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(Statutory Body under an Act of Parliament)

www.icmai.in

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

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

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

Ph: 091-11-24666100

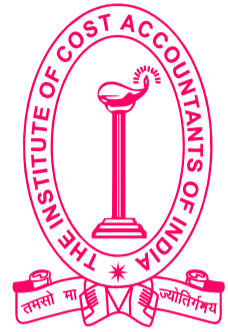
Behind every successful business decision, there is always a **CMA**



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,

Greetings,

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

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

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

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

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

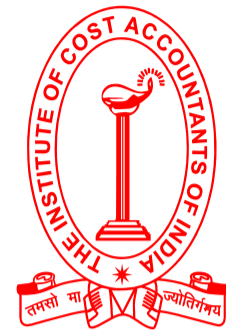
My dear future professionals, I stand committed towards your development always and my sincere request to you all please be a Good Samaritan and try to put your mark in shaping the nation. I want to conclude with the words of M.K.Gandhi "An education which does not teach us to discriminate between good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

CMA Manas Kumar Thakur

Be a CMA, be a Proud Indian



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



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KNOWLEDGE Update



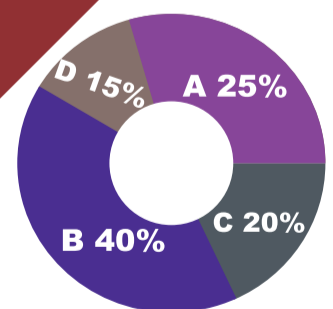
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.



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.

PARTNERSHIP ACCOUNTS - ADMISSION**INTRODUCTION:**

In earlier issues we have discussed the dissolution of partnership and piecemeal distribution. In this issue we will discuss about admission of a new partner and its impact over the books of accounts.

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 $1/5^{\text{th}}$ 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 $4/5 \times 2/3 = 8/15$ and sutapa will get $4/5 \times 1/3 = 4/15$. Sanjukta is getting $1/5 = 3/15$. Thus the new ratio becomes 8:4:3. (eliminating the common denominator)

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.

1. 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 from 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 Sheet 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:

- Charu would be entitled to 1/3rd share in profits
- Charu would bring Rs.30000 as his capital
- He would not be able to bring his share of Goodwill in cash for Rs.10000.
- 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 %.
- A provision for bad debts @ 5 % of sundry debtors would be created
- The actual liability of workmen compensation fund is estimated at Rs.2000
- 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 - 3/5 th	2760		
Babul - 2/5 th	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	-
				By Workmen C F	6000	4000	-
To balance c/f	44960	45240	20000	(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.

EXAMPLE:

X and Y share profits and losses in the ratio of 5:3. They admit Z as a new partner with 1/5th share in future profits. He pays Rs.80000 as capital but does not contribute anything towards goodwill which is valued at Rs.60000. the capitals of the partners are fixed. All adjustments are to be made through partners current account except introduction of capital. Their balance sheet as on 31.03.2018 is as follows:

BALANCE SHEET

LIABILITIES	RS	ASSETS	RS
Capital : x	80000	Plant and machinery	50000
y	60000		31000
Current a/c: x	5000	Stock	60000
y	6000	Debtors	90000
General reserve	60000	investment	30000
Sundry Creditors	50000		
		Cash	
Total	261000	Total	261000

Additional information:

Plant and machinery is valued at Rs.46000 and stock at Rs.96000
One creditor for Rs.6000 is dead and nothing is likely to be paid

The capital accounts are to be proportionately adjusted on the basis of Z's capital and his share of profit, through current account. Any deficit should be brought by the partners themselves.
Partners decided to maintain the general reserve in the books of the firm.
Prepare revaluation account, capital and current accounts and balance sheet of the firm.

Solution:

REVALUATION ACCOUNT

To Plant and machinery	4000	By Stock	6000
		By Sundry creditors	6000
To Current A/C: x	5000		
y	3000		
	12000		12000

CAPITAL ACCOUNT

	x	y	z		x	y	z
				By balance b/f	80000	60000	
				By cash			80000
To balance c/f	80000	60000	80000				
	80000	60000	80000		80000	60000	80000

CURRENT ACCOUNT

	x	y	z		x	y	z
To				By balance b/f	5000	6000	
To gen reserve	30000	18000	12000	By goodwill	37500	22500	
To goodwill	30000	18000	12000	By Revaluation	5000	3000	
				By gen reserve	37500	22500	
To balance c/f	120000	60000					
				By cash	95000	42000	24000
	180000	96000	24000		180000	96000	24000

BALANCE SHEET

LIABILITIES	RS	ASSETS	RS
Capital : x	80000	Plant and machinery	46000
y	60000		
Z	80000		
Current a/c: x	120000	Stock	96000
y	60000	Debtors	60000
General reserve	60000	investment	31000
Sundry Creditors	44000		
		Cash	271000
Total	504000	Total	504000

Workings:

1. Z comes for $\frac{1}{5}$ th share

So profit remains for X and Y = $1 - \frac{1}{5} = \frac{4}{5}$

X's share = $\frac{4}{5} \times \frac{5}{8} = \frac{20}{40}$

Y's share = $\frac{4}{5} \times \frac{3}{8} = \frac{12}{40}$

Z's share = $\frac{1}{5} = \frac{4}{20}$

So, x:y:z = 20:12:8 = 5:3:2

2. Capital introduced by Z = Rs.80000 for $\frac{1}{5}$ th share. So total capital of the firm = $5 \times 80000 = \text{Rs.}400000$

Capital of X = $400000 \times \frac{5}{10} = 200000$

Capital of Y = $400000 \times \frac{3}{10} = 120000$

Therefore, current account balance of X will be $200000 - 80000 = 120000$ and

Current account balance of Y will be $120000 - 60000 = 60000$

Cash balance = $30000(\text{balane}) + 80000(\text{capital brought in by Z}) + \{(95000 + 42000 + 24000)(\text{capital adjustment of partners})\}$

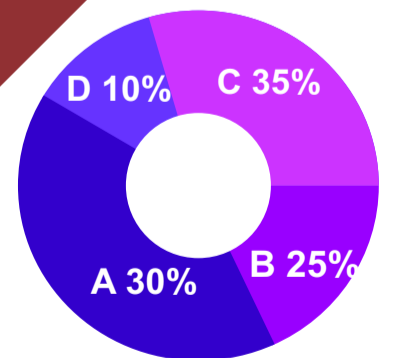




GROUP: 1, PAPER: 6
LAWS & ETHICS
(LNE)

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

It is hoped that you - the students prepare a time-table with time allotted for each subject and read, write, revise and recapitulate all that you keep on reading. The first TIP is that 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 Corporate Laws - Companies Act, 2013 which became law on 12th September, 2013 after the President of India gave his affirmation (to replace the Companies Act, 1956) on 29th August, 2013

The first question coming to mind is - **why was the Companies Act, 1956 replaced by the Companies Act, 2013 ?**

The straight forward answer is that the new Act aims to improve - Corporate Governance, make regulations simpler, strengthen the interests of the minority investors and lay down regulations on the role of whistle-blowers.

In terms of the Companies Act, 2013 a **"Company"** means a company incorporated under this Act or under any previous company law.

In India, a company can be formed only after registering with the concerned registrar of companies under whose jurisdiction the company is incorporated. Various procedures prescribed under the Companies Act or the rules framed thereunder are to be followed.

The Salient Features of a Company are :

- ❖ **Separate Legal Entity.** A company is a Legal Person and an artificial person in the eye of law. It can sue and be sued and is separately distinguished from the shareholders of the company.
- ❖ **Limited Liability** - The liability of the members of a company having Share Capital is limited to the extent of the nominal value of the shares held by them and they cannot be made to pay anything more irrespective of the indebtedness of the company.
- ❖ **Perpetual Succession** - The company continues to exist from the date of its incorporation till the date of its winding-up. Shareholders may come and go but the company continues to survive up to the date of its winding up.
- ❖ **Separate Property** - Since the company is a Legal person with a legal identity, it has the right to acquire properties for its own purpose and also has the right to transfer the said properties.

- ❖ **Common Seal** - The Company has its own Common Seal for affixing on the documents such as contracts, Share Certificates etc. **It may be noted that there is now a relaxation given whereby instead of affixing the common seal, the documents can instead of signed by two directors or by one director and a company secretary of the company.**
- ❖ **Transferability of shares** - the shares of the members, except in the case of Private Company, may be freely transferable.

Under the Companies Act, 2013 Fifteen types of company can be incorporated in India, as listed below :

1. Public Company limited by shares
2. Public Company limited by Guarantee having share capital
3. Public Company limited by Guarantee and having no share capital
4. Public unlimited Company having share capital
5. Public unlimited Company not having share capital
6. Private Company limited by shares
7. Private Company limited by Guarantee having share capital
8. Private Company limited by Guarantee and having no share capital
9. Private unlimited Company having share capital
10. Private unlimited Company not having share capital
11. OPC Company limited by shares
12. OPC Company limited by Guarantee having share capital
13. OPC Company limited by Guarantee and having no share capital
14. OPC unlimited Company having share capital
15. OPC unlimited Company not having share capital.

There are others forms of companies depending as per their activity - such as: Nidhi Company, Producer company, Non-Banking Finance Company (NBFC) etc.

However, the following are the most common types of company which are incorporated in India :

Private Limited Company - which is a company formed with minimum two Shareholders and two Directors and a maximum of 200 persons can become shareholders in the company.

The Articles of Association of a Private Limited Company, restricts the right to transfer its shares and also prohibits any invitation to the public to subscribe for any securities of the company.

An important feature is that a private limited company is exempted from various provisions of the Companies Act 2013 as compared to a public limited company. In the Act, there are some sections and proviso which is applicable to only public limited companies as they have been specifically marked as not applicable to a private limited company.

A private Limited Company can be formed in three variations. (a) as a Private Limited Company, (b). As a small private limited company, (c). As a One Person Company (OPC).

Small Private Limited Company - is a type of company having capital up to Rs. 50 Lakhs and whose turnover has not crossed Rs. 2 Crores in any financial year.

Another requirement is that, in order to be considered a small company it should not have been formed by a company which is not a small company.

There are certain exemptions available to the small companies which are almost same as that of a one-person company. Some of the exemptions are listed below:

1. **Financial records** : Cash Flow Statement are required to be added by Small companies in their financial records.
2. **Annual records**: The annual records of small companies can be signed by the Company Secretary alone or by a single director, where a Company Secretary is absent unlike other companies where the records are to be signed by both the secretary and the director.
3. **Number of board meetings**: A small company is to only have two board meetings per year - one meeting in each half of the calendar year, whereas non-small companies have to hold four meetings per year. The meetings are to be held with a least 90 days of gap between the two.
4. **Rotation of company auditors**: It is not necessary for small companies to rotate their auditors. Other non-small companies are required to rotate their auditors every five years (in case of appointment of individual auditors) and every 10 years (in case a firm of auditors is appointed).
5. **Adequacy of internal controls** and their operational effectiveness are not required to be reported in the Auditors' Report.
6. **Reduction in penalties**: small companies are exempted from the punishment or often given lesser penalties under Section 446 B of the Companies Act 2013.
7. For small companies, audit exemption takes effect from the beginning of the next financial year after the establishment of the company.
8. A company which has corporate stakeholders but at the same time, also fulfills the eligibility criteria to become a small company can be entitled to small company audit exemption.
9. Foreign companies are mostly not entitled to the audit exemption except for Singapore-based companies.
10. An interesting point to note is that, even if a company qualifies as a small company, if the group to which it belongs, doesn't satisfy the conditions, in that case, small company cannot be entitled to avail small company audit exemption.

One Person Company is popularly known as (OPC) - Such a

company can be incorporated by only one person as its owner.

An OPC can have many directors subject to limits prescribed by the act.

A nominee of the owner of one person company must be declared with the consent of such nominee.

Benefits of OPC :

It gives the individual entrepreneurs all the benefits of a company and therefore such company will get credit, bank loans and access to market, limited liability and legal protection. Now individuals working in areas like handloom, handicrafts, and pottery as weavers and artisans will be able to do business with full confidence as a company and get direct access to the market at large - whether wholesale and / or retail.

An OPC's Memorandum of Association shall indicate in Form No.INC.2 the name of a person as nominee after obtaining prior written consent in Form No.INC.3 from that person. The benefit will be that, in the event of the death of the subscriber or incapacitation to contract, such nominee can become member of the company. The Memorandum and Articles of Association along with the written consent shall be filed with the Registrar at the time of Incorporation of the OPC. The subscriber or the member of the OPC may change the name of the nominee at any time for any reason including death or incapacitation to contract of the nominee . In this case too, a written consent in Form INC.3 must be obtained from the new nominee and filed with the Registrar along with a notice of such change in Form INC.4 and the requisite Fee. In the event of death or incapacity to contract of the subscriber who is the shareholder of the OPC , the new member shall nominate a person within 15 days of becoming member of the OPC and file Form No.INC.4 along with fee within 30 days of the change in membership along with the prior consent in Form No.INC.3 .

A Section 8 Company is a company which has as its objects- The promotion of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of the environment or any such other object; and It intends to apply its profits, if any, or other income in promoting its objects; and It intends to prohibit the payment of any dividend to its members. The process of incorporation of a section 8 company is similar to that of any other company registered in India with an additional requirement of seeking a prior license from the Central Government under section 8 of the companies act, 2013.

Formation of a company can be for any lawful purpose.

The following is a Check List for incorporation of a company by the promoter :

- ❖ **Select a Name of the Company.** At least one suitable name upto a maximum of six names can be proposed, indicative of the main objects of the company and apply to the Registrar of Companies
- ❖ **Ascertain availability of name**
- ❖ **Submit an application for reservation of name** in Form No.INC.1 along with requisite fee and comply with provisions of Rule 8 and reserve the name as per Rule 9 . Rule 8 gives a list of undesirable name that cannot be adopted.

- ❖ After the name approval ,**apply for registration of the new company** by filing the required forms within 60 days of name approval
- ❖ **Drafting and vetting of the memorandum and articles - The Memorandum of Association (MOA) and Articles of Association (AOA)** need to be drafted by a Advocate, a Chartered Accountant, Cost Accountant or Company Secretary in practice, who is engaged in the formation of the company before getting the same vetted by the Registrar of Companies.
- ❖ Arrange to get **The Memorandum of Association (MOA) and Articles of Association (AOA)** printed.
- ❖ Arrange to get **The Memorandum of Association (MOA) and Articles of Association (AOA)** properly stamped as per the Stamp Duty applicable under the Stamp Act of the concerned State in India.
- ❖ Arrange to get the Memorandum and the Articles **signed by at least two subscribers in his/her own hand**, mentioning his/her father's name, occupation, address and the number of shares subscribed for and witnessed by at least one person.
- ❖ **The Memorandum of Association (MOA) and Articles of Association (AOA)** must bear a date after the date of Stamping.
- ❖ **Login to the portal and fill the following forms** and attach the mandatory documents listed in the eForm :-
 1. Declaration of compliance - Form-1
 2. Notice of situation of registered office of the company - Form-18.
 3. Particulars of the Director's, Manager or Secretary - Form-32.
- ❖ **Submit the eForms after attaching the digital signature**
- ❖ **Pay the requisite filing and registration fees** ;and
- ❖ **Send the physical copy** of Memorandum and Article of Association to the **Registrar of Companies (RoC)**.
- ❖ After processing of the Form is complete and Corporate Identity is generated **obtain Certificate of Incorporation from RoC**.

A **Public Limited Company** has to obtain **Commencement of Business Certificate** after incorporation of the company and for that it has to make following compliance :

1. File a declaration in eForm 20 and attach the

statement in lieu of the prospectus (schedule III) or

2. File a declaration in eForm 19 and attach the prospectus (Schedule II) to it.
3. Obtain the **Certificate of Commencement of Business**.

The Memorandum of Association (MOA) is the very base on which the company is built and stands. It is the pillar which defines the constitution , the scope and powers of the company with which it is established under the Act.

The Memorandum of Association (MOA) must have the following clauses -

1. **The Name Clause** - Name of the company
2. **The Situation Clause** - the State in India where the registered office of the company is situated
3. **The Objects Clause** - giving out the objects for the company is proposed to be incorporated
4. **The Liability Clause** - stating the liability of the members of the company - limited or unlimited
5. **The Capital Clause** - in the case of a company having a Share Capital - the amount of Share Capital, the number of shares each subscriber to the Memorandum intends to take, must be indicated opposite his/her name
6. **In the case of a One Person Company (OPC)** , the name of the person who, in the event of the death of the subscriber , shall become the member of the company.

Form of Memorandum

Forms are specified in Tables A,B,C,D and E in Schedule I as may be applicable to the company -

- ❖ **Table A** - Memorandum of Association of a Company limited by share
- ❖ **Table B** - Memorandum of Association of a Company limited by guarantee and not having share capital
- ❖ **Table C** - Memorandum of Association of a Company limited by guarantee and having a share capital
- ❖ **Table D** - Memorandum of Association of an unlimited Company and not having a share capital
- ❖ **Table E** - Memorandum of Association of an unlimited Company and having share capital.

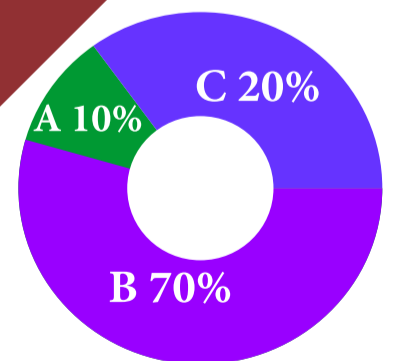


GROUP: 1, PAPER: 7

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.

Agricultural Income**Meaning**

Agricultural income means -

- Any rent or revenue derived from a land, which is situated in India & is used for agricultural purposes;
- Any income derived from such land by agricultural operations#;
- Any income derived from such land by the cultivator by processing the agricultural produce raised or by the receiver of rent in kind by processing the agricultural produce received; so as to render it fit for sale in market.
- Any income derived from such land on sale made by the cultivator of the agricultural produce raised; or by the receiver of rent in kind of the agricultural produce received; without carrying on any process, other than the process required to render it fit for the market.
- Any income derived from a building subject to fulfillment of the following conditions
 - The building should be occupied by the cultivator or receiver of rent in kind.
 - The building should be on or in the immediate vicinity of the land, being situated in India and used for agricultural purposes.
 - The building should be used as dwelling house or store-house or other out building.
 - The land is either situated in rural area or assessed to land revenue.

#Agricultural operation means:

Basic Operation: It means application of human skill & labour upon the land, prior to germination. E.g. Tilling of land, sowing of seeds, planting, irrigation, etc.

Subsequent Operation: It means operations which fosters the growth and preserves the produce; for rendering the produce fit for sale in market; and which are performed after the produce sprouts from the land. E.g. pruning, cutting, harvesting, etc.

Activity	Whether treated as agricultural activity or not
Mere Basic Operation	Agricultural activity
Mere Subsequent Operation	Not an agricultural activity
Subsequent operation together with basic operation	Agricultural activity

Treatment of Partly Agricultural & Partly Non-Agricultural Income

- Growing & manufacturing tea: 60% is agricultural income and 40% is non-agricultural income.
- Growing & manufacturing rubber: 65% is agricultural income and 35% is non-agricultural income.
- Growing & manufacturing coffee:

If coffee grown and cured by the seller: 75% is agricultural income and 25% is non-agricultural income.

If coffee grown, cured, roasted and grounded by the seller: 60% is agricultural income and 40% is non-agricultural income.

- **Any Other Case:** In such case, assessee will prepare two statements of income, i.e., one for agro-business and another for non agro-business and for computing agricultural income, the market value of any agricultural produce, which is utilised as raw material in such business, is to be treated as revenue for agro-business and deductible expenditure for non agro-business.

Impact of Agricultural Income on Tax Computation Conditions:

- The assessee is an individual, HUF, a BOI, an AOP, or an artificial juridical person.
- The assessee has non-agricultural income exceeding exempted limit of income.
- The agricultural income of assessee exceeds Rs.5,000.

Treatment

Step 1: Compute income tax on total income of assessee including Agro-income.

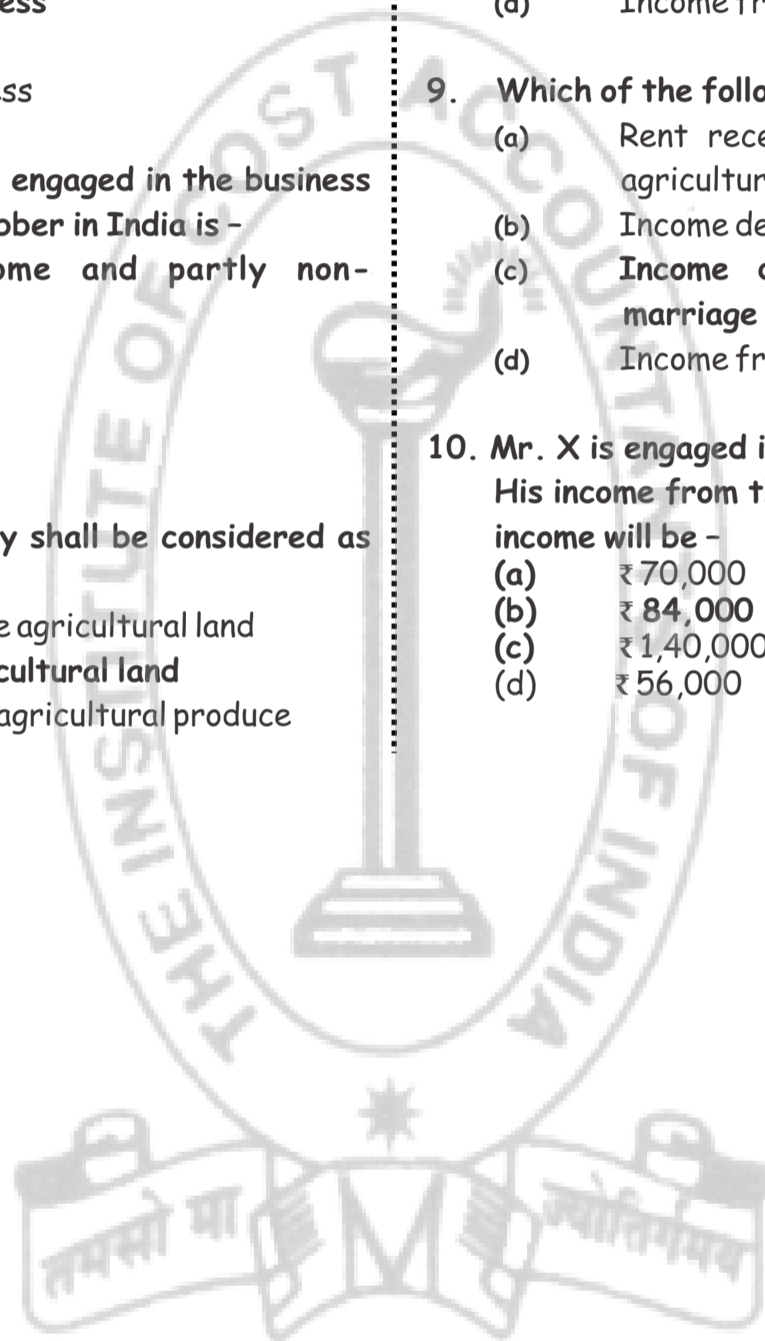
Step 2: Compute income tax on (Agricultural income + Maximum exempted limit)

Step 3: Tax liability before cess = (Tax as per step 1) - (Tax as per step 2)

Choose the correct option

- Which of the following is an agriculture income?
 - Dividend paid by a company to its shareholders out of agricultural income
 - Share of Profit of a Partner from a firm engaged in an agriculture operation
 - Income from supply of water by a assessee from a tank in agriculture land
 - Interest received by a money lender in the form of agricultural produce
- Which of the following incomes received by an assessee are exempt under section 10 of the Income-tax Act, 1961?
 - Agriculture Income
 - Salary of a partner from a firm

- (c) Salary received by a member of a ship's crew
(d) Cash gift of ₹ 5,00,000 received from a friend
3. In case of an individual or HUF, agricultural income is -
(a) Exempted
(b) Exempted but included in the total income for the rate purpose
(c) Fully taxable provided it is earned from India
(d) Taxable at a flat rate of 10%
4. In case of an assessee engaged in the business of manufacturing of tea, his agricultural income is -
(a) 60% of total receipt of the business
(b) 60% of income of the business
(c) Nil
(d) 40% of income of the business
5. Remuneration to partner of a firm engaged in the business of growing and manufacturing of rubber in India is -
(a) Partly agricultural income and partly non-agricultural income
(b) Agricultural income
(c) Non-Agricultural income
(d) Exempted income
6. Out of the following, which activity shall be considered as agricultural activity?
(a) Subsequent operation on the agricultural land
(b) Basic operation on the agricultural land
(c) Marketing operation of the agricultural produce
(d) None of the above
7. Agricultural income is exempt u/s _____ of the Indian Income-tax Act, 1961.
(a) 10(1)
(b) 2(1A)
(c) 10(2A)
(d) 10A
8. Income from saplings shall be considered as _____.
(a) Agricultural Income
(b) Business Income
(c) Partly agricultural income and partly business income
(d) Income from other sources
9. Which of the following is not an agriculture income?
(a) Rent received from a land situated in India for agriculture purpose
(b) Income derived from agriculture produce
(c) Income derived from land being let out for marriage of a farmer
(d) Income from producing of tea leaves
10. Mr. X is engaged in growing and manufacturing tea in India. His income from this activity is ₹ 1,40,000. His agriculture income will be -
(a) ₹ 70,000
(b) ₹ 84,000
(c) ₹ 1,40,000
(d) ₹ 56,000

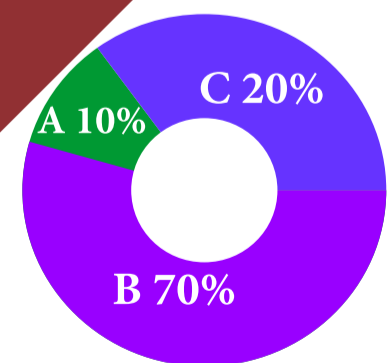




GROUP: 1, PAPER: 8
COST ACCOUNTING
(CAC)

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 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:

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 living 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 a 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.

The following tips based on experience are suggested here:

1. A plan 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 deals 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 from 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 Break-Even-Point as well as Margin of Safety. The decision relating to 'make or buy' 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.

Production budget is a forecast for the quantities to be produced in a period for achieving the sales target. It may be prepared in terms of unit or standard hours. On the other hand the production cost budget is the forecast of the estimated cost of production based on production budget. While preparing the production cost budget the factors like increase or decrease in the price of materials, increase or decrease in the rates of payments etc. are to be considered. We are trying to solve a problem relating to production budget and production cost budget in the following way.

Problem :

A company is drawing its production plan for the year 2017 - 18 in respect of two of its products 'Gamma' and 'Delta'. The company's policy is not to carry any closing WIP at the end of any month. However, its policy is to hold a closing stock of finished goods at 50% of the anticipated quantity of sales of succeeding month. For the year 2017-18 the company's budgeted production is 20,000 units of "Gamma" and 25,000 units of "Delta".

The following is the estimated cost data :

	Gamma	Delta
Direct material per unit	Rs. 50	Rs. 80
Direct labour per unit	20	30
Other manufacturing expenses apportionable to Each type of product based on production	2,00,000	3,75,000

The estimated units to be sold in the first 7 months of the year 2017-18 are :

	April	May	June	July	August	Sept.	Oct.
Gamma	900	1100	1400	1800	2200	2200	1800
Delta	2900	2900	2500	2100	1700	1700	1900

You are required to :

- Prepare a Production Budget showing month-wise number of units to be manufactured.
- Present a Summarized Production Cost Budget for the half year ending 30.9.2017.

Solution

- Production Budget for the half year ending 30th September 2017
(Month-wise in units)

Particulars	April	May	June	July	Aug.	Sept.	Oct.
Product - Gamma							
Budgeted sales	900	1100	1400	1800	2200	2200	9600
Add : C/ stock to be built (Refer to Note 1)	550	700	900	1100	1100	900	900
Less : Opening stock (Refer to Note 2)	1450	1800	2300	2900	3300	3100	10500
	450	550	700	900	1100	1100	450
Budgeted Production	1000	1250	1600	2000	2200	2000	10050
Product -- Delta							
Budgeted sales	2900	2900	2500	2100	1700	1700	13800
Add : Stock to be built	1450	1250	1050	850	850	950	950

Less : Opening stock *	4350	4150	3550	2950	2550	2650	14750
	1450	1450	1250	1050	850	850	1450
	2900	2700	2300	1900	1700	1800	13300

*Equal to closing stock of previous month of 50% of sale of same month in this situation.

(b) Production budget for the half year ending 30th Sept. 2017.
(Month-wise in units)

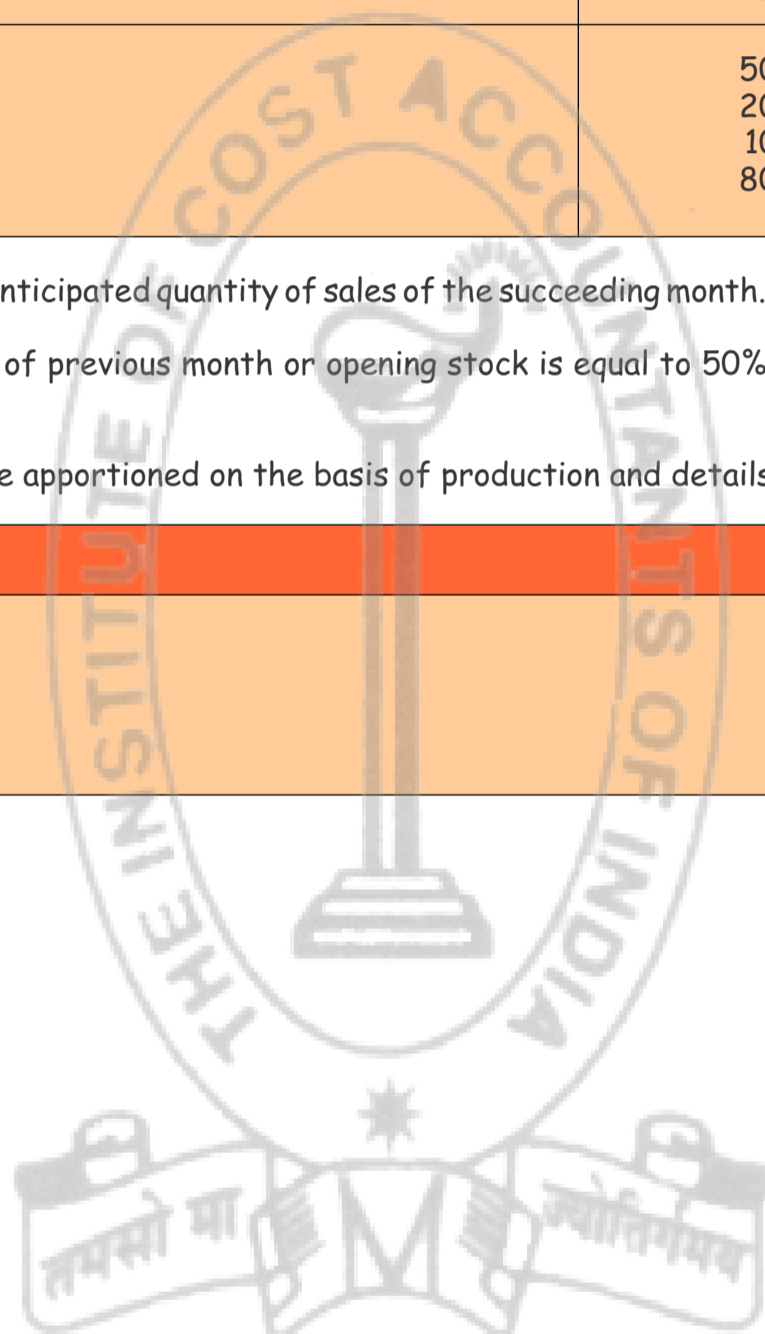
Products	Gamma		Delta	
Production (in units)	10050		13300	
Particulars	Per unit Rs.	Total Rs.	Per unit Rs.	Total Rs.
Direct material	50	502500	80	1064000
Direct labour	20	201000	30	399000
Other manufacturing overhead	10	100500	15	199500
Note :: 3	80	804000	125	1662500

Note 1 Closing stock is equal to 50% of the anticipated quantity of sales of the succeeding month.

Note 2 Opening stock is the closing stock of previous month or opening stock is equal to 50% of the stock of the same month in this situation.

Note 3 Other manufacturing expenses are apportioned on the basis of production and details for the same are as under :

	Gamma	Delta
Units to be produced in 2017-18	20000	25000
Other manufacturing expenses (Rs.)	200000	375000
Rate per unit (Rs.)	10	15





GROUP: 2, PAPER: 9, Part- i

OPERATIONS

MANAGEMENT & STRATEGIC

MANAGEMENT (OMSM)

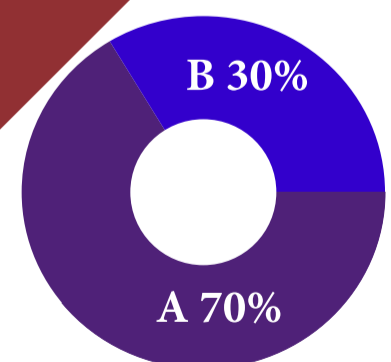
Operation Management

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 let me discuss on Line Balancing in continuation of our discussion on Production Planning and Control.

In manufacturing engineering, a Product layout refers to a production system where the work stations and equipment are located along the line of production.

The product layout is opposite of the process layout. Rather than have a specific section for each group of tools and supplies, the product layout is an assembly line. The required tools and supplies are located at each section of the assembly line, based on where the product is in production. This is common in auto manufacturing where the car being made is moved down the line and stops at stations where different things are assembled. One section might be where doors are attached, whereas another section inserts the engine.



Usually, work stations are moved along a line (not necessarily a geometric line, but a set of interconnected work stations).

This is an efficient system when the same product is being made without variation. Workers don't need to search or collect tools or supplies to perform their job. Giving workers one job to perform repeatedly reduces potential mistakes in the product assembly.

The process of deciding how to assign tasks to work stations is referred to as Line Balancing. This is a process of assigning tasks to workstations in such a way that the workstations have approximately equal time requirements.

Say a manufacturing unit starts work every day at 0800 AM. Suppose the work station 1 requires to complete a task for in 30 minutes whereas the following work station 2 completes the work in 20 minutes. So if all the work station start wok at 08.00 AM in a day, work station 2 has to wait from 0820 AM to 0830AM for receiving the next job. This creates idle time.

If task times are not equal among workstations ---some workstations are capable of finishing job at higher rates than others and these fast stations will be forced to wait for the output from preceding slower stations or to enjoy idleness in order to avoid buildup of work between stations. These sort of situation create unbalanced work lines --- i) a source of inefficient utilisation of labour and equipment; ii) a source of moral problems at the slower stations because there workers have to work continuously to remove idle time in the line.

Therefore the goal of line balancing is to obtain task groupings that represent approximately equal time requirements. This minimises the idle time along the line and results in a high utilisation of labor and equipment.

In a perfectly balanced line flow of work activities along the line are synchronized to achieve maximum utilisation of labour and equipment.

But major problem in making a perfectly balanced line is the difficulty of forming task bundles that have the same duration. In the above depicted line of a car manufacturing unit time required for door fitting, engine mounting, painting and/or inspection all are very different and therefore it would be a difficult proposition to make out a perfectly balanced line by making perfect bundles of task of same duration.

Reasons behind difficulties in making perfectly balance lines are:

- Differences in Equipment requirements by different activities;
- Activities are not compatible;
- Grouping tasks cannot always overcome differences among elemental task length;
- *Required Technological sequence may prohibit otherwise desirable task combination;

* Say before rolling steel, quenching in oil is required. Now Quenching activity is being done in work station 5 whereas rolling is done in work stations 6, 7. To get a perfectly balanced line by bundling tasks suppose we require to bundle activities of quenching and activities of rolling of work station 7. But technological sequence i.e. rolling following quenching is prohibiting to form a perfectly balanced line.

Line Balancing involves assigning tasks to workstations.

All tasks can be done in one workstation or in multiple workstation. Suppose there are 6 tasks. If there is one workstation all tasks are to

be done in that workstation. If 6 workstations are formed then each workstation will get the responsibility of carrying out one task. In between 1 to 6 workstation, some of the workstations are to carry more than one task.

In the above case how does a manager decide the no of work station/s to perform all the six tasks? Line balancing strategy answers this question.

Primary determinant to this question is:

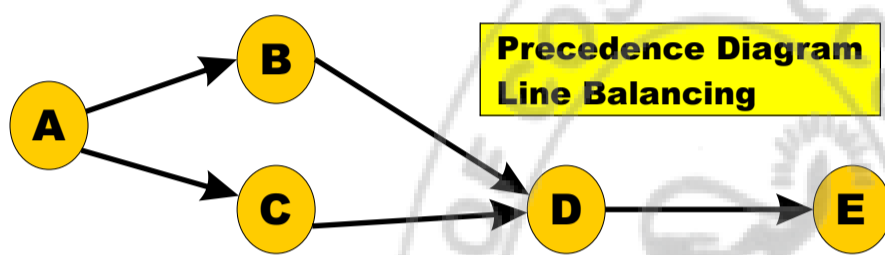
What will be the line's Cycle time?

The cycle time is the maximum time allowed to each workstation to perform assigned tasks before the work moves on to succeeding workstation.

The cycle time establishes the output rate of a line. If cycle time is 5 minutes, then after every 5 minutes one product will come out of the line. Hence we could write:

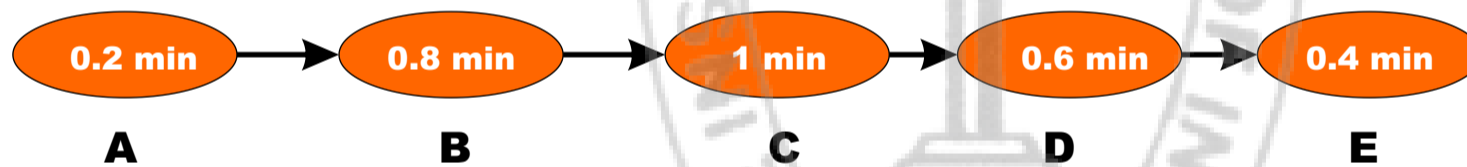
Capacity of a line is a function of cycle time

The line balancing is done with the help of a Precedence diagram. It visually portrays the tasks that are to be performed along with the sequential requirements i.e. Order in which tasks are to be performed.



To complete a product we have to complete tasks A, B, C, D and E and we have to complete each task following the arrow from left to right. Task D we have to start on completion of task A, B and C. A, B, C, D, E may be an individual task or may be an individual work stations each comprising bundle of tasks.

Let in a manufacturing unit a product needs to be completed through 5 workstations. The precedence diagram and respective cycle time of each work station are given below:



Note: A, B, C, D, E are workstations comprising either individual task A, B, C, D, E or Bundle of tasks A, B, C, D, E. The task times govern the range of possible cycle times.

The minimum cycle time = Longest task time (1)

The maximum cycle time = sum of respective task time (2)

In the above illustration

The minimum cycle time = Longest task time = Task time of C = 1min

The maximum cycle time = Sum of respective task time = 0.2 + 0.8 + 1 + 0.6 + 0.4 = 3 min

The minimum and maximum cycle times establish the potential range of output for the line which can be found out by the following formula:

$$\text{Output rate} = \frac{\text{Operating time per day}}{\text{Cycle time}} \dots\dots\dots(3)$$

If the manufacturing unit operates 8 hours i.e. 480 minutes per day

$$\text{Maximum output rate} = \frac{\text{Operating time per day}}{\text{Minimum Cycle time}} = \frac{480}{1} = 480 \text{ units per day}$$

$$\text{Minimum output rate} = \frac{\text{Operating time per day}}{\text{Maximum Cycle time}} = \frac{480}{3} = 160 \text{ units per day}$$

Assuming that no parallel line are to be employed the output selected for the line must fall in the range of 160 units per day to 480 units per day.

As a general rule the cycle time is determined could be determined by the desired output rate with the help of the following formula:

$$\text{Cycle time} = \frac{\text{Operating time per day}}{\text{Desired output rate}} \dots\dots\dots(4)$$

& desired output rate is first selected and with the help of the above formula (4) cycle time is determined. If the cycle time does not fall between the maximum and minimum bounds, desired output rate needs to be revised.

The number of workstations that will be needed is a function of both the desired output rate and managers' ability to combine elemental tasks into workstations.

$$\text{Theoretical minimum number of stations} = N_{\min} = \frac{\Sigma t}{\text{Cycle time}} \dots\dots\dots(5)$$

Where, N_{\min} = Theoretical Minimum number of stations

& Σt = Sum of task times

If cycle time as determined by formula (4) is 1minute then for our example the minimum number of stations as per formula (5) will be $\frac{3}{1} = 3$ stations.

The actual number of stations used will equal or exceed depending on how successfully the tasks can be grouped into workstations.

Now how a line is balanced. This involves assigning tasks to workstations. Generally no techniques are available which can result in a full proof optimal set of assignments. Instead managers employ intuitive rules. In reality a number of line balancing heuristics are in use. Two most popular line balancing technique are:

- Assign tasks in order to most following tasks.....(a)
- Assign tasks in order of greatest positional weight*(b)

* Positional Weight = Time of a task + Time of all following task

In line balancing problem our main objective will be to find out the effectiveness of the line. The following two formulas are used for the purpose:

$$\text{Percentage of idle time} = \frac{\text{Idle time per cycle}}{N_{\text{actual}} \times \text{Cycle time}} \times 100 \dots\dots\dots 6$$

Where N_{actual} = Actual number of station. Percentage of idle time of line is also called **Balance delay**.

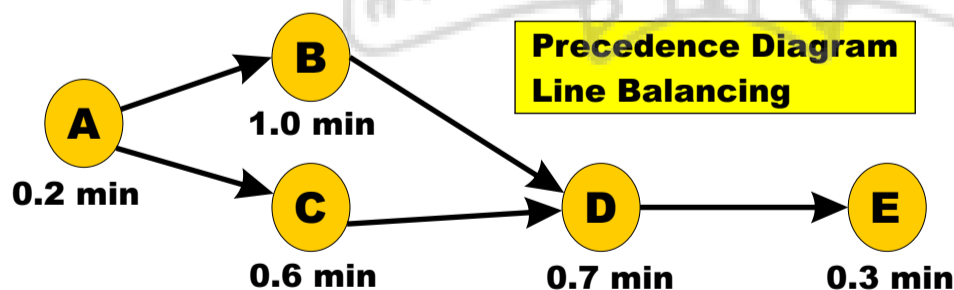
$$\text{Efficiency of the line} = \frac{N_{\text{Actual}} \times \text{Cycle time} - \text{Idle time}}{N_{\text{Actual}} \times \text{Cycle time}} \times 100 \dots\dots\dots(7)$$

Guidelines for Line Balancing:

- Tasks are to be assigned one at a time to the line, starting at the first station;
- At each step unassigned tasks are checked to determine which are eligible for assignment;
- Eligible tasks are checked to select tasks which fit in the workstation being loaded;
- This process is repeated until there are no eligible tasks that will fit;
- Then the next work station can be loaded;
- This process will continue until all tasks are assigned;

Illustration:

Arrange the tasks shown in the following figure into three workstations. Use a cycle time of 1.0 minute. Assign tasks following above guidelines and line balancing technique (a) mentioned earlier.



Ans:

Workstation	Time Remaining	Eligible	Assign Task	Revised Time Remaining	Station Idle Time
1	1	A	A	0.8	
	0.8	C	C	0.2	
	0.2				0.2
2	1	B	B	0	0
3	1	D	D	0.3	
	0.3	E	E	0	0
					0.2

In the solution the initial "time remaining" for each workstation is equal to the cycle time;

For a task to be eligible, tasks preceding it must have been assigned and the task's time must not exceed station's remaining time;

Task A is to be assigned first as it has the most following tasks (as per techniques (a) mentioned earlier;

Time remaining in workstation 1 is 0.8min. Now tasks B and C have most followers. But since task time of B exceeds the station's remaining time B is not eligible; So C is eligible and assigned. No other tasks are eligible to be assigned in this workstation. Therefore station's remaining time 0.2 min is the idle time of the station;

Task B has now most followers and it is assigned in work station 2. Since B's time is 1 min workstation 2 has no idle time;

Task D has now most follower and it is assigned in workstation 3. In remaining time task E is assigned. Workstation 3 gives no idle time;

Idle time of the line is therefore 0.2 min;

In the above illustration we could find out the effectiveness of the line with the help of formula (6) as below:

$$\begin{aligned} \text{Percentage of idle time} &= \frac{\text{Idle time per cycle}}{N_{\text{actual}} \times \text{Cycle time}} \times 100 \\ &= \frac{0.2}{3 \times 1} \times 100 = 6.67\% \end{aligned}$$

Similarly with the help of formula (7) Efficiency of the line could be found as:

Efficiency = 100% - Percentage of idle time = 100% - 6.67% = 93.33% or

$$\begin{aligned} \text{Efficiency of the line} &= \frac{N_{\text{Actual}} \times \text{Cycle time} - \text{Idle time}}{N_{\text{Actual}} \times \text{Cycle time}} \times 100 \\ &= \frac{3 \times 1 - 0.2}{3 \times 1} \times 100 = 93.33\% \end{aligned}$$

Illustration: Consider the information given in the following table.

Task	Immediate Predecessor	Task Time (in minutes)
a	-	0.2
b	a	0.2
c	-	0.8
d	c	0.6
e	b	0.3
f	d, e	1
g	f	0.5
h	g	0.4
		$\Sigma t = 4$

(a) Draw a precedence diagram;

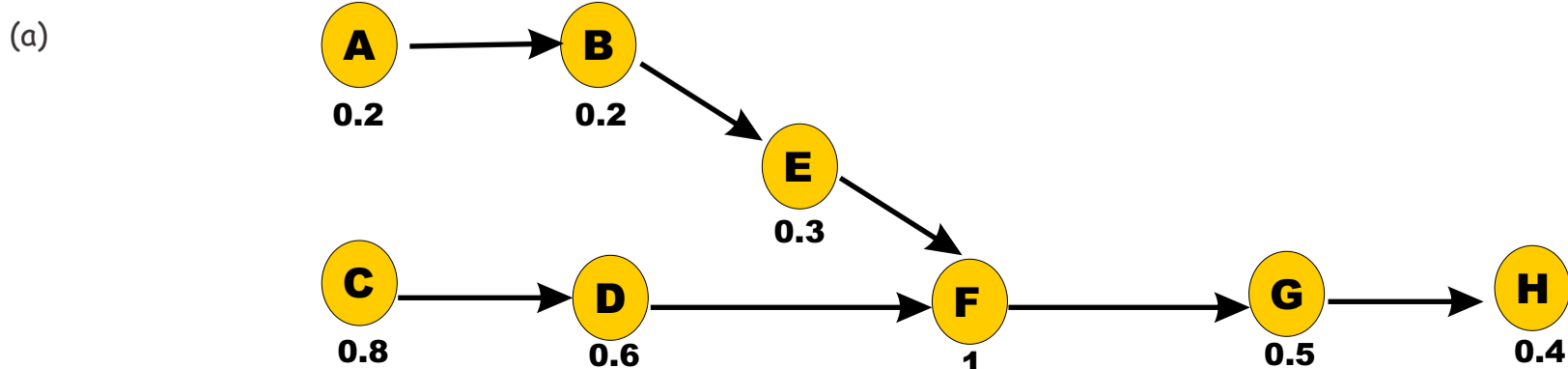
(b) Assuming an ten hour workday, compute the cycle time needed to obtain an output of 500 units per day;

(c) Determine the minimum number of workstations required;

(d) Assign tasks to workstations using the rule: Assign tasks according to greatest number of following tasks. In case of a tie, use the tiebreak of assigning the task with the longest processing time first.

(e) Compute the resulting percent idle time and efficiency of the system.

Ans:



(b)

$$\text{Cycle time} = \frac{\text{Operating time per day}}{\text{Desired output rate}}$$

$$= \frac{60 \times 10}{500} = 1.2 \text{ minutes per cycle}$$

©

$$\text{Theoretical minimum number of stations} = N_{\min} = \frac{\Sigma t}{\text{Cycle time}}$$

$$= \frac{4}{1.2} = 3.33 = \text{rounded to 4 station}$$

(d)

The solution is given in the following table.

* In workstation 1, both a & c are eligible but task a is fit to be assigned as it has the maximum followers (b, e, f, g, h) whereas task c has 4 followers (d, f, g, h);

** Tasks c & b both are eligible as preceding tasks are already assigned and respective task's time are not exceeding the station's remaining time. But since both have same number of followers, task c is fit to be assigned first as it has longest processing time compared to b;

*** In workstation 2 tasks d & e both are eligible as preceding tasks are already assigned and respective task's time are not exceeding the station's remaining time. But since both have same number of followers, task d is fit to be assigned first as it has longest processing time compared to e;

Station	Time Remaining	Eligible	Will Fit	Assign (Task Time)	Revised time Remaining	Idle
1	1.2	a,c	a*	a(0.2)	1	
	1	c,b	c**	c(0.8)	0.2	
	0.2	b		b(0.2)	0	0
2	1.2	e,d	d***	d(0.6)	0.6	
	0.6	e		e(0.3)	0.3	
	0.3	Nil		Nil		0.3
3	1.2	f	f(1)		0.2	
	0.2	Nil		Nil		0.2
4	1.2	g		g(0.5)	0.7	
	0.7	h		h(0.4)	0.3	
	0.3					0.3
						0.8

$$\text{Percentage of idle time} = \frac{\text{Idle time per cycle}}{N_{\text{actual}} \times \text{Cycle time}} \times 100$$

$$= \frac{0.8}{4 \times 1.2} \times 100 = 16.67\%$$

$$\text{Efficiency} = 100\% - \text{Percentage of idle time} = 100\% - 16.67\% = 83.33\%$$

$$\text{or, Efficiency of the line} = \frac{N_{\text{Actual}} \times \text{Cycle time} - \text{Idle time}}{N_{\text{Actual}} \times \text{Cycle time}} \times 100$$

$$= \frac{4 \times 1.2 - 0.8}{4 \times 1.2} \times 100 = 83.33\%$$

Suggestions:

This lesson is prepared purely from teachings imparted by the Guide book issued by Institute. Detail procedure for line balancing are discussed as an aid to guide book. The study guide on Operations Management issued by Institute is to be studied thoroughly. Emphasis is to be given on drawing of precedence diagram and how to break the tie by applying the techniques mentioned in this writing. Attempts are made here to explain the line balancing with simple illustrations. In the next issue line balancing will be again discussed with complex problems. For supplementary readings one can refer Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson.



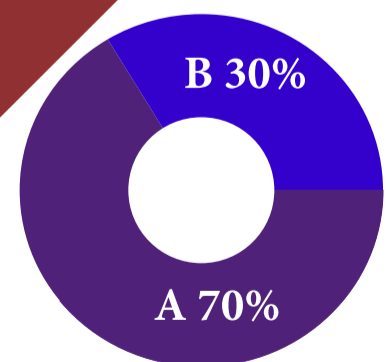
GROUP: 2, PAPER: 9, Part- ii

OPERATIONS

MANAGEMENT & STRATEGIC
MANAGEMENT (OMSM)
Strategic Management

CMA (Dr.) Sumita Chakraborty
Additional Director,
Research & Studies
She can be reached at:
research.hod@icmai.in
studies.addldir1@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

Strategy is an action that managers take to attain one or more of the organization's goals. Strategy can also be defined as "A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process".

Features of Strategy:

- (i) Strategy is important to foresight, the uncertain events of firms/industries.
- (ii) Strategy deals with long term developments rather than routine operations. For example innovations or new products, new methods of productions, or new markets to be developed in future.
- (iii) Strategy is created to deal behavior of customers and competitors.
- (iv) Strategy is a well defined roadmap of an organization. It defines the overall mission, vision and direction of an organization.

The **objective of a strategy** is to maximize an organization's strengths and to minimize the strengths of the competitors.

Strategy is a well defined roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization's strengths and to minimize the strengths of the competitors.

Strategy, in short, bridges the gap between "where we are" and "where we want to be".

The characteristics of a strategic decision/strategy:

- (i) Strategy is likely to be concerned with long-term direction of an organisation.
- (ii) Strategic decisions are normally about trying to achieve some advantage for the organisation over competition.
- (iii) Strategy is likely to be concerned with the scope of the organisation's activities.
- (iv) Strategy can be seen as matching the resources and activities to the environment in which it operates.
- (v) Strategy can be seen as stretching an organisation's resources and competences to create new opportunities or to capitalise on them.
- (vi) Strategies may require major resource changes for an organisation.
- (vii) Strategic decisions likely to affect operational decisions

Relationship between strategy and competitive advantage:

A company achieves competitive advantage when it provides buyers with superior value compared to rival sellers or offers the same value at a lower cost to the firm. The advantage is sustainable if it persists despite the best efforts of competitors to match or surpass this advantage. A company's strategy is its action plan for outperforming its competitors and achieving superior profitability. In effect, it represents a managerial commitment to an integrated array of considered choices about how to compete. These include choices about:

- (i) How to attract and please customers?
- (ii) How to compete against rivals?
- (iii) How to position the company in the market place?
- (iv) How best to respond to changing economic and market conditions?
- (v) How to capitalize on attractive opportunities to grow the business?
- (vi) How to achieve the company's performance targets?

Strategic Management:

Strategic management according to Alfred D. Chandler is "determination of the basic long-term goals and objectives of an enterprise and adoption of course of action and allocation of resources necessary to carry out these goals."

Strategic Management include understanding the strategic position of an organisation, strategic choices for the future and turning strategy into action. The strategic position is concerned with the impact on strategy of the external environment, internal resources and competences, and the expectations and influence of stakeholders.

Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises its competitors; and fixes goals to meet all the present and future competitor's and then reassesses each strategy.

Strategic management process has following four steps:

Environmental Scanning

1. - Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analyzing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.

Strategy Formulation

2. - Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.

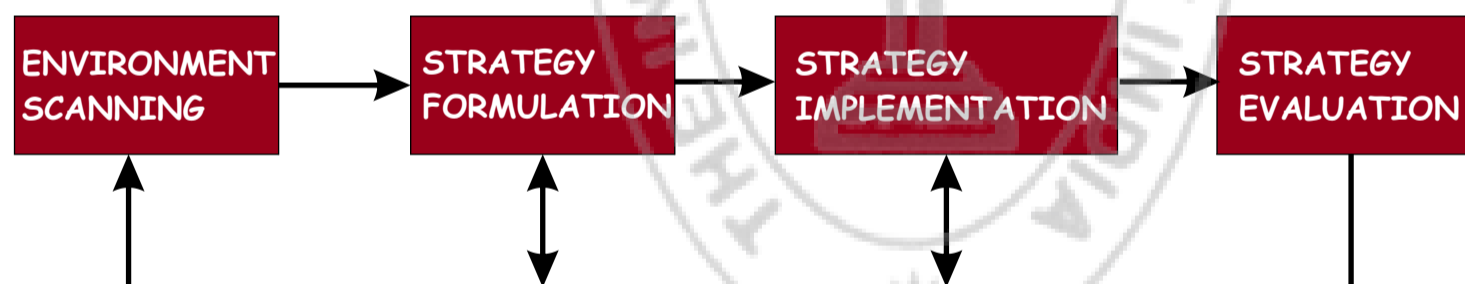
Strategy Implementation

3. - Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources.

Strategy Evaluation

4. - Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives.

These components are steps that are carried, in chronological order, when creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, so as to make essential changes.



Components of Strategic Management Process

Strategic management is an ongoing process. Therefore, it must be realized that each component interacts with the other components and that this interaction often happens in chorus.

The strategic development routes:

- (i) **Intended strategy:** an expression of interest of desired strategic direction deliberately formulated or planned by managers.
- (ii) **Realised strategy:** the strategy actually being followed by an organisation in practice.
- (iii) **Unrealised strategy:** the strategy that does not come about in practice or only partially so.

There may be all sorts of reasons for this:

the plans are unworkable;

the environment changes after the plan has been drawn up and managers decides that the strategy, as planned should not be put into effect, or

people in the organisation or influential stakeholders do not go along with the plan.

- (iv) **Imposed strategy:** there may be situations in which managers face what they see as the imposition of strategy by agencies or forces external to the organisation. Government may dictate a particular strategic course or direction- for e.g. in the public sector, or where it exercises extensive regulation in the public sector.

(v) **Emergent strategy:** unplanned responses to unforeseen circumstances. They arise from autonomous action by individual managers deep within the organisation, from serendipitous discoveries or events, or from an unplanned strategic shift by the top-level managers in response to changed circumstances. They are not the product of formal top-down planning mechanism.

Importance of Strategic Management:

- (i) Discover organisation strengths and weaknesses
- (ii) Identify the available opportunities and possible threats
- (iii) Discover the objectives and goals in line with organisations strengths and available opportunities
- (iv) Implement changes to overcome weaknesses and manage the threats.
- (v) Provide vision/mission or direction to future of organisations
- (vi) Build a dynamic and strong organisation
- (v) Help to achieve growing and stable organisation.



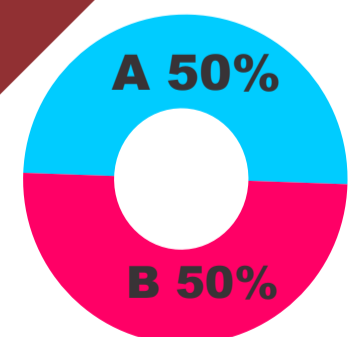


GROUP: 2, PAPER:10

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.

Chapter 2: Decision Making Tools

Consider the following problem on limiting factor.

Q. A company produces three products from a particular imported material which cost Rs.10 per kg. The cost structure per unit of each product is given below:

Products	X	Y	Z
Sales price(Rs.)	200	300	250
Cost of Imported material (Rs.)	40	64	48
Cost of Indigenous material (Rs.)	10	16	12
Direct wages @ Rs. 6/- per hours (Rs.)	60	120	108
Variable overhead (Rs.)	30	60	54

(i) You are required to prepare a statement showing comparative profitability of each of the products under each of the following circumstances: (a) Imported material is the restricted supply, (b) Overall capacity measure in labour hours is the limiting factor.

(ii) When the maximum market demand for X is 1000 units Y-1800 units and Z-600 units and the import of materials if restricted to 10,000 kgs, determine the most profitable sales mix for the company.

(iii) When the maximum market demand for X is 1000 units Y-1800 units and Z-600 units and the labour hours are restricted to 50000 hours, determine the most profitable sales mix for the company.

Solution:

(i) (a) Statement showing comparative profitability/ranking:

Particulars	X	Y	Z
Sales price	Rs.200	Rs.300	Rs.250
Less. Variable cost			
Cost of materials Imported	40	64	48
Indigenous	10	16	12
Direct wages @ Rs. 6/- per hours -	60	120	108
Variable overhead	30	60	54
Contribution p.u	60	40	28
Imported material p.u (@ Rs.10 per kg.) (in kg.)	4	6.4	4.8
Contribution per kg of imported material (Rs.) =Contribution p.u/ Imported material p.u	15	6.25	5.83
Ranking	I	II	III

(ii) Production plan when imported material is restricted supply

Product as per ranking	Material per unit (kg)	Maximum demand (units)	Total material (Kg)	Actual production (units)	Contribution p.u Rs.	Total Contribution Rs.
X	4	1000	4000	1000	60	60000
Y	6.4	1800	6000 (b.f)	937.5 (i.e. 6000/6.4)	40	37500
			10000			97500

So, optimal sales mix is 1000 units of X and 937.5 units of Y. and resultant contribution is Rs. 97500.

(b) Statement showing comparative profitability/ranking:

Particulars	X	Y	Z
Contribution p.u	60	40	28
Labour hours p.u (@ Rs.6 per hr.) (in hr.)	10	20	18
Contribution per kg of imported material (Rs.) =Contribution p.u/ Imported material p.u	6	2	1.56
Ranking	III	II	I

(iii) Production plan when labour is in restricted supply

Product as per ranking	Labour per unit (Hrs.)	Maximum demand (units)	Total labour hours	Actual production (units)	Contribution p.u (Rs.)	Total Contribution (Rs.)
Z	18	600	10800	600	28	16800
Y	20	1800	36000	1800	40	72000
X	10	1000	3200 (b.f)	320 (i.e. 3200/10)	60	19200
			50000			108000

So, optimal sales mix is 320 units of X, 1800 units of Y and 600 units of Z and resultant contribution is Rs. 108000.

Production Planning with Limiting Factor and Outsourcing Facilities

In case the products, the company is producing, are also available in the market, the decision as to how effectively the limiting factor can be utilised has to be made based on the ranking as per savings per unit (of production than purchasing from outside) with the limiting factor and not based on mere contribution per unit of the limiting factor. Any shortfall of market demand that cannot be fulfilled by production should be arranged by outside purchase at available prices.

Consider the following example.

PQR Ltd. Is an engineering company engaged in the manufacture of three products A, B and C all of which use the same machine which is available for 77000 hours per annum.

The standard costs of the products per unit are:

Particulars	A (Rs.)	B (Rs.)	C (Rs.)
Direct Materials	140	80	160
Direct Labour (Rs. 16 per machine hour)	96	64	112
Variable overhead	72	80	84
Total variable cost	308	224	356
Selling price per unit	400	316	448
Maximum demand (units)	6000	5000	10000

Fixed costs are Rs.350000 p.a.

The company could buy similar quality products at the following unit prices:

A - Rs. 350; B - Rs. 280; and C - Rs. 400.

You are required to (i) recommend which product(s) and how much the company should buy and (ii) calculate the profit of the company based on your recommendation.

Solution:

Determination of ranking based on savings per machine hour.

Particulars	A	B	C
Purchase price per unit (Rs.)	350	280	400
Less. Variable cost per unit (Rs.)	308	224	356
Savings per unit (Rs.)	42	56	44
Machine hour per unit (Direct labour cost/labour hour rate)	6	4	7
Savings per machine hour (Rs.)	7	14	6.29
Ranking	II	I	III

Calculation of contribution per unit

Particulars	A (Rs.)	B(Rs.)	C(Rs.)
Selling price per unit	400	316	448
Less. Variable cost per unit	308	224	356
Contribution per unit	92	92	92

Production plan when machine hour is the limiting factor

Product as per ranking	Hour per unit (hour)	Maximum demand (units)	Total Hours (Hour)	Actual production (units)	Contribution p.u Rs.	Total Contribution Rs.
B	4	5000	20000	5000	92	460000
A	6	6000	36000	6000	92	552000
C	7	10000	21000 (b.f)	3000 (21000/7)	92	276000
			77000			1288000
Add. Contribution from outside source: Product C (10000 - 3000) i.e. 7000 units at Rs. (448 - 400)						336000
Total contribution						1624000
Less. Fixed cost						350000
Profit						1274000

So, the optimal production plan is A - 6000 units. B - 5000 units and C - 3000 units.

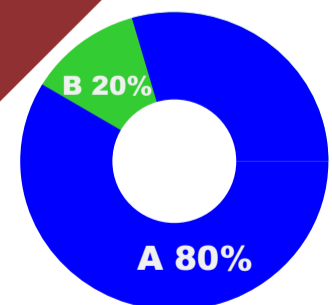


GROUP: 2, PAPER:11

INDIRECT TAXATION (ITX)

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

Your Preparation Quick Takes



Syllabus Structure
A GST 80%
B Customs Laws 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

EXEMPTIONS FROM GST

In this issue I would like to discuss about few of the amendments that occurred in May, 2019 as GST filing is concerned.

New exemptions for supply of services from GST

Under Notification No. 12/2017 CT (R) dated 28.06.2017, which grants exemption to supply of intra-State services from CGST, has been amended as under:

- (1) Supply of services provided by and to Fédération Internationale de Football Association (FIFA) and its subsidiaries directly or indirectly related to any of the events under FIFA U-17 World Cup 2017 to be hosted in India, have been exempted from CGST. The exemption will be available if the Director (Sports), Ministry of Youth Affairs and Sports certifies that the services are directly or indirectly related to any of the events under FIFA U17 World Cup 2017 CGST

[Notification No. 21/2017 CT (R) dated 22.08.2017].

- (2) Supply of service provided by Fair Price Shops to Central Government by way of sale of wheat, rice and coarse grains under Public Distribution System (PDS) against consideration in the form of commission or margin, have been exempted from CGST vide serial no. 11A of the notification [Notification No. 21/2017 CT (R) dated 22.08.2017].

- (3) Supply of service provided by Fair Price Shops to State Governments or Union territories by way of sale of kerosene, sugar, edible oil, etc. under Public Distribution System (PDS) against consideration in the form of commission or margin, have been exempted from CGST vide serial no.

11B of the notification [Notification No. 21/2017 CT (R) dated 22.08.2017].

- (4) With effect from 15.11.2017, the exemptions under serial nos. 11A and 11B [as given in points (2) & (3)] have been merged under serial no. 11A which now exempts service provided by Fair Price Shops to Central Government, State Government or Union territory by way of sale of food grains, kerosene, sugar, edible oil, etc. under Public Distribution System against consideration in the form of commission or margin.

Consequently, serial no. 11B has been omitted [Notification No. 47/2017 CT (R) dated 14.11.2017].

- (5) Earlier supply of services of general insurance business provided under "Weather based Crop Insurance Scheme or the Modified National Agricultural Insurance Scheme" and "National Agricultural Insurance Scheme (Rashtriya Krishi Bima Yojana)", were exempted from CGST. The notification has been amended to substitute the words "Weather-Based Crop Insurance Scheme or the Modified National Agricultural Insurance Scheme" and "National Agricultural Insurance Scheme (Rashtriya Krishi Bima Yojana)" with the words "Restructured Weather Based Crop Insurance Scheme (RWCIS)" and "Pradhan Mantri Fasal Bima Yojana (PMFBY)" respectively.

Therefore, under the amended position, supply of services of general insurance business provided under "Restructured Weather Based Crop Insurance Scheme (RWCIS)" and "Pradhan Mantri Fasal Bima Yojana (PMFBY)", are exempted from CGST [Notification No. 21/2017 CT (R) dated 22.08.2017].

- (6) It has been clarified by inserting clause (iii) in the Explanation to the notification that a "Limited Liability Partnership" formed and registered under the provisions of the Limited Liability Partnership Act, 2008 shall also be considered as a partnership firm or a firm [Notification No. 21/2017 CT (R) dated 22.08.2017].

- (7) Supply of services by way of right to admission to the events organised under FIFA U-17 World Cup 2017 have been exempted from CGST [Notification No. 25/2017 CT (R) dated 21.09.2017].

- (8) Supply of services associated with transit cargo to Nepal and Bhutan (landlocked countries) had been exempted from CGST [Notification No. 30/2017 CT (R) dated 29.09.2017].

- (9) Supply of services by a Central Government, State Government, Union territory and local authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution, have also been exempted from CGST. Earlier supply of such services only a governmental authority were exempt. Thus, now supply of such services by Central Government, State Government, Union territory, local authority as well as governmental authority are exempt from CGST.

Further, definition of the "Governmental Authority" as given in the notification has also been substituted as under: "Governmental Authority" means an authority or a board or any other body-

- (i) set up by an Act of Parliament or a State Legislature; or
(ii) established by any Government with 90% or more participation by way of equity or control, to carry out any function entrusted to a Municipality under article 243W of the

Constitution or to a Panchayat under article 243G of the Constitution

[Notification No. 32/2017 CT (R) dated 13.10.2017].

- (10) Supply of service by a Government Entity to Central Government, State Government, Union territory, local authority or any person specified by Central Government, State Government, Union territory or local authority against consideration received from Central Government, State Government, Union territory or local authority, in the form of grants, has been exempted from CGST.

Further, the term "Government Entity" has also been defined in the notification as under:

"Government Entity" means an authority or board or any other body including a society, trust, corporation,



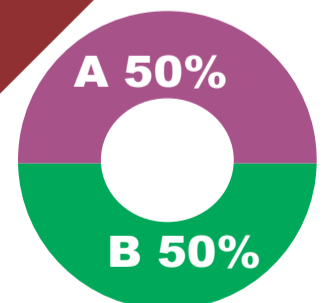
GROUP: 2, PAPER:12

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

Today, let us discuss about accounts of insurance companies, as per Insurance Regulatory & Development Authority (IRDA) Regulations.

The main requirements as required in Life Insurance business may be discussed in brief way:-

- 1) Insurer have to prepare Cash Flow Statement in conformity with the AS 3 only under direct method.
- 2) Insurer is to comply requirements of schedule A which comprises Revenue Accounts, Profit & Loss A/c and Balance sheet in definite format.
- 3) Schedules form part of Financial Statements, there are fifteen schedules whereas the first four relates to Profit and Loss account and next eleven relates to Balancesheet.
- 4) Schedules:
 - Schedule 1- Premium.
 - Schedule 2- Commission Expenses.
 - Schedule 3- Operating Expenses Related to Insurance Business.
 - Schedule 4- Benefits paid (Net).
 - Schedule 5- Share Capital.
 - 5A- Pattern of Share Holding.
 - Schedule 6- Reserve and surplus (Shareholders).
 - Schedule 7- Borrowings.
 - Schedule 8- Investments- Shareholders.
 - 8A- Investments-Policyholders.
 - Schedule 9- Loans.
 - Schedule 10- Fixed Assets.
 - Schedule 11- Cash and Bank Balances.
 - Schedule 12- Advances and other assets.
 - Schedule 13- Current Liabilities.
 - Schedule 14- Provisions.
 - Schedule 15- Miscellaneous Expenditure.
- 5) Revenue account, Profit & Loss account and Balancesheet are to prepare in definite format in Form A-RA, FORM A-PL and Form A-BS respectively.
- 6) Revenue accounts shows Premiums Earn-Net and Income from Investments, Commission, Benefits Paid (Net) and surplus and its appropriations to shareholders accounts, other reserve and fund for future appropriations.
- 7) Profit and Loss accounts brought forward from Revenue accounts and includes Income from Investments and

expenses other than directly related to insurance business and shows profit / loss and its appropriations.

- 8) Balancesheet shows sources of fund subdivided into shareholders fund and borrowings, applications of fund through investment, shareholders, policy holders and assets to cover linked liabilities, loans and fixed assets. Balancesheet also shows current assets and current liabilities and miscellaneous expenditure not written off. It separately shows contingent liabilities.

Let us proceed towards General Insurance
General Insurance consists of Fire, Marine and Accidental Insurance unlike Life Insurance here liabilities of the insurer will arise when the insure suffer any loss.

As per IRDA Regulations every General Insurance Company is to prepare Revenue account as per Form B-RA, Profit & Loss accounts as per Form B-PL, Balance sheet as per Form B-BS.

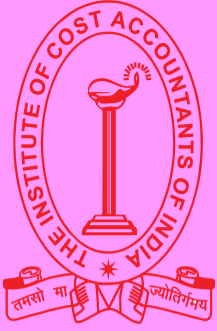
Here also schedules form part of Financial Statements. Like Life Insurance business Financial Statements of General insurance consists fifteen Schedules. The first four relates to Profit and Loss account and the rest eleven for Balancesheet.

Schedules:-

- Schedule 1- Premium.
- Schedule 2- Commission Expenses.
- Schedule 3- Operating Expenses Related to Insurance Business.
- Schedule 4- Benefits paid (Net).
- Schedule 5- Share Capital.
 - 5A- Pattern of Share Holding.
- Schedule 6- Reserve and surplus (Shareholders).
- Schedule 7- Borrowings.
- Schedule 8- Investments- Shareholders.
 - 8A- Investments-Policyholders.
- Schedule 9- Loans.
- Schedule 10- Fixed Assets.
- Schedule 11- Cash and Bank Balances.
- Schedule 12- Advances and other assets.
- Schedule 13- Current Liabilities.
- Schedule 14- Provisions.
- Schedule 15- Miscellaneous Expenditure.

In this connection students are to undergo some special term peculiar to insurance business such as re-insurance. If the insurer considers a particular risk too much for his capacity, he may re insure a part of the risk with some other insurer. Such an arrangement between two insurers is refer to as Re-insurance. Depending on the risk undertaken by second insurer premium proportionately must be ceded by the first insurer.

The above discussion is indicating only students are to go on practicing preparation of Revenue account, Profit & Loss account and Balancesheet on Life insurance and General Insurance both.



An idea can lead to a whole lot
of Difference!



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

01.00 Innovation

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

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

02.00 The redBus Story

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

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

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

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

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

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

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

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

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

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

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

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

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

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

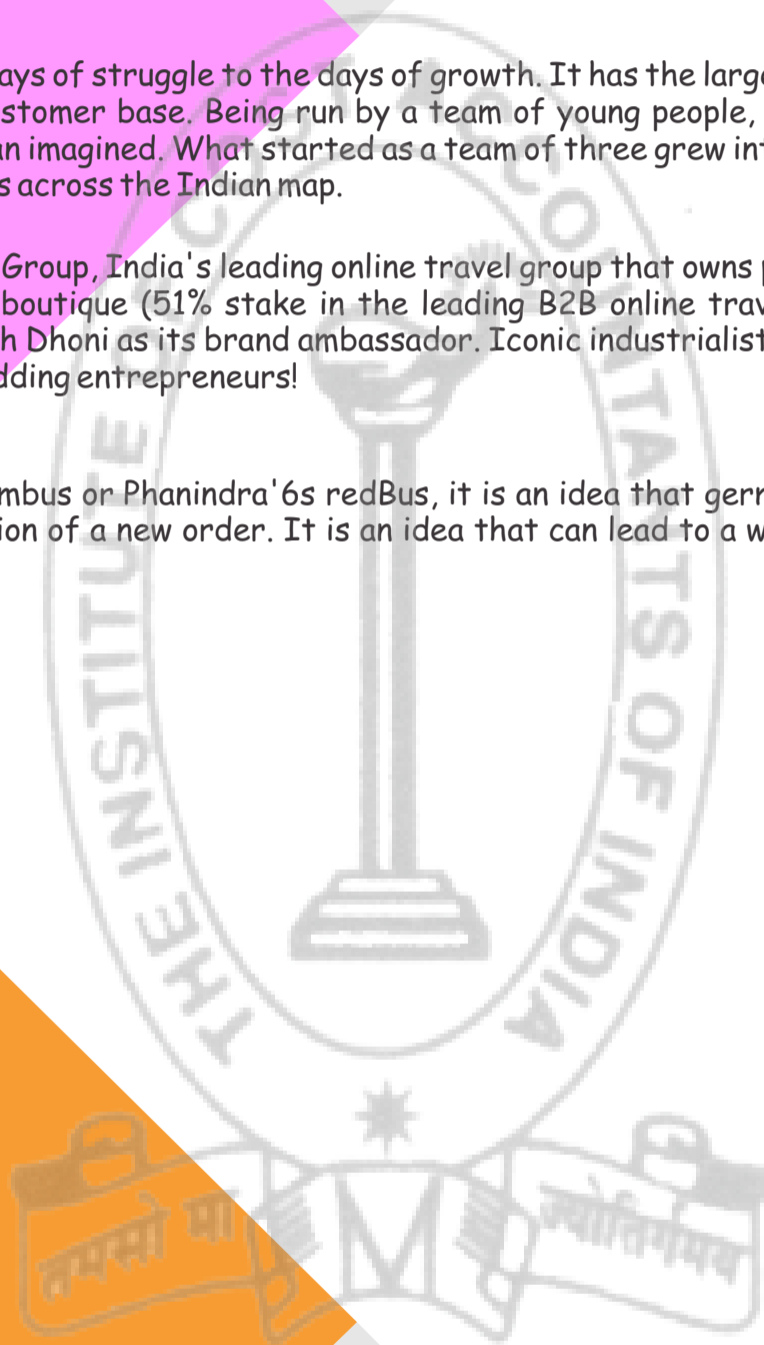
That was in February 2007 and the money was supposed to last till February 2010. But, all of the Rs. 3 crores was spent in one-and-a-half years. The VCs also asked the promoters to change the venture from an online bus ticketing company to just bus ticketing company, and that is what redBus is now.

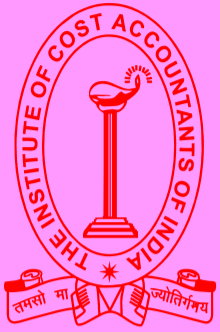
redBus has come a very long way from the days of struggle to the days of growth. It has the largest number of tie-ups (and growing) with bus operators and a large and satisfied customer base. Being run by a team of young people, the culture is informal and everyone is ambitious and charged to make it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

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

03.00 Quick Take

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





PRACTICAL Advice

ABOUT YOUR STUDIES - INTERMEDIATE COURSE

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

START

01

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

**Solve Exercises
given in Study Note**

02

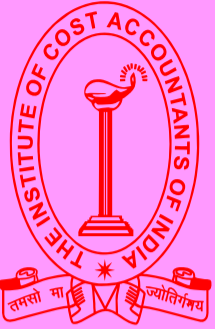
03

Assess Yourself

Appear For Examination

04

FINISHED



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,

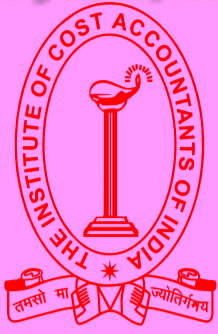
We are very much delighted to receive responses from all of you; for whom our effort is!

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.

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



Message from Directorate of Studies

Dear Students,

Greetings from the D.O.S.,

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

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

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

Let us observe his memory by following his message.

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

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

Please refer the links mentioned below :

For Mock Test Papers (MTP) : https://icmai.in/studentswebsite/mtp2016_j19_Final.php

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

For Work Book Link : <https://icmai.in/studentswebsite/Workbook-Syl-2016-Final-March2019.php>

Live/Recorded Webinar Link : https://eicmai.in/Webinar_Portal/Students/StudentLogin.aspx

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

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

GOOD LUCK & Best wishes as always.

Be Prepared and Get Success;

Disclaimer:

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



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

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Headquarters:
CMA Bhawan, 12 Sudder Street, Kolkata - 700016
Delhi Office:
CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

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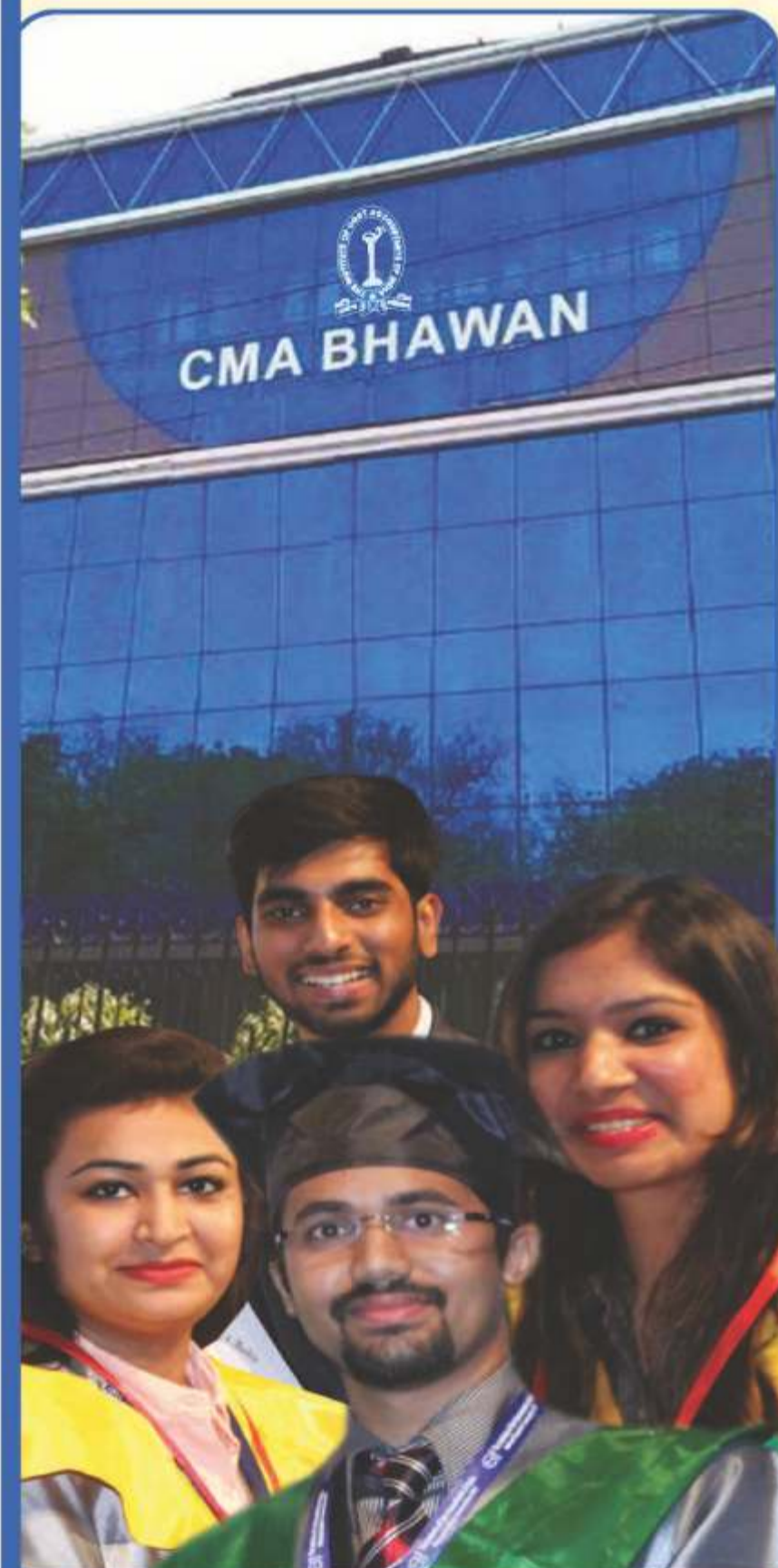
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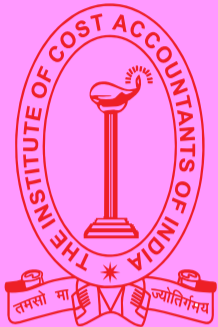
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Few Snapshots



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



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



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



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



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



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

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