account, Partners Capital Accounts and the Balance sheet of the new firm.

REVALUATION ACCOUNT

To Furniture	600	By Land and Building	10000
To Stock	3850		
To Provision for bad debt	950		
To Capital A/C:			
Anik - 3/5th	2760		
Babul – 2/5th	1840		
	10000		10000

CAPITAL ACCOUNT

	Anik	Babul	Charu		Anik	Babul	Charu
To Anik			6000	By balance b/f	30200	35400	-
To Babul			4000	By cash			30000
				By Revaluation	2760	1840	-
To balance c/f	44960	45240	20000	By Workmen C F	6000	4000	-
				(Rs 10000 in 3:2)			
				By charu	6000	4000	-
	44960	**45240**	**30000**		**44960**	**45240**	**30000**

BALANCE SHEET

LIABILITIES	RS	ASSETS	RS
Capital : Anik	44960	Land and Building	50000
Babul	45240	Furniture	10000
Charu	20000	Stock	34650
Sundry Creditors	20800	Debtors (19000-950)	18050
Bills payable	10000	Cash (20300+30000-20000)	30300
Workmen compensation fund	2000		
Total	**143000**	**Total**	**143000**

Note: Take care of the phrases like " increased to" and " increase by". For *increase by* take the whole amount in revaluation account and for *increased to* take the difference amount.

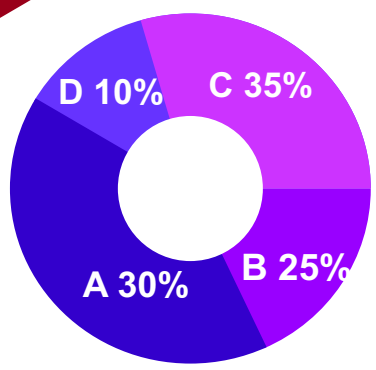
GROUP: 1, PAPER: 6

LAWS & ETHICS

(LNE)

CA Partha Ray
He can be reached at:
prapray@rediffmail.com

Your Preparation Quick Takes



Syllabus Structure

A Commercial Laws **30%**
B Industrial Laws **25%**
C Corporate Law **35%**
D Ethics **10%**

Learning Objectives:

Prior to start discussing on the Paper, we need to understand few basic points about the paper. Unlike other papers, this particular may turn to be very interesting and scoring as well, provided you pay attention to the points discussed below:

Read the Act carefully and try to know the meaning of the contents in it,
All the Acts are having practical implications in the real life world and it will help you to solve the problems in your real life situations once you join in the industry and / or practicing field,
Answers should be specific and to the point,
Please don't try to elaborate your answers adding irrelevant terms and items ; it may penalise you
With the Tips given here, please follow the Suggested Answers and Mock Test Papers of the Institute to have a fair idea about writing the paper in the examination.

LAW & ETHICS (LNE)

In continuation to the topics covered in the earlier issues of the E-Bulletin, let us discuss certain points on **the Sale of Goods Act,1930** , with a totally new approach.

With Mission CMA in mind, the students are advised to study this paper with a practical approach, as if the points concern them and they 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 different statutes 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 must start thinking like A Teacher. You must read the Bear Act and the Sections and start asking questions to yourself and find your own answers.

In this issue, let us deal with the Sale of Goods Act,1930
In respect of such papers , the students are reminded that since they are taking an exam, they must first focus on securing marks. For that, they must study the relevant Sections of the Act , write what the question wants and then attempt to elaborate by analyzing and commenting on the interpretations of the Act.

At the very start, let us be clear that **Sale of Goods Act relate to sale and purchase of goods**, but the contract of sale is regulated by the Indian Contracts Act,1872.

At the very start, we must clear our conception about the following terms – **Goods**, **Specific Goods**, **Unascertained goods**, **Future goods** and **Contingent goods.**

The immediate question coming to mind is – **What are goods** ? It is clarified that **every kind of movable property** is goods but – Actionable Claims and Money are excluded .(All things attached to the earth are not movable and are therefore not goods under the Act. However, standing crops, grass and fruits on trees that can be separated are covered under the definition of movable goods).
So, the question arises – **What are Actionable Claims** ? Actionable claims are debt or a claim for money which a person may have from another person, which may be recovered by suit.

So, what is **Money ?** Money here simply means legal tender.
Specific Goods are goods that can be clearly identified and recognized

Unspecific Goods are those goods that can be indicated by description but cannot be separately identified. For example , as long as the bags of sugar, kept in a godown for sale, are not identified with any specific buyer, they remain Unspecified Goods. As soon as a some bags are brought out, marked, separated and issued to a buyer, they become identifiable and become Specific goods.

Future Goods are goods which have not yet been manufactured or produced or acquired by the seller after entering into a contract of sale. For example, X agrees to sell Apples to Z that he will grow in his orchard in the coming fruit season. Such a contract is for sale of future goods.

Contingent Goods, are goods that can be sold only depending on the happening of an uncertain event, called a Contingency. For example, M enters into a contract to sell a particular watch to N if M manages to buy it from C - the current owner of the watch. The watch here is considered - Contingent Goods.

That makes us raise a question – there is a contract of sale between a buyer and a seller , but **when does the property, pass on from the seller to the buyer in a contract for the sale of such goods** ? You will find the answer in Sec.18 to 25 of the Sale of Goods Act. You have to reply keeping in mind each type of goods .

1. **In case of Specific Goods**, *where there is an unconditional contract for sale* of specific goods in a deliverable state, the property passes as soon as the contract is made. The time of payment or the time of delivery is not material.

2. **In case of Unspecifed/Unascertained Goods**, the property is not transferred until the goods are ascertained. For example, there are bags of cement in a godown. The property gets transferred to the buyer only when the requisite number of bags are separated ,taken out and kept aside for delivery to that buyer.

3. **The Intention of the Parties** is very important in case of sale of Specific goods. The property passes when the parties to the contract intend it to pass as stated in the terms of the contract.

4. In case of sale of Specific Goods, **if there is something which the seller has to do,** before making the goods ready in a deliverable condition, the property passes only after the seller has done that thing. For example, M agrees to sell 1000 tins of milk powder to N and promises to pack them in Card Board Boxes before delivery, the property passes only after those tins are properly packed and made ready for delivery.

5. In case of Specific goods, **where the seller has to measure, weigh or test the goods,** for the purpose of ascertaining the price, the property does not pass to the buyer as long as that thing has been done and the buyer is intimated.

6. Property in the goods is transferred to the buyer when the **goods is delivered to the carrier.** However, in case of conditional delivery, the property is transferred only if that condition is fulfilled. For example if M –the seller ,sends goods by courier to N -the buyer, the property is transferred as soon as the goods are handed over to the courier, but if there is a condition of Cash on Delivery (COD), the property passes only after N -the buyer pays the requisite Cash before collecting delivery of the goods.

7. Where **goods are sent on Approval or on Sale or Return Basis,** the property in the goods is transferred only – I) when the buyer informs his approval or acceptance of the goods ; II) In another case, if the buyer does not intimate his approval or acceptance of the goods, or his rejection of the same, but still retains those goods, the property passes after expiry of a reasonable time.

As long as the property in the goods is not transferred to the buyer, the goods remain at the risk of the seller. After the ownership passes to the buyer, the goods are at the Buyer's Risk, since Risk follows ownership.

Now, let us explain the difference between a Condition and a Warranty .

Sec.12 of the Sale of Goods Act defines conditions and warranties.
In a Contract of Sale, the terms or the stipulations laid , with reference to purchase and sale of goods, can be conditions or warranties.

We must understand that, a **Condition** is a stipulation which is **Essential** to the main objective/purpose of the contract. Any breach/violation of such condition/s may call for repudiation of the contract.

On the other hand, a **Warranty** is also a stipulation but such stipulation is **Collateral** to the main objective/purpose of the contract. Any breach/violation of such warranty may call for **Claim for damages,** but the contract can neither be repudiated nor can the goods be rejected.

So, we understand that both Condition and Warranty are terms/stipulations laid in a Contract of Sale, but whether the terms/stipulations are conditions or stipulations, depends on how the terms are laid, meant and construed to be understood in the contract. In many cases it is seen that a term in a contract is called as warranty but is actually a condition laid and such interpretations are left for the courts to decide.

Sec.11 of the Sale of Goods Act , lays that a stipulation as to time of payment, must not be deemed as conditions unless the terms of contract throws some indication to such intentions. Both conditions and warranties can be indicated in writing or may be implied on case to case basis, depending on the terms of the contract.

Suppose a contract of sale specifies a condition that goods sold shall be repaired at the premises of the buyer . This condition can be waived by the buyer who decides to carry the goods to the repair shop himself for repairs. In such a case the condition can be treated as a warranty. A buyer may even decide to treat a breach of condition as a breach of warranty and in such cases the buyer cannot repudiate or reject the goods but can accept the goods and sue for damages suffered .

That takes us to the question – **what are the implied conditions and warranties in a contract of sale of goods ?**

Please read Sections 14 to 17 of the Sale of Goods Act. **The implied conditions and warranties in a contract of sale of goods** are as follows :

Implied Conditions -

1. Title – that the seller has the right to sell the goods and that he shall have the right to sell the goods at the time when the property in the goods is to pass.

2. Description – that the goods shall correspond to the description – physical characteristics, mention of trade mark, brand, etc. under which the sale agreement was made or those goods are normally sold.It is expected that the goods will be same as the goods described.

3. Sample – that goods shall be supplied as per the sample shown and agreed upon .That the buyer will get the opportunity of comparing the goods supplied with the earlier sample shown and the quality of the goods supplied matches with the quality of the sample shown and that the defects , if any, cannot be detected apparently on reasonable examination and inspection.

4. Sample and Description – where goods are sold by sample as well as by description, it is expected that the goods will correspond both - with the sample and the description.

5. Fitness or Quality – Where the buyer tells the seller about the purpose for which the goods are required, and relies on the seller's skill or judgment , it is implied that the seller agrees to the implied condition of fitness and description of the goods. Where the supplier deals in goods of such description laid by the buyer, it is implied that the goods shall be of desired quality and fit for sale – whether manufactured or traded by the supplier .However, if the goods are bought after inspection by the buyer, it will be implied that the inspection of the goods bought ought to have detected and revealed the defects.

Implied Warranties -

1. That the buyer shall have quiet possession of the goods, that is, the vendor has the right to transfer the goods ,
2. That the goods are free from any charge or encumbrances in favour of any third party , not known to the buyer or not revealed to the buyer at the time of the contract.
3. That a warranty as to fitness for a particular purpose may be annexed to a contract of sale by normal practice in trade or a custom or usage.

Now, let us discuss about – **Performance of the Contract of Sale**

In any contract of sale, there has to be two parties – the **Buyer and the Seller .** Both are expected to perform as per agreed terms – The **Seller to deliver the goods and the buyer to accept the goods and pay the price.**

The seller is obliged to deliver the goods as per the terms of contract at the specified – time, place ,quantity and quantity . **The buyer is obliged to accept the goods and pay the agreed price.** Depending on the terms of the contract, the payment can be taken in advance, or on stipulated period of credit and the delivery too can be off-the-shelf, ex-godown, free-on-board, staggered etc.

Performance of a contract depends on two criteria – **timely delivery by the supplier and agreed payment terms of the buyer.** The seller shall be ready to give possession of the goods in exchange for payment of the price and the buyer to be ready to take possession of the goods from the seller in exchange for price.

1) **Delivery can mean Physical or actual transfer of possession from one person to another**

2) **Delivery can be through different modes – viz.**

   a) **Actual Delivery –** where the goods are physically delivered to the buyer by the seller – directly or through an agent.

   b) **Symbolic –** just as we see in reality shows where the keys of a motor car is handed over to the winner

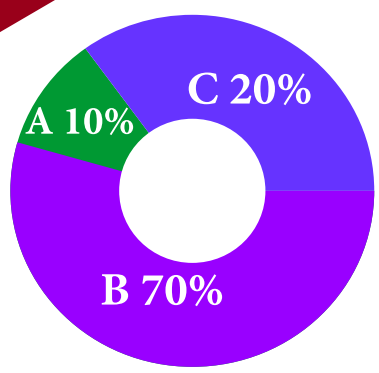
   c) **Constructive –** where the delivery order is issued to a third party for making delivery – Example – A Company selling Potatoes ,issuing Delivery Order to the Cold Storage in a different location asking them to deliver certain Number of Potato Bags to the buyer on receipt of the Issue Slip.

GROUP: 1, PAPER: 7

DIRECT TAXATION (DTX)

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

Your Preparation Quick Takes



Syllabus Structure

A Income Tax Act Basics **10%**
B Heads of Income and Computation of Total Income and Tax Liability **70%**
C Administrative Procedures and ICDS **20%**

Learning Objectives:

Identify the key concepts and functions of direct tax.
Know how to calculate income tax provision's.
Describe how uncertain tax positions are accounted for under the rules.
Gradually you will come to know how to prepare and file tax returns.

Retirement Benefits

Gratuity [Sec. 10(10)]

Gratuity is a lump sum payment made by an employer to its employee in consideration of his past services when the employment is terminated. Gratuity scheme serves as an instrument of social security to the salaried assessee.

An employee may be covered by Payment of Gratuity Act, 1972 (hereinafter referred as Gratuity Act) or may not be covered by that Act depending on the circumstances given under the said Act.

Tax Treatments of Gratuity are as under:

Gratuity received	Treatment
1. During service tenure	Fully taxable [Sec. 17(1)(iii)]
2. At the time of retirement to the employee of:	
a) Government	Fully exempted [Sec. 10(10)(i)]
b) Any other Employer	
I) Covered by Payment of Gratuity Act	Minimum of the following shall be exempted from tax u/s 10(10)(ii): 1. Actual Gratuity received; 2. ₹ 10,00,000; 3. 15 working days[1] salary[2] for every completed year of service[3] [$^{15}/_{26}$ * Completed year of service * Salary p.m.]
II) Not covered by Payment of Gratuity Act	Minimum of the following shall be exempted from tax u/s 10(10)(iii) 1. Actual Gratuity received; 2. ₹ 10,00,000; $^{1}/_{2}$ * Completed year of service[4] * Average Salary p.m.[5]

1. Seven working days in case of employees of seasonal establishment
2. Salary means Basic + DA (forming part of retirement benefit), last drawn
   In case of piece-rated employees, salary shall be calculated by applying average of last three months wages immediately preceding his termination.
3. Completed year of service includes any fraction in excess of 6 months.
4. Completed year of service ignores any fraction of month.
5. Average Salary here means, Basic + DA (forming part of retirement benefit) + Commission (as a fixed percentage on turnover) being last 10 months average salary, immediately **preceding the month of retirement**.

Leave Encashment Salary [Sec. 10(10AA)]

As per service contract and discipline, normally, every employee is allowed certain period of leave (with pay), every year. Such leave may be availed during the year or accumulated by the employee. The accumulated leave lying to the credit of an employee may be availed subsequently or encashed. When an employee receives an amount for waiving leave lying to his credit, such amount is known as leave salary encashment.

Tax Treatment of leave encashment is as under

Case	Treatment
1. During service tenure	Fully taxable [Sec. 17(1)(va)]
2. At the time of retirement by employee of:	
a) Government	Exempted [Sec.10(10AA)(i)]

b) Other Employer	Minimum of the following shall be exempted from tax u/s 10(10AA)(ii): a) Actual amount received; b) ₹ 3,00,000; c) 10 months average salary[1] d) Cash equivalent of 30 days average salary for every completed year of service[2] as reduced by actual leave availed or encashed during the tenure of service. The period of 30 days is the maximum ceiling. If employer allows leave for less than 30 days p.a. then such lesser days shall be considered.

1. Average salary means Basic + DA (forming part of retirement benefit) + Commission (as a fixed percentage on turnover) being last 10 months average salary **from the date of retirement**.
2. While calculating completed year of service, ignore any fraction of the year.

Pension [Sec. 10(10A)]

Pension, normally means, a periodical payment received by an employee after his retirement. However, on certain occasion, employer allows to withdraw a lump sum amount as the present value of periodical pension. When pension is received periodically by employee, it is known as Uncommuted Pension. On the other hand, pension received in lump sum is known as Commuted pension.

Tax Treatment of pension is as under

Cases	Treatment
1. Uncommuted Pension received by any employee	Fully Taxable [Sec. 17(1)(ii)]
2. Commuted Pension (i.e lump sum payment) received by a	
a) Government employee b) Other employee	Fully exempted [Sec.10(10A)(i)]
I) If employee receives gratuity	1/3rd of total value of commuted pension, which he is normally entitled, is exempted. [Sec. 10(10A)(iia)]
II) If employee does not receive gratuity	½ of total value of commuted pension, which he is normally entitled, is exempted. [Sec. 10(10A)(iib)]

Illustration

Mr. Narayan retired from service on 1/6/2017. As on that date, his monthly salary was Basic ₹ 5,000 p.m., Commission on turnover 5%. Total turnover achieved by him during last 10 months (occurred evenly) ₹ 5,00,000. On retirement, after 20 years 6 months of service, he received gratuity ₹ 5,00,000, leave salary ₹ 3,00,000. He is entitled to pension of ₹ 1,500 p.m. On 1/1/2018, he commuted 60% of his pension and received ₹ 90,000. Compute gross salary assuming he is covered by the Payment of Gratuity Act.

Solution

Computation of Gross Salary of Mr. Narayan for the A.Y.2018-19

Particulars	Details	Amount	Amount
Basic Salary	5,000 × 2		10,000
Commission on turnover	(5,00,000/10×2) × 5%		5,000
Gratuity		5,00,000	
Less: Minimum shall be exempted u/s 10(10)(ii)			
a) Actual Amount Received	5,00,000		
b) Statutory Amount	10,00,000		
c) $^{15}/_{26}$ × 20 × ₹ 5,000	57,692	57,692	4,42,308
Leave Encashment		3,00,000	
Less: Minimum shall be exempted u/s 10(10AA)(ii)			
- Actual Amount Received	3,00,000		
- Statutory Amount	3,00,000		

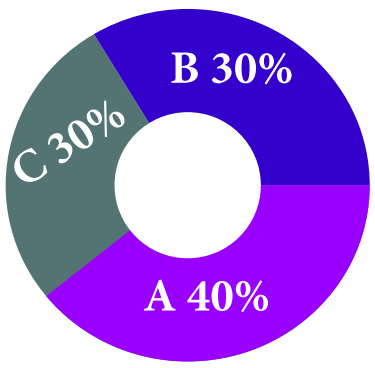
- 10 × ₹ 7,500	75,000		
- 1 × 20 × ₹ 7,500	1,50,000	75,000	2,25,000
Pension			
Uncommuted Pension	(1500 × 7) + (600 × 3)		12,300
Commuted Pension Received		90,000	
Less: Exempted u/s 10(10A)(ii)	1/3rd × 1,50,000	50,000	40,000
Gross Taxable Salary			**7,34,608**

GROUP: 1, PAPER: 8

COST ACCOUNTING (CAC)

CMA (Dr.) Subir Kr. Datta
Principal,
Kshudiram Bose Central College,
He can be reached at:
duttasubirkumar1958@gmail.com

Your Preparation Quick Takes



Syllabus Structure

A Introduction to Cost Accounting **40%**
B Methods of Costing **30%**
C Cost Accounting Techniques **30%**

Learning Objectives:

Before taking the examination, it is necessary to read thoroughly the study material first.
After that select the suitable text book or reference books available in the market for your further study and follow them.
Next, follow the question papers of previous years and you will be able to get a general idea about the trend or pattern of questions generally set for this type of examination.
So, if you want to score high marks then along with practical problems you have to answer properly the theoretical part.
Due to lack of theoretical concepts they cannot score good marks not only in the theoretical part but also in tricky problems.
Prepare notes on the theoretical part to improve your performance in the examination.

Cost Accounting

Today we are leaving in a competitive world hence we have to face scarcity of natural resources. Because of that optimum utilization of resources is very much essential to meet need of the day. Now-a-days, the value and importance of costing need hardly be over emphasized. Presently, there is a growing awareness about the need for cost accounting among the business men. In this context Cost Accountant can play P-vital role all over the world. Hence, theory as well as solving the practical problems are very much essential for securing good marks in the exam. You please go through the theoretical part first for easy understanding the topic and then try to solve the problems that are in exercise. Starting from Chapter one please try to complete the other chapters serially as this will enable you to understand better the succeeding chapters. Always try to remember that in professional examinations, emphasis is given on testing comprehension, self expression, understanding and ability to apply knowledge in divergent situation. Success of these examinations considerably depends on style of preparation which should have perseverance, regularity of efforts, detailed practice, vision and objectivity.

Some tips based on experience are suggested here:

1. A plane should be developed for completing the syllabus within specified time.
2. Try to go through your Study Note and know the syllabus properly.
3. Analyze the trends of setting questions.
4. Clarity of concepts and self expression is essential for successful result.
5. Try to improve your speed by practice and revision for able to attempt all questions in limited time.
6. This paper is based on mainly solving the practical problems.
7. Finally, try to develop a habit of reading the questions well, underlining and understanding the specific requirements. Then you try to solve the problem easily.

The entire syllabus is divided into **Six Chapters**. First chapter dills with the basic concept of cost accounting , beside its other two branches viz, financial accounting and management accounting. The second relates to elements of Cost in details. There are three major elements of costs – Material, Labour and Overheads. Here Cost concepts are discussed and analyze element- wise. You must read the scope and objectives of different Cost Accounting Standards. It will help to grasp the concept of Cost Accounting easily. Always try to solve the problems in different angles. Further you should try to understand the difference between Cost Allocation , Cost Apportionment and Cost Absorption very carefully.

The next chapter is associated with Cost book-keeping; including integrated accounting system, is not at all difficult. In this system, different accounts are to be opened, but it is not necessary to give much effort to complete its solution.

The chapter contract costing is important for this type of examination. Students often experience difficulty in recommending the amount of profit to be taken into account during a period for long-term contract. There are some standard norms for completion and recognition of profit/ Loss of incomplete contract. Make sure that you are familiar with various methods/formulas for different stage of completion and share of profit. Students are also advised to go through the topic "Profit on incomplete contracts based on SSAP-9". The term 'Escalation Clause' is very much related with this chapter for the purpose of a long term contract.

Understanding the chapter is very much easier rather than other chapters. In Operating Costing we have to find out operating cost per unit of output. This chapter also includes 'Transport Costing' , 'Hospital Costing', 'Power House Costing' , 'Hotel/ Hostel Costing' etc. The finding out the 'Composite Unit' is very important for finding the solution of these type problems.

The chapter Marginal Costing aims to find out cost-volume-profit relationships. And it is very important form the students perspective. This chapter aims to find out Cost-volume-profit relationships. Some times more than one problem may be expected from this chapter. The main objective should be to understand the wordings of the problem and to determine the desired impact on profitability. Break-even Analysis and finding the B.E.P. is the basic part for solving problem. You should also study the effect on profits due to various changes in Fixed Cost/ Variable Cost/ Selling Price / Sales Mix and the effect of the above on Brake-Even-Point as well as Margin of Safety. The decision relating to 'make or bye' is an integral part of this chapter.

The next chapter relates to 'Variance Analysis' which deals with creating responsibilities and identifying the activities or areas of exceptions. The main purpose of variance analysis is to enable the management to improve the operation for effective utilization of resources and to increase the efficiency by reducing costs. Students are generally afraid of this important chapter only because of different formulae for different analysis. Only careful study and realization of the requirement in the problem can eliminate such difficulties. The action should be taken based on the causes of variance.

Budget can be defined as a financial and/or quantitative statement , prepared prior to a defined period of time, of the policy should be pursued during that period for the purpose of attaining a given objective. 'Budget and Budgetary Control' which requires preparation of 'Flexible Budget', Functional Budget, and 'Cash Budget' for taking necessary actions. Theoretical and problem oriented questions may be set from this chapter. The students can easily understand the problems, if theory remains clear. The students are also suggested to go through the theoretical parts-like, concept of Zero-based Budgeting, behavior and classification of Budgets etc very carefully. All functional budgets are summarized into master budget consisting of a Budgeted Profit and Loss Account, a Balance Sheet and Cash Flow Statement. A common mistake is to incorrectly deduct closing stocks and opening stocks when preparing production and material purchased budget.

Now we like to solve a problem relating to decision making in respect of "make of buy", by utilizing additional capacity for assessing the organization's profitability.

The problem may be set in the following way:
A company is engaged in the manufacture of an electronic gadget. It produces 24,000 such gadgets per annum. The company also manufactures 24,000 units of a component.

The department expenses per annum is as under:

Direct materials	38,40,000
Direct labour	15,36,000
Indirect labour	7,20,000
Inspection and testing	4,80,000
Lighting	40,000
Power	4,80,000
Insurance	30,000
Depreciation (fixed)	96,000
Miscellaneous fixed expenses	54,000

If the company stops manufacturing the components and buys the same from the market, the saving in departmental budget will be as under

Direct materials	20%
Direct labour	25%
Indirect labour	20%
Inspection and testing	25%
Power	25%

The purchase price of the component is Rs. 70 each

Required :
(i) State whether the company should make or buy the components.
(ii) The company has received an offer for export of 12,000 units of the electronic gadget at a price of Rs. 245 each. If the offer is accepted by the company, the capacity will be fully utilized and the components have to be purchased. Should the company then make or buy the company?

Solution :
For taking a make or buy decision, it is necessary to find out the relevant cost of both the decisions, i.e., manufacturing vis-à-vis purchasing the component from outside.

Departmental Expenses Budget

Items	Total	Allocation ratio	Gadgets	Components
Production			24,000	24,000
Variable Costs :				
Direct materials	3,840	80.20	3,072	768
Direct labour	1,536	75.25	1,152	384
Indirect labour	720	80.20	576	144
Inspection and testing	480	75.25	360	120
Power	480	75.25	360	120
	7,056		**5,520**	**1,536**

Fixed Cost				
Lighting	40			
Insurance	30			
Depreciation	96			
Miscellaneous fixed expenses	54			
	220			
Total Cost Variable cost per unit	**7,276**		**Rs. 230**	**Rs. 64**

(i) Variable cost of component is Rs. 64 per unit. The purchase price is Rs. 70 per unit. For each unit, net cash outflow will be Rs. 6. Therefore, company should take decision to make.

(ii) Evaluation of decision to export

Inflow

(a) Additional contribution due to export [12,000 units X Rs. (245 - 230)]	Rs. 1,80,000
(b) Saving in variable cost of components (24,000 units x Rs. 64)	Rs. 15,36,000
Less : **Outflow**	Rs. 17,16,000
Payment to be made to supplier (24,000 units x Rs. 70)	Rs. 16,80,000
Net Cash Inflow	Rs. 36,000
Hence, accept export order and buy the component.	

VOL: 3, No.: 4. APRIL 2018, ISSUE
STUDENTS' E-bulletin Intermediate

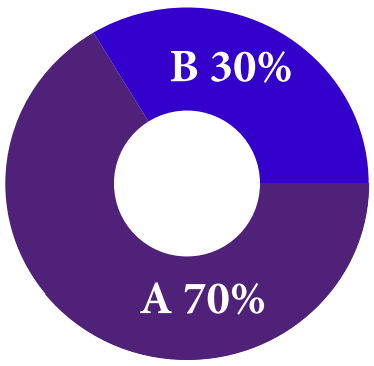
GROUP: 2, PAPER: 9, Part- i

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM)

Operation Management

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

Your Preparation Quick Takes



Syllabus Structure
A Operations Management **70%**
B Strategic Management **30%**

Learning Objectives:

Operations Management develops skills in problem solving, project management, communication, and managing effectively in team-based work environments.
Eventually, student's ability for leadership positions in the production and service industries gets increased.
To solve business processes, it helps to apply knowledge of fundamental concepts of operations management and helps to apply knowledge of approaches to operational performance improvement.

Operations Management

In this issue we will discuss Resources Aggregate Planning.
Production planning in the intermediate range of time is termed ***Aggregate Planning***. It is the process of planning the quantity andtiming of output over the intermediate time horizon (3 months to one year).

It is thus called because the demand on facilities and available capacities are specified in aggregate quantities e.g aggregate quantitates of thousands of litres of paint or no of automobiles etc. That is in aggregate planning the total expected demand is measured without regard to the product mix (MarutiDzire, Maruti Alto, Maruti Swift etc) that makes up this figure.

For this planning horizon the physical plant and equipment and its capacity are fixed. So the sales orders have to be met by different strategies.

Steps in aggregate planning:

- Development of some logical overall unit for measuring output----*gallons* of paint in paint industry, *rooms* occupied in hotel etc;
- Forecast of demand for the planning period;
- Identification and measurement of Relevant costs;

Aggregate planning increases the range of alternative use for capacity for management for getting answers to following type questions:
To what extent should inventory be used to absorb the fluctuations in demand that will occur over the next 6 to 12 months?
Why not maintaina fairly stable work force size and absorb the fluctuations by changing activity rates by varying work hours?
Why not maintain a fairly stable work force and let subcontracts be engaged for demand fluctuations?

If demand for a company's products or services are stable over time or its resources are unlimited, the aggregate planning is trivial. Under this case---

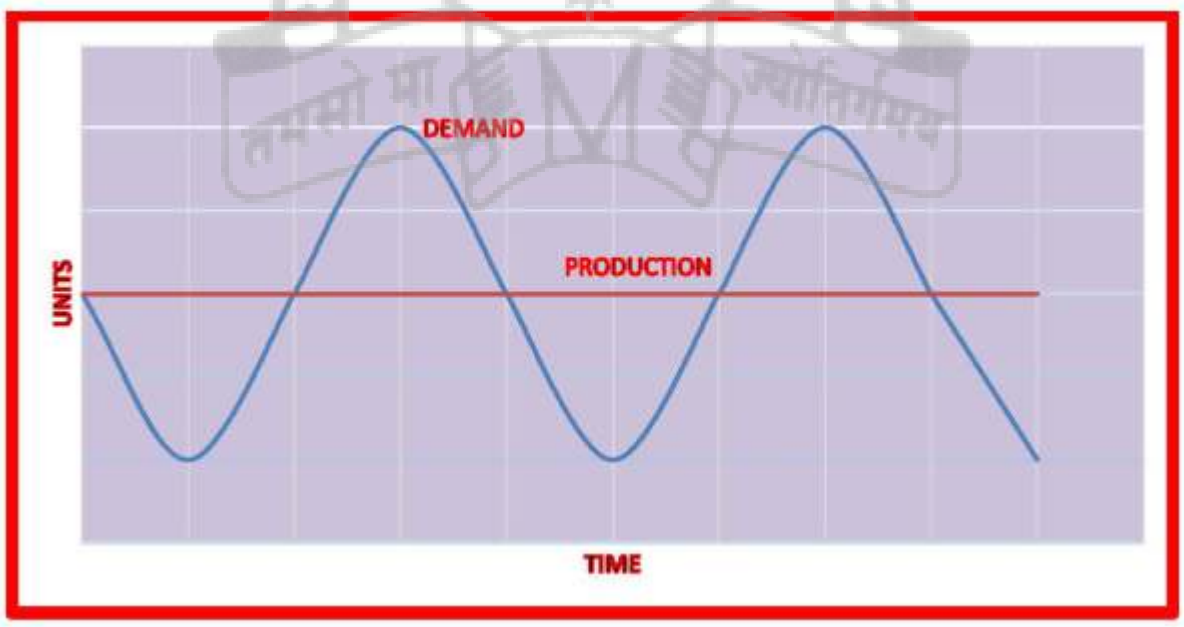
- Demand forecasts are converted to resource requirements;
- Resources necessary to meet demand over the time horizon are acquired;
- Minor variations in demand are handled with overtime or under time;

But Aggregate Resource Planning becomes a challenge when demand fluctuates over the planning horizon. Under this case alternatives are---

- Producing at a constant rate and using inventory to absorb fluctuations in demand (level production);
- Hiring and firing workers to match demand(chase demand);
- Maintaining resources for high demand levels;
- Increasing or decreasing working hours (overtime and under time);
- Subcontracting work to other firms;
- Using part time workers;
- Providing the service or product at a later time period (backordering);

When one of these is selected, a company is said to have a ***Pure Strategy*** for meeting demand. When two or more are selected, a company has a ***Mixed Strategy.***

Level Production: Refer following figure.

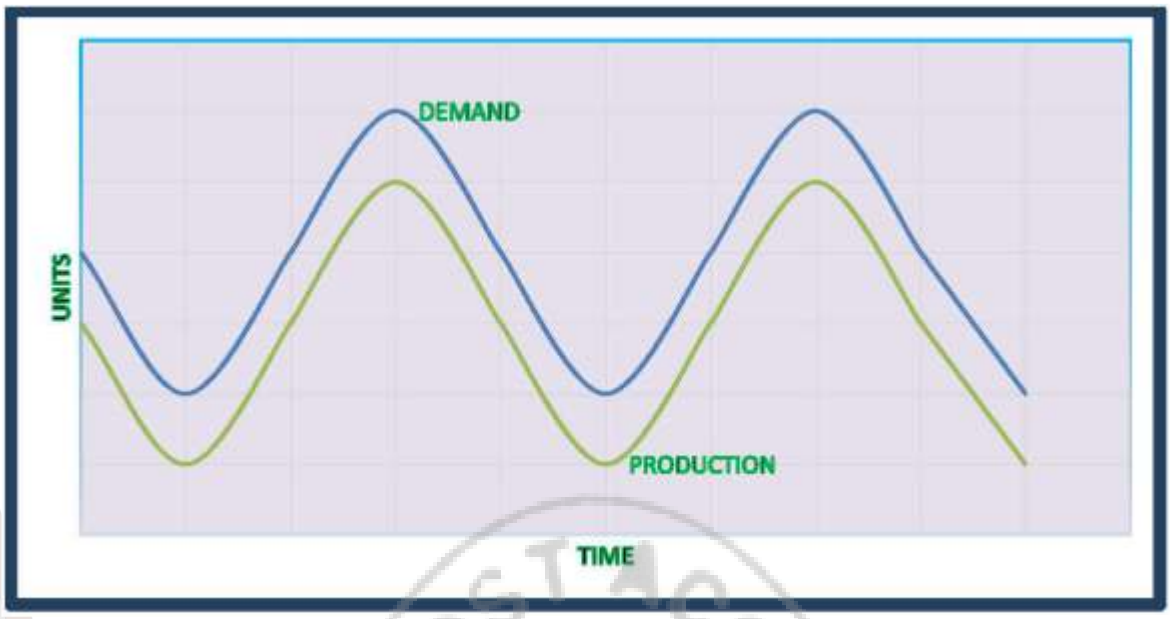


Level production sets production at a fixed rate (usually to meet average demand) and uses inventory to absorb variations in demand. During periods of low demand, overproduction is stored as inventory, to be depleted in periods of high demand. The cost of this strategy is the cost of holding inventory, including the cost of obsolete or perishable items that may have to be discarded.

Chase Demand: Refer the following figure

It matches the production plan to the demand pattern and absorbs variations in demand by hiring and firing workers.

During periods of low demand production is cut back and workers are laid off. During periods of high demand production is increased and additional workers are hired. The cost of this strategy is the cost of hiring and firing workers.



When skilled labour is scarce or when competition for labor is intense, this strategy is not applicable. During period of high unemployment and for industries requiring low skilled labours, this strategy is very much applicable.

Maintaining resources for high demandlevels ensures high levels of customer service but very costly in terms of the investment in extra workers and machines that remain idle during low demand period. This strategy is most suitable when superior customer services are required and to get this customers are ready to pay extra for the availability of critical staff or equipment.

When demand fluctuations are not extreme *Overtime/Under-time* are common strategies. Under this strategy a competent staff is maintained, hiring and firing costs are avoided and demand is met temporarily without investing in permanent resources. Disadvantages include the premium paid for the overtime. But overtime alone may not be sufficient to meet the peak demand and overtime premium may be enjoyed by less efficient and tired workforce.

Subcontracting or outsourcing is a feasible alternative if a reliable supplier is available both in terms of quality and time for supply. This is a very common strategy when demand of final products exceeds expectations and required components are to be made ready through outsourcing to meet the demand. This strategy needs a strong tie with possible subcontractors and first-hand knowledge of their work. Disadvantages of subcontracting include reduced profits, loss of control over production, long lead times and the potential that the subcontractor may become a future competitor.

Using *part time* workers is feasible for unskilled jobs or in areas with large temporary labour pools (such as students, home makers etc). Part time workers are less costly than full time workers and they have more flexibility so far as working hours and time are concerned.

Backordering is a viable alternative only if the customer is willing to wait for the product or service.

One aggregate planning strategy is not always preferable to another. The most effective strategy depends on the demand distribution, competitive position and cost structure of the firm or product line. Mixed strategy, the combination of strategies, rather than a single strategy, usually results in the most economical plan.

Each of these strategies has a cost factor associated with it. Some of the cost items that may be relevant are:

- Payroll costs;
- Costs of overtime, second shifts and subcontracting;
- Costs of hiring and laying off workers;
- Costs of excess inventory and backlog;
- Costs of production rate changes;

The cost items that are to be included in the strategy should vary with changes in the decision variables. If a cost item such as the salary of a manufacturing manager is incurred no matter which aggregate plan is chosen, then this cost is excluded from consideration.

Illustration:

S industries has the following demand forecasted for the next 12 months

Month	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec
Demand (Units)	900	700	800	400	500	800	900	300	200	800	700	700

The firm can have the strategies of overtime, sub-contracting, and inventory in its aggregate planning of production. Given the following details, develop an optimal production plan for the firm. (The demands of the customer are always met).

a) Regular time production capacity : 600 units per month maximum;
b) Overtime production capacity: 100 units per month maximum;
c) Beginning inventory: 50 units;
d) Desired inventory at the end of 12 months: 150 unis;
e) Cost of regular production : B100 per unit;
f) Cost of overtime production: B160 per unit;
g) Cost of Sub-contracting: B180 per unit;
h) Inventory Carrying Cost: B36 per unit per annum;

Ans:
Regular time production cost: B100/unit.
Overtime production cost:B160/unit.
Subcontracting cost: B180/unit.
Inventory Carrying Cost:B36/12 = B3 per unit per month
Cost of producing in regular time and carrying the inventory to the next month = 100+3 = B103.
The approach to the aggregate planning will be done on trial & error basis:
Produce during regular time as per requirement
If this quantity is not adequate to meet the demand, produce the additional quantity in overtime.
However, the maximum overtime production possible in a month is 100 units.
Hence in any month the maximum that can be produced in regular plus overtime would be = 600+100=700units.
If in any month the demand is more than this produce the deficit amount through subcontracting.

1st Trial:
The prelim plan is as follows:

	Demand	Opening	Production	Closing	Regular	Inventory	Overtime	Outsource	Total	Price
Jan	900	50	600	0	600	50	100	150	900	108150
Feb	700	0	600	0	600	0	100	0	700	76000
March	800	0	600	0	600	0	100	100	800	94000
April	400	0	400	0	400	0	0	0	400	40000
May	500	0	500	0	500	0	0	0	500	50000
June	800	0	600	0	600	0	100	100	800	94000
July	900	0	600	0	600	0	100	200	900	112000
August	300	0	300	0	300	0	0	0	300	30000
Sept	200	0	200	0	200	0	0	0	200	20000
Oct	800	0	600	0	600	0	100	100	800	94000
Nov	700	0	600	0	600	0	100	0	700	76000
Dec	850	0	600	0	600	0	100	150	850	103000
Total										**897150**

2nd Trial:
But if in any month the demand is less than quantity produced during regular time, the quantity over and above 600 units will have to be inventoried.
On the other hand if in any month the demand exceeds 700 units with no inventory, the quantity over and above will have to be sub contracted.
The aggregate production plan can now be as follow:

Month	Opening Inventory	Regular	Output (Units) obtained through			
			Regular + Inventory	Overtime	Subcontract	Total
Jan	50	600		100	150	900
Feb		600		100	-	700
March		600		100	100	800

April		400	200	-	-	400
May	200	600	300	-	-	500
June	300	600	100	-	-	800
July	100	600		100	100	900
August		600	300	-	-	300
September	300					200
October	100	600		100		800
November		600		100		700
December		600		100	150	850

In the month of April total demand is 400. We could utilize maximum regular production for 600 units and balance 200 units are kept as inventory.

In the month of May total demand is 500 units. From opening inventory 200 units are consumed. Through regular production at maximum level additional 600 units are produced. And therefore 300 units are kept as inventory.

In the month of June demand is 800 units. Opening inventory and regular production at maximum level gives 300+600 =900. So after satisfying full demand 100 units remain as closing inventory.

August maximum production through regular 600 units. After satisfying demand 300 units remain as closing inventory from where after satisfying demand for September 100 units remain for opening inventory of October.

Production costs for this aggregate plan are:
Jan: 50*103+ 600*100 + 100*160 +150*180 =B108150;
Feb: 600*100+100*160 =B76000
March: 600*100+100*160 + 100*180 =B 94000
April: 400*100 =B40000
May: 200*103+300*100 =B50600
June: 300*103 +500*100 =B80900
July: 100*103+600*100+100*160+100*180 = B104300
August: 300*100 =B30000
September: 200*103 =B20600
October: 100*106+600*100+100*160 = B86600
November: 600*100+100*160 = B76000
December: 600*100+100*160+150*180 = B103000
Total: **B870150**

3rd Trial:
Now for the month of April total demand can be met through regular production at 400 level without producing at 600 level. In that case there will be no opening inventory for the month of May and demand of May can be met with regular production at 500 level instead of producing at maximum 600 level.

Then April cost will remain at 400*100 =40000 but cost of May will become 500*100 =50000 a reduction of 600.
But then there will be no opening inventory in June and Demand for June is to be met through regular production at 600 level, Overtime at 100 level and subcontracting at 100 level.Cost of June then will be 600*100+100*160+100*180 = 94000 a sharp jump of (94000-80900) = 13100

Instead if we produce 600 units in May then there will be 100 units in June as opening stock. Then the cost of June will be 100*103+ 600*100+100*160 = 86300 a jump of (86300-80900) = 5400.

This production schedule will then generate 0 opening inventory for the month of July and the same deficit needs to be met through subcontracting @ 180----an increase in burden.

So let us make the plan in the following order in increasing order of cost:

a) Supply through Regular production;
b) Supply through Inventory @103 p.u with one month old inventory and @106 p.u with two month old inventory;
c) Supply through overtime;
d) Supply through Outsourcing;

The plan will be as follows:

	Demand	Opening	Production	Closing	Regular	Inventory	Overtime	Outsource	Total	Price
Jan	900	50	600	0	600	50	100	150	900	108150

Feb	700	0	600	0	600	0	100		700	76000
March	800	0	600	0	600	0	100	100	800	94000
April	400	0	600	200	400	0	0	0	400	40000
May	500	200	600	300	500	0	0	0	500	50000
June	800	300	600	100	600	200	0	0	800	81200
July	900	100	600	0	600	100	100	100	900	104600
August	300	0	300	0	300	0	0	0	300	30000
Sept	200	0	600	400	200	0	0	0	200	20000
Oct	800	400	600	200	600	200	0	0	800	80600
Nov	700	200	600	100	600	100	0	0	700	70600
Dec	850	100	600	0	600	100	100	50	850	95900
Total										**851050**

4th Trial:
Now for the month of December 100 units are through overtime and 50 units through outsourced. These 150 units if we can arrange through inventory then we could save a lot. Only in the month of August unutilized capacity is available for producing this 150 units and if we produce 450 units in August then we could reduce the cost further as follows:

	Demand	Opening	Production	Closing	Regular	Inventory	Overtime	Outsource	Total	Price
Jan	900	50	600	0	600	50	100	150	900	108150
Feb	700	0	600	0	600	0	100		700	76000
March	800	0	600	0	600	0	100	100	800	94000
April	400	0	600	200	400	0	0	0	400	40000
May	500	200	600	300	500	0	0	0	500	50000
June	800	300	600	100	600	200	0	0	800	81200
July	900	100	600	0	600	100	100	100	900	104600
August	300	0	450	150	300	0	0	0	300	30000
Sept	200	0	600	400	200	0	0	0	200	20000
Oct	800	550	600	350	600	200	0	0	800	81050
Nov	700	350	600	250	600	100	0	0	700	70600
Dec	850	250	600	0	600	250	0	0	850	87250
Total										**842850**

There is no limit on the amount to subcontract.
The production costs for this aggregate production plan are as:

1st Trial = B897150;
2nd Trial = B870150;
3rd Trial: = B851050;
4th Trial: = B842850; the chosen plan.

Therefore to arrive at the optimal plan we have to arrange the alternatives in the ascending order of cost and as per the order attempts will be

made to utilisethe lowest cost alternatives to the maximum extent possible in order to avoid highest cost alternatives like overtime and subcontracting.

Suggestions:

This study notes need to be read thoroughly. Supplementary readings could be made from other resources. This issue is based on Modern Production/Operations Management by Buffa and Sarin.
Production and Operations Management by SN Cherry, Operations Management by R.S Russell & BW Taylor,Discussions are made here as an extension & supplementary to the knowledge shared on the topic in study guide with details taken out from referred books. This is in addition to whatever is taught in the study guide. This writing may benefit once Guide book on the paper 9- Operations Management & Strategic Management written and issued by Institute on Syllabus - 16is thoroughly consulted.

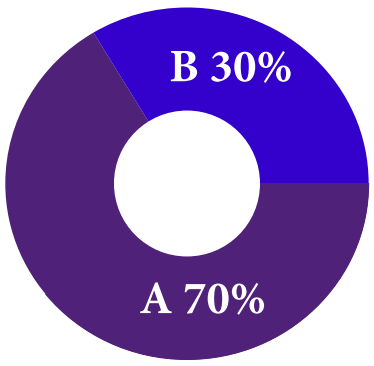
GROUP: 2, PAPER: 9, Part- ii

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM)

Strategic Management

CMA (Dr.) Sumita Chakraborty
Jt. Director, Studies
She can be reached at:
studies.jd2@icmai.in

Your Preparation Quick Takes



Syllabus Structure
A Operations Management **70%**
B Strategic Management **30%**

Learning Objectives:

The course will follow in general terms the strategy development process from audit to formulation of strategic plans, their implementation and evaluation.
Students will be introduced to strategic management in a way so that their understanding can be better.
The ultimate aim of the course is to develop students as future managers who will add value by 'strategically managing' the organisation's resources and capabilities.

Strategic Management Part

Discuss briefly the steps involved in the strategic management process

Strategy is the outcome of a formal planning process and the top management plays a very important role in this process. The steps of strategic management process are as follows:

Step i: Identifying Defining Business Mission, Purpose and Objectives: Identifying or defining an organisation's existing mission, purpose and objectives is the logical starting point as they lay foundation for strategic management.

Step ii: Environmental Analysis: Environmental factors, both internal environment and external environment, are analysed to:
(i) identify changes in the environment,
(ii) identify present and future threats and opportunities, and
(iii) assess critically its own strengths and weaknesses.

Step iii: Revise Organisational Direction: A thorough analysis of organisation's environment pinpoints its strengths, weaknesses, opportunities and threats (SWOT). This can often help management to reaffirm or revise its organisational direction

Step iv: Strategic Alternatives and Choice: Many alternative strategies are formulated based on possible options and in the light of organisational analysis and environmental appraisal. Alternative strategies will be ranked based on the SWOT analysis. The best strategy out of the alternatives will be chosen.

Step v: Strategy Implementation: The fifth step of strategic management process is the implementation of strategy. The logically developed strategy is to be put into action. The managers should have clear vision and idea about the competitor's strategy, organisation's culture, handling change, skills of the managers-in-charge of implementation and the like. The progress from the stage of identification of business mission, purpose and objectives to the stage of achieving desired performance must overcome many obstacles.

Step vi: Strategic Evaluation and Control: The final step of strategic management process is strategic evaluation and control. It focuses on monitoring and evaluating the strategic management process in order to improve it and ensure that it functions properly. The managers must understand the process of strategic control and the role of strategic audit to perform the task of control successfully.

Explain the '7S's in McKinsey's 7-S Framework'

The Mckinsey Company, a well known management consultancy firm in the United States, towards the end of 1970s was asked to find a solution to this knotty issue. The researchers Peters and Waterman found after examining America's best run companies that the problem in strategy lay in its implementation and structure was only one lever in the hands of management. The other levers were systems, staff, style, skills and super ordinate goals. A strategy is usually successful when the other S's in the 7-S framework fit into or supports the strategy.

Strategy: A set of decisions and actions aimed at gaining a sustainable competitive advantage.

Structure: The organisation chart and associated information that shows who reports to whom and how tasks are both divided and integrated.
Systems: The flow of activities involved in the daily operation of a business, including its core processes and its support systems.
Style: How managers collectively spend their time and attention and how they use symbolic behaviour. How management acts is more important than what management says.
Staff: How companies develop employees and shape basic values.
Shared Values: Commonly held beliefs, mindsets and assumptions that shape how an organisation behaves, its corporate culture.
Skills: An organisation's dominant capabilities and competencies.

State the objectives of maintenance

(i) To keep all the production facilities and other allied facilities such as building and premises, power supply system, etc in an optimum working condition,
(ii) To ensure specified accuracy to products and time schedule of delivery to customers,
(iii) To keep the down time of the machine at minimum, so that the production program is not disturbed,
(iv) To keep the production cycle with in the stipulated range,
(v) To modify the machine tools to meet the augmented need for production,
(vi) To improve productivity of existing machine tools and to avoid sinking of additional capital,
(vii) To keep the maintenance cost at a minimum as far as possible, there by keeping the factory Overheads at minimum,
(viii) To extend the useful life of plant and machinery, without sacrificing the level of performance.

Explain 'Break Down Maintenance'

Here the production facility is run without much routine maintenance until it breakdown. once the machine breakdown it is taken for repair and inspected to find out the defects. After identifying the defect, the required repair is planned and the spares are procured to repair the machine. as the breakdowns are random in nature and the machine cannot be used during the repair period, production hours are lost hence the productivity is reduced. Repair maintenance is not a recommended practice, in general, but many a time many organizations prefer this, because they do not want to keep the machine idle for maintenance. But they ignore the fact that the break down repair costs more than the regular maintenance practice. It is however, an economical way of maintaining certain non-critical items whose repair and down time costs are less this way than with any other system of maintenance.

Explain 'Preventive Maintenance'

Preventive maintenance is based on the premise that good maintenance prevents breakdowns. Preventive maintenance means preventing break downs by replacing worn-out machines or their parts before their breakdown. It anticipates likely difficulties and does the expected needed repairs at a convenient time before the repairs are actually needed. Preventive maintenance depends upon the past knowledge that certain wearing parts will need replacement after a normal interval of use. Another and quite different kind of preventive maintenance can better be called maintenance prevention. It is concerned with designing machines which will be both trouble-free and easily repaired. The most strategic decision

which a production manager has to make in this regard is to determine whether preventive maintenance is more expensive than repairing on call. This requires comparison of total costs involved in preventive maintenance with those in repairing. There are more elaborate models for special maintenance problems such as an inspection policy for equipment that can be restored to an operating condition and replacement and policy for equipment renewed after a certain length of service. However, such sophisticated analyses are appropriate when the investment involved is large or service reliability is critical. A typical preventive maintenance strategy is more mundane than mathematical modelling. The guiding principle is that the time spent on preventive maintenance should be less than the time required for repairs, and the value imported to machines by preventive maintenance should exceed the programme cost.

Explain 'Business Process Reengineering'

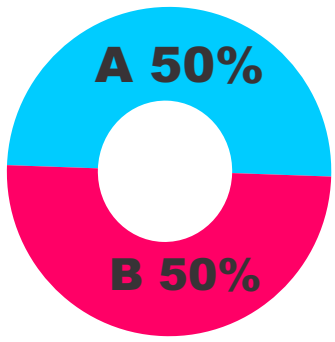
It is a business management strategy, originally pioneered in the early 1990s, focusing on the analysis and design of workflows and processes within an organisation. Business Process Reengineering (BPR) aimed to help organisations fundamentally rethink how they do their work in order to dramatically improve customer service, cut operational costs, and become world-class competitors. BPR seeks to help companies radically restructure their organisations by focusing on the ground-up design of their business processes. It involves the redrawing of organisational boundaries, the reconsideration of jobs, tasks, and skills. This occurs with the creation and the use of models. Whether those are physical models, mathematical, computer or structural models, engineers build and analyse models to predict the performance of designs or to understand the behaviour of devices. More specifically, BPR is defined as the use of scientific methods, models and tools to bring about the radical restructuring of an enterprise that result in significant improvements in performance. Redesign, retooling and re-orchestrating form the key components of BPR that are essential for an organisation to focus on the outcome that it needs to achieve.

GROUP: 2, PAPER: 10

COST & MANAGEMENT ACCOUNTING AND FINANCIAL MANAGEMENT(CMFM)

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

Your Preparation Quick Takes



Syllabus Structure
A Cost & Management Accounting **50%**
B Financial Management **50%**

Learning Objectives:

The paper Cost & Management Accounting and Financial Management (Group II; Paper 10) is a unique blend of theoretical elaborations and practical illustrations. The aim of this paper is to equip the students with a working level knowledge regarding the two disciplines and prepare a ground for a few advanced level papers like Strategic Financial Management (Final Group 3: Paper 14), Strategic Cost Management decision Making (Final Group 3:Paper 15) and Strategic Performance Management and Business Valuation (Final Group 4: Paper 20) in the CMA Final Course. The entire syllabus of the paper is segregated into two segments namely Cost & Management Accounting (Section A: Full Marks 50) and Financial Management (Section B: Full Marks 50). Each of the individual sections has further been divided into five chapters each highlighting a specific aspect of the subject concerned. 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.

Cost & Management Accounting and Financial Management
Section B

Chapter 10: Capital Structure Theories:

Traditional Approach:

- **Main Theme:**

The Traditional approach to capital structure is a compromise of NI approach and NOI approach. In other words, it is basically a reconciliation between the Net Income approach and the Net Operating Income approach.

There are two versions of Traditional Approach. However the overall theme remains the same in each case which says that by judicious use of debt capital and equity capital it is possible for a firm to reduce its overall cost of capital and increase its value. Hence the capital structure that leads to the highest value of the firm with minimum cost of capital is the optimum.

- **Explanation:**

As mentioned earlier, there are two versions of Traditional approach.
According to the **first variant**, the use of relatively higher amount of debt capital increases the firm-value and reduces the cost of capital up to a certain level of leverage (i.e. proportion of debt in total capital and value). Beyond that level any increase in leverage more than offsets the use of cheaper debt capital and the average cost of capital starts rising. This is because both cost of debt and cost of equity remain relatively constant initially. As a result increase in leverage reduces the overall cost of capital and increases the value up to a certain point. Beyond this both the costs start increasing leading to an increase in the overall cost and reduction in the value of the firm. Hence the optimum capital structure is the level where cost of capital is the minimum and value is the maximum.

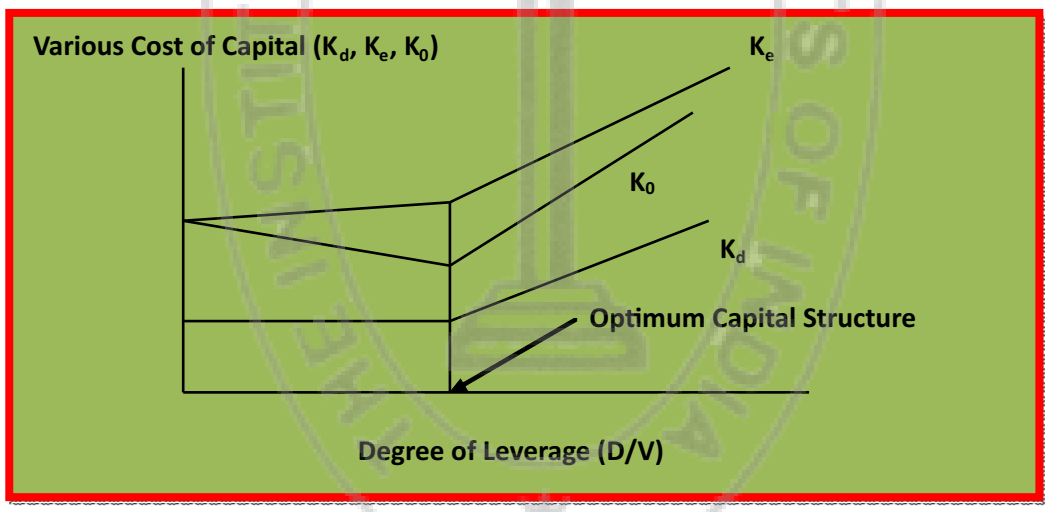


Figure: Behaviour of K_d, K_e, K_o and optimum capital structure under Traditional Approach

The **second variant**, as mentioned earlier, has a slight different explanation as to how the cost of capital and value change with change in capital structure. According to this, the change in the cost of capital and value takes place in three different stages as follows –

First Stage: During the first stage -

a) K_d remains constant or rises negligibly.
b) K_e remains constant or rises as the leverage is increased but does not rise fast enough to eliminate the advantage of cheaper debt capital.
As a result overall cost of capital (K_o) decreases and value of the firm (V) increases.

Second Stage: At this stage the advantage of using cheaper debt capital gets exactly offset by the increase in cost of equity as the perceived risk of the investors also increases due to for firm's use of higher leverage. As a consequent both overall cost of capital (K_o) and value of the firm (V) remain relatively constant within a range.

Third Stage: During this stage both cost of debt (K_d) and cost of equity (K_e) increase at an abnormal rate due to high financial risk. As a result overall cost of capital increases and value of the firm decreases.
Hence optimum capital structure is obtained at any point of the second stage.

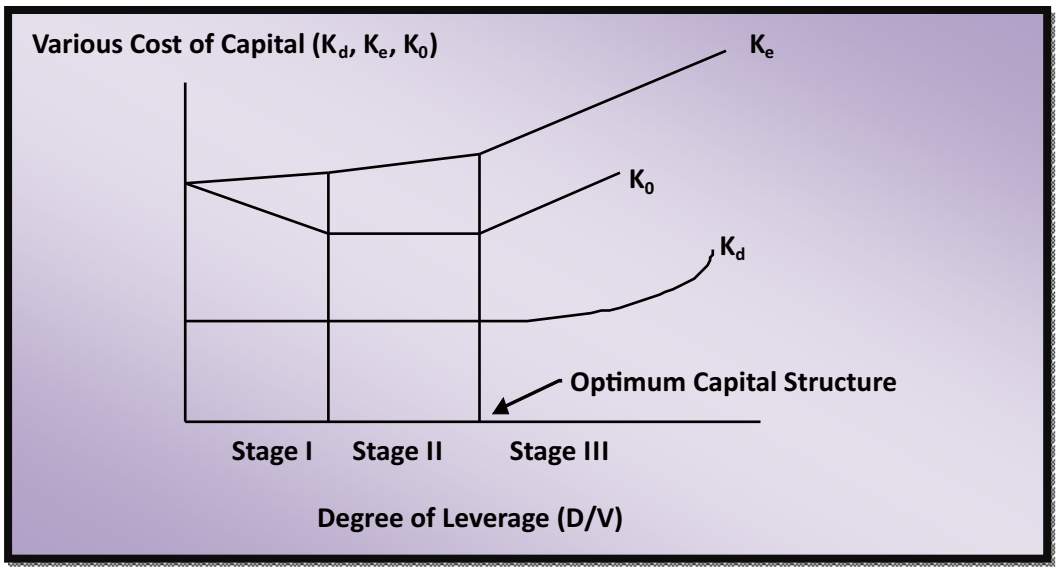


Figure: Behaviour of K_d, K_e, K_o and optimum capital structure under Traditional Approach

Case Study:

TAMCO Ltd. provides you the following information:
Total Capital Employed = Rs. 1000000, Expected Annual Net Operating Income (EBIT) = Rs. 200000. Applicable cost of debt (k_d) and cost of equity (k_e) at alternative levels are given below.

Debt Capital		Equity Capital	
Level (Rs.)	**Cost of debt (k_d)**	**Level (Rs.)**	**Cost of equity (k_e)**
Less than Rs.400000	9%	Up to Rs. 400000	15%
Rs. 400000-599999	10%	Rs. 400001-600000	16%
Rs. 600000 and above	12%	Rs. 600001-1000000	18%

Calculate value of the firm and overall cost of capital if the proportion of debt capital to total capital is (i) 0%, (ii) 40%, (iii) 60%. Also comment on the optimal capital structure.
Solution:

Calculation of Value of the Firm (V) and Overall Cost of Capital (K_o)

	Particulars	Plan 1	Plan 2	Plan 3
1	Total Capital	1000000	1000000	1000000
2	Proportion of Debt Capital	0%	40%	60%
3	Proportion of Equity Capital	100%	60%	40%
4	Value of Debt Capital (D)	0	400000	600000
5	Equity Capital	1000000	600000	400000
6	Cost of Debt (K_d)	N.A	10%	12%
7	Cost of Equity (K_e)	15%	16%	18%
8	EBIT	200000	200000	200000
9	Interest (I) = D K_d	NIL	40000	72000
10	EBT = EBIT - I	200000	160000	128000
11	Value of Equity (E) = EBT/K_e	1333333	1000000	711111
12	Value of Firm (V) = D+E	1333333	1400000	1311111
13	Cost of Capital (K_0) = K_dD/V + K_eE/V	15%	14.29%	15.25%

Since value of the firm is maximum and cost of capital is minimum when proportion of debt capital is 40% of the total capital, the optimum capital structure is Debt: Equity = 60%: 40%.

Conclusion:

As stated earlier, Traditional Approach doesn't convey anything new. What it does is to reconcile the two available approaches. In this process, it recognizes the validity of both the approaches. Thus as per Traditional Approach, a firm experiences both a period of declining cost of capital (as advocated by NI approach) as well as constant cost of capital (as advocated by NOI approach) as the firm continues to increase its proportion of debt financing.

The assumptions of Traditional Approach (such as variable nature of cost of debt and changing perception of risk of the equity shareholders leading to a variable cost of equity) are far more realistic. As a result it is more acceptable than the two extreme capital structure theories i.e. NI approach and NOI approach.

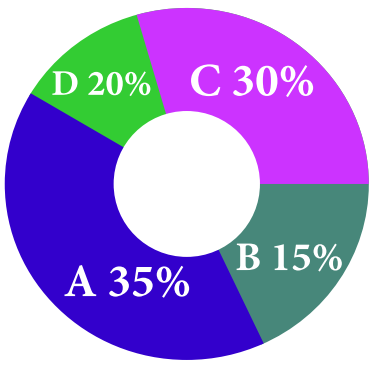
GROUP: 2, PAPER: 11

INDIRECT TAXATION

(ITX)

Ms. Poushali Das
Asstt. Professor,
Scottish Church College
She can be reached at:
das.poushali16@gmail.com

Your Preparation Quick Tak



Syllabus Structure

A Canons of Taxation - Indirect Tax & Central Excise **35%**
B Customs Law **15%**
C Servce Tax **30%**
D Central Sales Tax and VAT **20%**

Learning objectives:

The concept of tax and the objective for its levy
The concept of direct and indirect tax and the differences between the two
The basic features of indirect taxes
What are the principal indirect taxes
As to how the indirect taxes are administered in the country

INDIRECT TAXATION

Abstract

GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Lok Sabha on 6th May 2015 but is yet to be ratified by the Rajya Sabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country.

Introduction

The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level [1]. The Goods and Services Tax Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system.

On bringing GST into practice, there would be amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%.

Under this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading of taxes- tax on tax paid on inputs that go into manufacture of goods [2].

In order to avoid the payment of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST would unify these taxes and create a uniform market throughout the country. Integration of various taxes into a GST system will bring about an effective cross-utilization of **credits**. The current system taxes production, whereas the GST will aim to tax consumption.

Experts have enlisted the benefits of GST as under:

It would introduce two-tiered One-Country-One-Tax regime.

It would subsume all indirect taxes at the center and the state level.

It would not only widen the tax regime by covering goods and services but also make it transparent.

It would free the manufacturing sector from cascadingeffect of taxes, thus by improve the cost-competitiveness of goods and services.

It would bring down the prices of goods and services and thus by, increase consumption.

It would create business-friendly environment, thus by increase tax-GDP ratio.

It would enhance the ease of doing business in India.

Why no to GST?

However, the question is: is the picture as rosy as it is portrayed?

Wall Street firm Goldman Sachs, in a note 'India: Q and A on GST — Growth Impact Could Be Muted', has put out estimates that show that the Modi Government's model for the Goods and Services Tax (GST) will not raise growth, will push up consumer prices inflation and may not result in increased tax revenue collections [3].

There appears to be certain loopholes in the proposed GST tax regime which may be detrimental in delivering the desired results. They are:

India has adopted dual GST instead of national GST. It has made the entire structure of GST fairly complicated in India. The centre will have to coordinate with 29 states and 7 union territories to implement such tax regime. Such regime is likely to create economic as well as political issues. The states are likely to lose the say in determining rates once GST is implemented. The sharing of revenues between the states and the centre is still a matter of contention with no consensus arrived regarding revenue neutral rate.

Chief Economic Advisor Arvind Subramanian on 4 December 2015 suggested GST rates of 12% for concessional goods, 17-18% for standard goods and 40% for luxury goods which is much higher than the present maximum service tax rate of 14%. Such initiative is likely to push inflation.

The proposed GST structure is likely to succeed only if the country has a strong IT network. It is a well-known fact that India is still in the budding state as far as internet connectivity is concerned. Moreover, the proposed regime seems to ignore the emerging sector of e-commerce. E-commerce does not leave signs of the transaction outside the internet and has anonymity associated with it. As a result, it becomes almost impossible to track the business transaction taking place through internet which can be business to business, business to customer or customer to customer. Again, there appears to be no clarity as to whether a product should be considered a service or a product under the concept of E-commerce. New techniques can be developed to track such transactions but until such technologies become readily accessible, generation of tax revenue from this sector would continue to be uncertain and much below the expectation. Again E-commerce has been insulated against taxation under custom duty moratorium on electronic transmissions by the WTO Bali Ministerial Conference held in 2014 [4].

Communication is considered to be necessity and one cannot do without communication. In modern times, communication has assumed the dimension of telecommunication.

The proposed GST regime appears to be unfavorable for telecommunication sector as well

"One of the major drawbacks of the GST regime could be the direct spike in the service tax rate from 14% to 20-22%" (GST: Impact on the Telecommunications Sector in India). The proposed GST appears to be silent on whether telecommunication can be considered under the category of goods or services. The entire issue of

telecommunication sector assumes a serious proportion when India's rural teledensity is not even 50% [5].

The proposed GST regime intends to keep petroleum products, electricity, real estate and liquor for human consumption out of the purview of GST

It is a well-known fact that petroleum products have been a major contributor to inflation in India. Inflation in India depends on how the government intends to include petroleum products under GST in future.

Electricity is essential for the growth and development of India. If electricity is included under standard or luxury goods in future then it would badly affect the development of India. It is said that GST would impact negatively on the real estate market. It would add up to 8% to the cost of new homes and reduce demand by about 12%.

The proposed GST regime "would be capable of being levied on sale of newspapers and advertisements therein"

This would give the governments the access to substantial incremental revenues since this industry has historically been tax free in its entirety" [6]. It sounds ridiculous but the provision of GST is likely to make the supervision of operations by its Board/senior managers across the company's offices in different parts of the country a taxable service by allowing each state to raise a GST demand on the company.

Again there appears to be lack of consensus over fixing the revenue rate as well as threshold limit. One thing is for sure, services in India are going to be steeply costly if GST is fixed above the present service tax rate of 14% which in turn will spiral up inflation in India. "Asian countries which implemented GST all had witnessed retail inflation in the year of implementation [6,7].

Conclusion

The proposed GST regime is a half-hearted attempt to rationalize indirect tax structure. More than 150 countries have implemented GST. The government of India should study the GST regime set up by various countries and also their fallouts before implementing it. At the same time, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to implementation of GST. No doubt, GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Until the consensus is reached, the government should resist from implementing such regime.

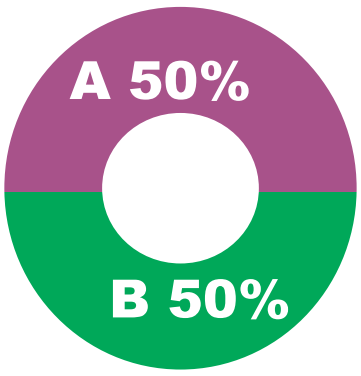
GROUP: 2, PAPER: 12

COMPANY

ACCOUNTS & AUDIT (CAA)

Dr. Malay Kr. Nayak
Associate Professor,
Dept. Of Commerce,
M.B.B.College,Tripura
He can be reached at:
malay_nayak@ymail.com

Your Preparation Quick Takes



Syllabus Structure
A Accounts of Joint Stock Companies **50%**
B Auditing **50%**

Learning Objectives:

Apply appropriate judgment derived from knowledge of accounting theory, to financial analysis and decision making

Effectively define the needs of the various users of accounting data and demonstrate the ability to communicate such data effectively, as well as the ability to provide knowledgeable recommendations.

Prepare financial statements in accordance with Generally Accepted Accounting Principles.

Demonstrate an understanding of current auditing standards and acceptable practices, as well as the impact of audit risk on the engagement.

Company Accounts & Audit

Let us discuss today about some questions on the issue of shares and Debentures

True/False

1. Equity shares have no voting power in the election of directors- **False**
2. Forfeiture of shares is the activity to issue new equity shares in the place of old equity shares-**False**
3. Issue of bonus shares does not represent a source of fund to the company- **True**
4. Buy-back is the process by which a company buys the shares of other company- **False**
5. Under the process of Redemption, the shareholders are repaid the amount invested by them at a future prearranged date- **True**
6. Right shares are offered by the company to its existing shareholders through letter of offer- **True**
7. An already listed company follows FPO to raise additional capital- **True**
8. The bonus shares are issued to the existing shareholders of the company at a concessional rate- **False**
9. The authorization of articles of company is not necessary for issuing redeemable preference shares- **False**
10. Debenture trustees are persons appointed by the company to safeguard the interest of the debenture holders- **True**

Multiple Choice Questions

1.To avoid the risk of under subscription, companies may seek help of
a) Board of Directors
b) Underwriters
c) Insurance Company
d) Merchant Banker

2. Marked applications are those applications which bear
a) Stamp of Underwriter
b) Stamp of Debenture Trustee
c) Signature of Underwriter
d) Signature of Debenture Trustee

3. Which of the following is not correct
A debenture may be redeemed
a) By conversion into shares
b) By payment in annual instalments
c) By payment in a lump sum at the end of specified time period
d) By paying interest on a fixed rate

4. A company has to create Debenture Redemption Reserve (DRR) in case of issue of Debentures with maturity more than
a) 36 months
b) 24 months
c) 18 months
d) 12 months

5. Which of the following sections deals with Issue of Sweat Equity Shares
a) Section 63
b) Section 60
c) Section 54
d) Section 39

Matching

	Column A		Column B
1	Failure to pay call money	A	Increase in EPS
2	Buy-back of shares	B	Section 71
3	Issue of new equity shares in place of old equity shares	C	Wound up of the company
4	Irredeemable Preference shares Redeemed	D	Forfeiture of shares

5	Issue of Debentures	E	Rollover

Answer

	Column A		Column B
1	Failure to pay call money	D	Forfeiture of shares
2	Buy-back of shares	A	Increase in EPS
3	Issue of new equity shares in place of old equity shares	E	Rollover
4	Irredeemable Preference shares Redeemed	C	Wound up of the company
5	Issue of Debentures	B	Section 71

Problem

A company issued 20,000 equity shares of Rs. 20 each at a premium of Rs. 3 per share. The share money is payable as follows: Rs. 6 on application, Rs. 10 (including of Rs. 3 as premium), Rs. 7 on first and final Call.The applications were received for 25,000 equity shares. The excess application money was refunded immediately. All money received in due time except the first and final call money on 1,000 equity shares which were forfeited. Out of these forfeited shares, 500 equity shares were reissued at a discount of Rs. 8 per share. Pass necessary journal entries.

Answer

In the Books of ....

Journal

Date	Particulars	Rs. (Dr.)	Rs.(Cr.)
	Bank A/C .....Dr. To Equity Share Application A/c (Being application money received on 25,000 equity shares @ Rs. 6 each)	1,50,000	1,50,000
	Equity Share Application Account.....Dr. To Equity Share Capital A/C To Bank A/C (Being the application money on 20,000 equity shares transferred to share capital @ Rs. 6 each and the excess application money of 5,000 equity shares refunded to applicants as per Board's Resolution No... Dated...)	1,50,000	1,20,000 30,000
	Equity Share Allotment Account.....Dr. To Equity Share Capital A/C To Securities Premium A/C (Being the allotment money due on 20,000 equity shares @ Rs. 10 each, as per Board's Resolution No... Dated...)	2,00,000	1,20,000 80,000
	Bank A/C .....Dr. To Equity Share Allotment A/C (Being the allotment money received on 20,000 equity shares @ Rs. 10 each)	2,00,000	2,00,000
	Equity Share First & Final Call A/C.....Dr. To Equity Share Capital A/C (Being the first & final call money due on 20,000 equity shares @ Rs. 7 each as per Board's Resolution No... Dated...)	1,40,000	1,40,000
	Bank A/C .....Dr. To Equity Share First & Final Call A/C (Being the first & final call money received on 19,000 equity shares @ Rs. 7 each)	1,33,000	1,33,000
	Equity Share Capital A/C.....Dr. To Equity Share First & Final A/C To Forfeited Shares A/C (Being forfeiture of 1,000 equity shares@ Rs. 20 each for non-payment of first and final call money as per Board's Resolution No... Dated...)	20,000	7,000 13,000

	Bank A/C .....Dr. Forfeited Shares A/C.....Dr. To Equity Share Capital A/C (Being re-issue of 500 equity shares @ Rs. 12 fully paid upas per Board's Resolution No... Dated...)	6,000 4,000	 10,000
	Forfeited Shares A/C .....Dr. To Capital Reserve A/C (Being profit on re-issue transferred to capital reserve)	8,000	8,000

Go on practicing and enjoy the flow of study.

Positive Self - Talk

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

01.00 Self-Talk

When making a good decision you have to think positively prior to being able to handle the issue effectively. Self-Talk is the act or practice of talking to oneself, either aloud or silently and mentally. Self-talk to some individuals is inner thoughts they hear daily. Positive Self-Talk is one's constant internal conversation to build up encouragement or motivation. Understanding and changing the way you talk to yourself can really take you a long way further ahead in this world.

We keep hearing favourable as also unfavourable things which our mind and our brains pick up and store them for further use on autopilot (subconsciously). In the process of self-talk our subconscious mind recalls these thoughts and makes use of them in decision making leads. Positive self-talk recapitulates favourable things whereas negative self-talk puts forth unfavourable ideas.

In order to make the best of the decisions, we need to change the way we think in such a way as to overpower the unfavourable ideas and take forward the positive ideas. Some simple thoughts could be like 'I can do this or I will manage this alone'. Keep duplicating these consistently until the subconscious quits and backs off the negativity to let your self-talk become more and more positive.

If we are thinking and doing negative things, we will never ever get anywhere in this world. Our sense of wellbeing will decrease pretty quickly since we will not be encouraged to get off our backsides. Negative thoughts take control and we blow ourselves out of the water.

With a positive mental attitude in life, you can be healthier and be successful at anything you want to be when you think positively and engage in second person constructive self-talk and first person affirmations.There are many ways you can change the way you self-talk. There are several kinds of practice exercises that create positive thinking. When you sit down and chat with yourself, for example, you can really get to know who you are and begin to feel better about your self-image.

Use whatever way you feel comfortable with as a starter to set things in motion. For instance, one of the first things you may tell yourself in self talk is in recognising that you have choices. "My choices are huge. I have the option to make my life better if I put my mind to it. These are the thoughts you can use in self talk that can lead you into a conversation to assist you in discovering how to improve your quality of life."

02.00 Mental Chatter

Learning to control and manage your mental chatter is one of the most fundamental elements to improving your life. And awareness of your mental chatter is the foundation to managing it. Amazingly, people tend not to notice their mental chatter despite its presence nearly every waking moment of their lives, like a fish in water.

03.00 AnExercise

1. Carry a notebook or a few sheets of paper for a week or two
2. A few times each day write your exact thoughts — not the general
3. Note the following
    1. What prompts each instance
    2. What emotions relate to it
    3. How the instances relate to each other, what categories they fit in

Each time you write will probably take a few minutes. The whole exercise will take about an hour over a week or two.

At first writing your thoughts will feel like drinking from a fire hose. You can't write fast enough to keep up with your thoughts. Writing changes your thoughts, so you have to figure out how to write what you were thinking. Part of the reason to do the exercise over a week is to get past initial distractions to observe your mind at work.

To get more out of the exercise, write up what you've observed when you finish, especially trends in what you noted in step 3. To get yet more, do it with others and compare results.

04.00 Know Yourself

Use self-talk and positive thinking to get to know yourself much better. This
will help you discover responses that have been sitting in front of you all along. Research each element of your self-talk. When you talk with yourself, pay attention as you would if you were listening to your finest pal when they talk with you.

Continue your self-talk each day so that you establish a self-talking daily routine. If you cease it will only set you back and you will have to start your self-treatment all over again to attain your goals. You can also rely on support groups, supportive family members, friends, etc to reach your objectives. Just do it day-to-day to reach your goals.

05.00 Quick Take

Start your 'Positive Self-Talk' right now!

Examination TIME TABLE

Day & Date	Intermediate Course Examination Syllabus - 2016 Time 2.00 p.m. to 5.00 p.m
Monday, 11th June, 2018	Financial Accounting (FAC)
Tuesday, 12th June, 2018	Laws & Ethics (LNE)
Wednesday, 13th June, 2018	Direct Taxation (DTX)
Thursday, 14th June, 2018	Cost Accounting (CAC)
Friday, 15th June, 2018	Operations Management & Strategic Management (OMSM)
Saturday, 16th June, 2018	Cost & Management Accounting and Financial Management (CMFM)
Sunday, 17th June, 2018	Indirect Taxation (ITX)
Monday, 18th June, 2018	Company Accounts & Audit (CAA)

VOL: 3, No.: 4. APRIL 2018, ISSUE
STUDENTS' E-bulletin Intermediate

PRACTICAL Advice

ABOUT YOUR STUDIES - INTERMEDIATE COURSE

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

Read Study Notes MTPs & RTPs

Solve Excercises given in Study Note

Assess Yourself

Appear For Examination

VOL: 3, No.: 4. APRIL 2018, ISSUE
STUDENTS' E-bulletin Intermediate

SUBMISSION

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.

Dear Students,

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

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

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

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

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

Message from Directorate of Studies

Dear Students,

We have stepped into 2018 and with new enthusiasm for the future to come, it is also a time to reflect on the year gone by and the beautiful moments shared with all. Express your gratitude and spare your thoughts for all who have supported you and remember to make a new year resolution to do much better in every sphere of your life.

'Learn from yesterday, Live for today, Hope for tomorrow'

For the smooth and flawless preparation. Directorate of Studies have provided meaningful tips which will help you to gain sufficient knowledge about each subject."Tips" are given in this E-bulletin by the knowledge experts for the smooth encouragement in you preparation. We are sure that all students will definitely be benefitted by those tips and that will help them to brush up their knowledge and also to swim across.

Take the course seriously from the very beginning but don't be panicky. Please try to follow the general guidelines, mentioned below; which may help you in your preparation.

Essentials for Preparation:

- Conceptual understanding & Overall understanding of the subject both 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 required.
- Write question numbers correctly and prominently.
- Proper time management is also important while answering.

Please Note:

For benefit of the student of the Institute and changes in syllabus made in few subjects which becomes effective from June,2018 term of examination, Directorate of Studies have introduced webinar classes both for Intermediate & Final course students under syllabus 2016. Webinar class is going to start from April 23, 2018 onwards on the selected subjects details of which are available following this link: **http://icmai.in/icmai/news/889.php**
For your information, GST under New Syllabus has already been uploaded. Pl follow the given link:
Desired Link- Revised Contents-**http://icmai.in/upload/Students/Syllabus2016/Syllabus2016_Revised_Contents.pdf**
New Study Materials based on GST has been uploaded too. Please refer to that for the smooth flow of your preparation:
Intermediate Study Material-**http://icmai.in/studentswebsite/Syl-2016-Inter.php**
Intermediate Study material- **http://icmai.in/studentswebsite/Syl-2016-Inter.php**
For Mock Test Papers (MTP) - **http://icmai.in/studentswebsite/mtp2016_j18_Inter.php**
For PPT on Achieve Your GOAL : **http://icmai.in/studentswebsite/**

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.

Snapshots of 58th National Cost Convention 2018, 16-17 March 2018, Vigyan Bhawan, New Delhi

FOLLOW US ON

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Headquarters: CMA Bhawan, 12, Sudder Street, Kolkata - 700 016
Phone: +91-33-2252-1031/34/35/1602/1492/1619/7373/7143
Delhi office: CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi - 110 003
Phone: +91-11-2462-2156/2157/2158

Behind every successful business decision, there is always a CMA