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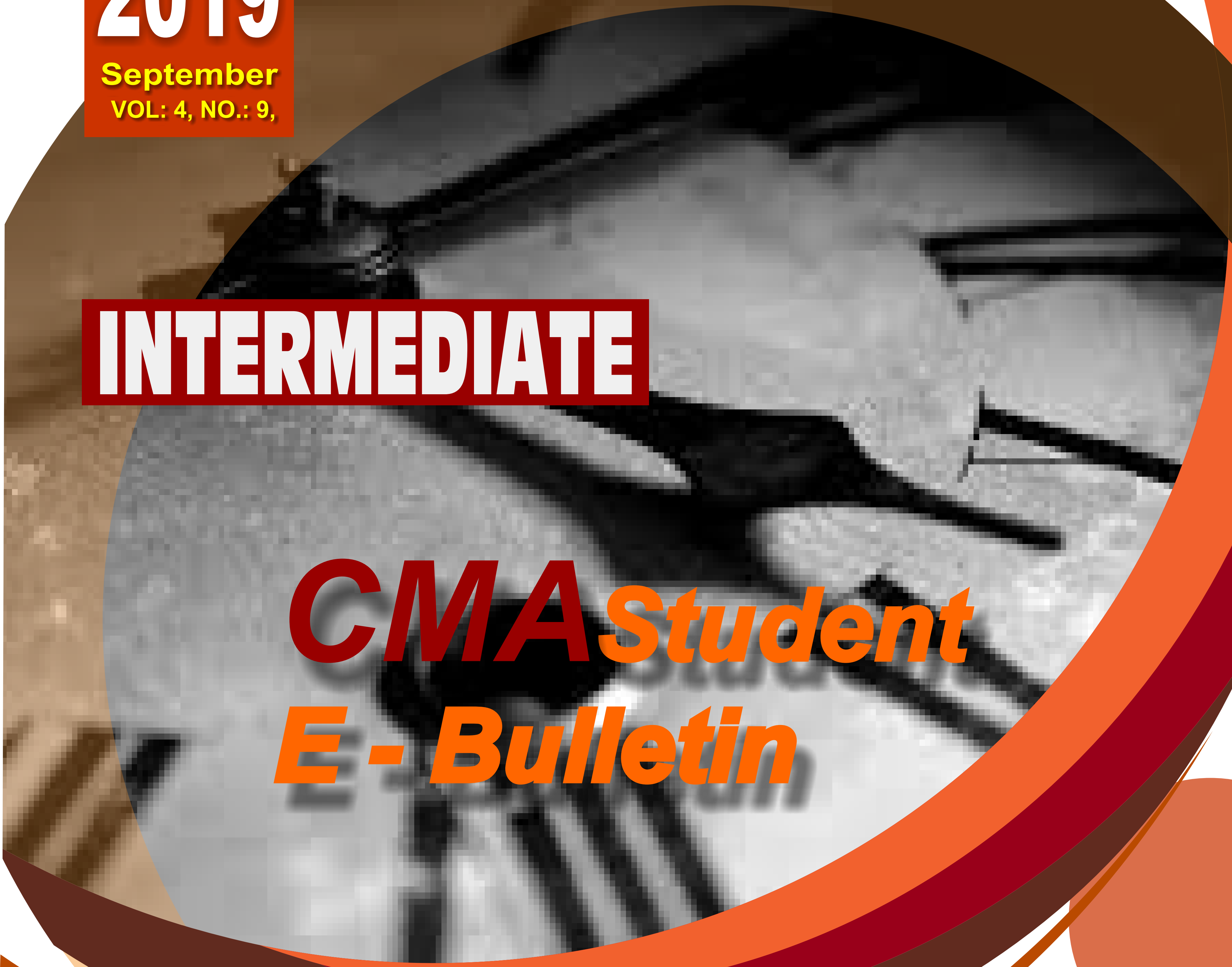

INTERMEDIATE

CMA Student E - Bulletin

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(Statutory Body under an Act of Parliament)

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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

Message from The Chairman

CMA Biswarup Basu

Vice President & Chairman,
Training & Education Facilities (T& EF) Committee

CMA BISWARUP BASU
Chairman, T & EF Committee
Directorate of Studies

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
Website : www.icmai.in

MESSAGE FROM THE CHAIRMAN

Dear Students,

Greetings,

"Be the change that you want to see in the world".

Mahatma Gandhi is revered the world over as one of history's most transformative and inspirational figures. Today the power of Gandhi's words still inspires us to change the world by changing ourselves.

Education is not just to read and write but to make use of it for their own advantages and to utilize the knowledge for their growth. To live a flawless life, education is very important for every individual. Education is nothing but studying different kinds of subjects to gain knowledge and understanding and trying to apply it in daily life. Education is the ability to think, apply it in the world and to know the value of life.

I am delighted to see that the Directorate of Studies (D.O.S.) 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 are enjoying those publications and developing yourselves day by day.

My dear future professionals, I stand committed towards your development always and I want to conclude with the words of Swami Vivekananda **"A man is not poor without a rupee but a man is really poor without a dream and ambition."**

I wish you all, Happiness and Prosperity for the forthcoming Durga Puja, & Dussehra festivals.

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

Be a CMA, be a Proud Indian

150 YEARS OF CELEBRATING THE MAHATMA

"Behind every successful business decision there is always a CMA

CONTENTS

Vol: 4, No.: 9.
September 2019, Issue

150 YEARS OF CELEBRATING THE MAHATMA

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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.

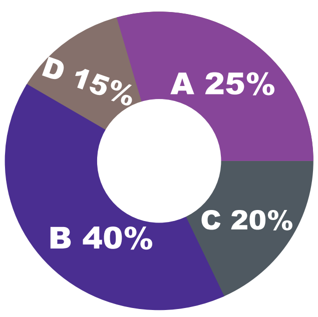
Vol: 4, No.: 9.
September 2019, Issue

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

GROUP: 1, PAPER: 5

FINANCIAL ACCOUNTING (FAC)

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.

FINANCIAL ACCOUNTING
CAPITAL AND REVENUE TRANSACTIONS

Let me congratulate at the outset to those who cleared the Foundation Examination and best wishes to those who took direct admission for appearing at Intermediate Examination.. To prepare for the next term here we are to highlight the issue of accounting as per your syllabus.

In this issue we will start with a very basic concept.

INTRODUCTION:

The word transaction relates to the concept of money measurement. Anything which is not measurable in terms of money cannot be categorized as transaction. To identify and find out the final accounting results (i.e profit and loss) matching concept is also important. Again as we want to know the results periodically the concept of periodicity is also important.

The two major accounting reports are profit and loss account and balance sheet. The profit and loss account matches the revenue income and revenue expenditure whereas the balance sheet matches the capital transactions (assets and liabilities).

CAPITAL AND REVENUE EXPENDITURES:

Expense is an expired cost the benefit of which is exhausted within one accounting period. However there may be some expenditure the benefit of which may be enjoyed continuously for a long time over many accounting periods. These expenditures will be termed as capital expenditure. The benefit of which is exhausted within one accounting year is called revenue expenditure. This is a simple analysis of capital and revenue expenditures. The idea can be better understood if we follow the following characteristics of such expenditures and incomes.

Features of capital expenditure:

1. It provides benefit over the years.
2. These are nonrecurring.(not regular activity)
3. The amount of transaction (cash outlay) is heavy.
4. The transactions are meant for generating more revenue or reducing operating cost.(e.g replacement of old and outdated machine by a new and modern sophisticated automated costly machine)

Features of revenue expenditure:

1. It provides benefit only for one accounting year.
2. These are recurring transactions.(regular activity)
3. The amount of transaction (cash outlay) is low.
4. The transactions are generally operating in nature.(e.g repairs, electricity charges, rent, salary etc.)

CAPITAL AND REVENUE RECEIPTS:

Receipts are the sources of income of a business. The cash inflow of a business are its receipts. This may also be of accidental nature and regular nature. If it is a day to day activity of a business it becomes a revenue receipt. However if the transaction is very non recurring and happens very rarely it will be termed as capital receipt. For example in domestic consumption an individual buys vegetable and spices and milk almost everyday for his livelihood but to keep this protected he buys a refrigerator(may be once in an interval of 10 years or so.). similarly a businessman sells vegetables and spice and milk everyday and earn money which is his revenue receipt. Whereas if he sales his racks and furniture of his shop to replace with a new one is a capital receipt.

Features of capital receipt:

1. It is non recurring in nature
2. It is not a day to day operation of the business
3. It is not considered as a regular income since it does not appear from business operation.

Features of revenue receipt:

1. It is recurring in nature
2. It is a day to day operation of the business
3. It is considered as a regular income since it appears from business and is matched with the revenue expenses to find out profit or loss.

Examples:

Categorise the the following transactions with reason:

1. Legal expense incurred for abuse of trademark
2. Repairs for a second hand motor truck purchased before putting it into use
3. Customs authority confiscated imported parts and components of plant and machinery worth Rs. 50000/- for non disclosure of material facts.
4. Freight and cartage Rs.150/- and erection charges Rs. 200 for a new machine
5. A sum of Rs. 1100/- was spent for painting a factory wall.
6. Advertisement expenses of Rs.100000/- spent for launching a new product
7. Legal expense of Rs.4500/- spent to recover balance amount from a debtor.
8. Overhauling expenses of a machine for getting better productivity Rs. 20000/-
9. Cost of white washing the factory building Rs. 50000(this is done in every six months)
10. Shed put up at the roof of the building Rs.150000
11. Renovation of a theater hall to increase the seating capacity by 10%. Rs. 500000
12. Travelling expenses to an engineer for installing a new machine. Rs. 5000

SOLUTION:

ITEM	CATEGORY	EXPLANATION
1	REVENUE EXPENDITURE	IT IS INCURRED TO MAINTAIN AN EXISTING FIXED ASSET.
2	CAPITAL EXPENDITURE	THIS REPAIR EXPENSE IS NOT A REGULAR ACTIVITY. IT IS OF NON RECURRING NATURE AS WELL AS IT IS SPENT FOR INCREASING THE PRODUCTIVE CAPACITY OF THE TRUCK.
3	REVENUE LOSS	THIS DOES NOT PROVIDE ANY BENEFIT TO THE BUSINESS. THE MONEY IS SPENT AND EXPIRED WITHOUT GIVING ANY BENEFIT AND HENE IT IS A LOSS.
4	CAPITAL EXPENDITURE	THESE ARE ONE TIME EXPENDITURE. MACHINE WILL NOT BE ERECTED EVERYDAY. AT THE SAME TIME THIS WILL GIVE A BENEFIT OVER THE LIFE OF THE MACHINE.
5	REVENUE EXPENDITURE	IT IS INCURRED TO MAINTAIN AN EXISTING FIXED ASSET
6	REVENUE EXPENDITURE	APPARENTLY IT LOOKS TO BE A CAPITAL EXPENDITURE. HOWEVER AS PER AS-26 THIS IS A REVENUE EXPENDITURE
7	REVENUE EXPENDITURE	IT IS INCURRED TO REALISE THE SQLE PROCEEDS AND AS A COLLECTION CHARGE IT IS AN OPERTING EXPENSE.
8	CAPITAL EXPENDITURE	SINCE PRODUCTIVITY WILL INCREASE IT WILL BE A CAPITAL EXPENDITURE.
9	REVENUE EXPENDITURE	APPARENTLY IT LOOKS TO BE A CAPITAL EXPENDITURE. HOWEVER THIS IS A REVENUE EXPENDITURE AS IT IS A REGULAR MAINTENANCE COST
10	CAPITAL EXPENDITURE	IT IS INCURRED TO CONTRUCT CAPITAL ASSET
11	CAPITAL EXPENDITURE	SINCE PRODUCTIVITY WILL INCREASE IT WILL BE A CAPITAL EXPENDITURE.
12	CAPITAL EXPENDITURE	IT SHUOLD BE CAPITALISED AS IT WILL A ONE TIME COST TO PUT UP AN ASSET IN USE.

The above examples were extracted from past year examinations. It is advised to practice similar kinds of problems from past year question papers.

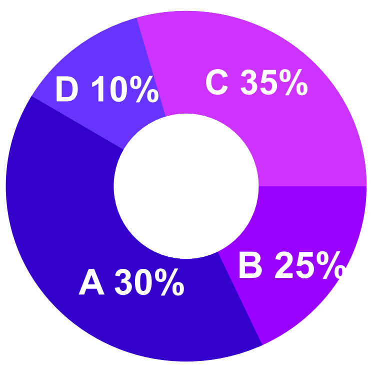
YEARS OF CELEBRATING THE MAHATMA

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

GROUP: 1, PAPER: 6

LAWS & ETHICS (LNE)

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 continue to 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

In the earlier issue, we covered the Memorandum of Association of the company. In this issue we will start with the **Articles of Association (AOA)** of a company.

Articles of a company contains the Regulations for Management of the Company.

Table – F in Schedule I , provide the matters that shall be contained in the Articles. The following are contained in the Articles of Association :-

1. Interpretation
2. Share Capital and variations of rights
3. Lien
4. Calls on shares
5. Transfer of shares
6. Transmission of shares
7. Forfeiture of shares
8. Alteration of Capital
9. Capitalization of profits
10. Buy back of shares
11. General Meetings
12. Proceedings at General Meetings
13. Adjournment of meeting
14. Voting rights
15. Proxy
16. Board of Directors
17. Proceedings of the Board
18. Chief Executive Officer, Manager, Company Secretary or Chief Finance Officer
19. The Common Seal of the Company
20. Dividend and Reserve
21. Accounts
22. Winding Up
23. Indemnity

Table G – Articles of Association of a Company limited by guarantee and having a share capital

Table H – Articles of Association of a Company limited by guarantee and not having a share capital

Table I – Articles of Association of an unlimited company and having a share capital

Table J – Articles of Association of an unlimited company and not having a share capital

Signing of Memorandum of Association – Rule 13

The Memorandum of Association (MOA) and Articles of Association (AOA) of the company shall be signed in the following manner –

1. The MOA and AOA shall be signed by **each subscriber** to the memorandum ;
2. Each Subscriber must add his/her name, address, description and occupation, if any ;
3. Each signature must be done and witnessed by at least one person and such witness must attest the signature giving the date and place and indicate his own name, address, description and occupation, if any.
4. The witness shall state that – " I am witness to the subscriber/s who has /have subscribed and signed in my presence and I have verified his/their identity details for their identification and satisfied myself of his/their identification particulars as filled-in".
5. If the subscriber to the MOA is illiterate, another person shall write on his/her behalf. Such illiterate person shall affix his/her thumb or mark impression and the writer on his behalf shall place the name of the subscriber against or below the mark and authenticate it by his (the writer's) own signature. The writer shall also write against the name of that subscriber, the number of shares taken by him/her.
6. The writer on behalf of the illiterate person shall , shall readoutand explain the contents of the MOA and AOA to the subscriber and indicate having done so as an endorsement on the MOA and AOA.
7. In case, the subscriber to the MOA and AOA is a Body Corporate, in that case, the MOA and AOA shall be signed by a director, officer or employee of the body corporate duly authorized by a resolution of the Board of Directors of the body corporate .The person so authorized shall not be a subscriber to the MOA and AOA.
8. In case, the subscriber to the MOA and AOA is a Limited Liability Partnership (LLP), in that case, the MOA and AOA shall be signed by a Partner of the LLP, duly authorized by a resolution approved by all the partners of the LLP. The

person so authorized shall not be a subscriber to the MOA and AOA.

9. Where the subscriber to the MOA and AOA is a foreign national residing outside India and is interested to incorporate a company in India, in such case the incorporation shall be allowed if he/she is having a valid Business Visa. However, if the foreign national is a Person of Indian Origin (PIO) or Overseas Citizen of India (OCI), the requirement of a Business Visa shall not be applicable.

Declaration by professionals

Section 7(1)(b) and Rule 14 of the Companies (Incorporation) Rules,2014 requires that a **Declaration in Form INC-8** be given by an Advocate, or a Chartered Accountant or a Cost Accountant or a Company Secretary , in practice in India, who is engaged in the formation of the company ,stating that all the requirements of Companies Act, 2013 and the rules made thereunder relating to registration of the company under the Act and matters precedent or incidental thereto have been complied with. The professional issuing the declaration must give his name and membership number and put the date and place while signing the declaration .

The declaration should also be signed by a person named in the Articles of Association as a Director, Manager or Secretary of the company.

Declaration pursuant to Section 7(1)(c) of the Companies Act,2013 and rule 15 of the Companies (Incorporation) Rules,2014 has to given in **Form INC-9** by each of the subscribers to the MOA and AOA and the members named as First Directors in the Articles ,if any, duly signed with date and place, must be attached stating that :

1. He has not been convicted of any offence in connection with promotion, formation or management of any company during the preceding five years ;

2. He has not been found guilty of any fraud or misfeasance or any breach of duty to any company under the current or previous company law , during the preceding five years ; and

3. All documents filed with the Registrar for registration of the company , contain information that is correct and complete and true to the best of his knowledge and belief.

The Ministry of Corporate Affairs has introduced SPICe Form meant to simplify the procedure of company registration. The form has facilitated the filing of multiple forms for allotment of Director Identification Number (DIN), Reservation of Name and incorporation of new company through **SPICe -INC 32 Form. SPICe stands for Simplified Proforma for incorporating Company Electronically.**

Documents Required for SPICe Form INC-32:

The following documents must be filed with SPICe Form INC-32 for incorporation of company:

1. Memorandum of Association – Applicable and mandatory only in case of Section 8 company or company with foreign subscribers not having Director Identification Number (DIN)
2. Articles of Association – Applicable and mandatory only in case of Section 8 company or company with foreign subscribers not having Director Identification Number (DIN)
3. Affidavit and declaration by first subscriber(s) and director(s) – Mandatory in all cases
4. Proof of office address
5. Copies of utility bills that are not older than two months
6. Copy of approval in case the proposed name contains any word(s) or expression(s) which requires approval from central government
7. It is mandatory to attach the trademark registration certificate or trademark application copy if the proposed name is based on a registered trademark or is subject matter of an application pending for registration under the Trade Marks Act,
8. A NOC from the sole proprietor/ partners/other associates/ existing company
9. Proof of identity and residential address of the subscribers
10. Proof of identity and residential address of directors

There small disadvantages in the SPICe system, such as :

1. Under SPICe system the maximum number of subscribers can be seven only. In case of more subscribers, normal incorporation procedure has to be followed.
2. Only one name of the company can be proposed.
3. Digital Signature Certificate (DSC) of all subscribers and witness is needed and therefore extra cost is involved.

Particulars of every subscriber : (to be Filed With the Registrar at the Time of Incorporation) :

a) Name (including surname or family name) and
b) recent Photograph affixed and scan with MOA and AOA
c) Father's / Mother's name
d) Nationality
e) Date of Birth
f) Place of Birth (District and State)
g) Educational qualification
h) Occupation
i) Income-tax permanent account number
j) Permanent residential address and also Present address (Time since residing at present address and address of previous residence address (es) if stay of present address is less than one year) similarly the office/business addresses
k) Email id of Subscriber
l) Phone No. of Subscriber
m) Fax no. of Subscriber (optional)
n) Proof of Identity

For Indian Nationals PAN Card (mandatory) and any one of the following :

Voter's identity card
Passport copy
Driving License copy
Unique Identification Number (UIN)

For Foreign nationals and Non Resident Indians
Passport

In case the subscriber is already holding a valid Director

Identification Number(DIN), and the particulars provided therein have been updated as on the date of application, and the declaration to this effect is given in the application, the proof of identity and residence need not be attached.]

o) Residential proof such as Bank Statement, Electricity Bill, Telephone / Mobile Bill Provided that Bank statement Electricity bill, Telephone or Mobile bill shall not be more than two months old;

(p) Proof of nationality in case the subscriber is a foreign national.

(q) If the subscriber is already a director or promoter of a company(s), the particulars relating to-

(i) Name of the company;

(ii) Corporate Identity Number (CIN)

(iii) Whether interested as a director or promoter;

Where the subscriber to the memorandum is a body corporate, then the following particulars shall be filed with the Registrar-

(a) Corporate Identity Number of the Company or Registration number of the body corporate, if any
(b) Global Location Number (GLN), if any;
(c) the name of the body corporate
(d) the registered office address or principal place of business;
(e) E-mail Id;
(f) if the body corporate is a company, certified true copy of the board resolution specifying inter alia the authorization to subscribe to the memorandum of association of the proposed company and to make investment in the proposed company, the number of shares proposed to be subscribed by the body corporate, and the name, address and designation of the person authorized to subscribe to the Memorandum;
(g) if the body corporate is a limited liability partnership ,self attested certified true copy of the resolution agreed to by all the partners specifying inter alia the authorization to subscribe to the memorandum of association of the proposed company and to make investment in the proposed company, the number of shares proposed to be subscribed in the body corporate, and the name of the partner authorized to subscribe to the Memorandum;
(h) the particulars as specified above for subscribers in terms of clause (e) of sub- section (1) of section 7 for the person subscribing for body corporate;
(i) **in case of foreign bodies corporate**, the details relating to-
  (i) the copy of certificate of incorporation of the foreign body corporate; and
  (ii) the registered office address.

The promoter or first director shall self attest his signature and latest photograph in Form No.INC.10]

Particulars of First Directors

Rule 17 provides that particulars of persons mentioned n the Articles as the First Director of the company, their names including surnames or family names, the **Director Identification Number (DIN)** , the residential address, nationality, proof of identity are furnished. Moreover, the interest of the first directors in other firms or body corporate along with their consent to act as first directors in the company in DIR-12 along with the requisite fee must also be furnished.

Registration

Section 7(2) provides that that, the Registrar on the basis of the documents and information filed , shall register all documents and information in the register and issue a Certificate of Incorporation in Form No.INC-11 to the effect that the proposed company is incorporated under the Companies Act,2013.

Sec.7(3) provides that the Registrar shall then allot a **Corporate Identity Number (CIN)** on and from the date mentioned in the Certificate of Incorporation .The CIN shall be distinct Identity for the company and the same shall be included in the certificate.

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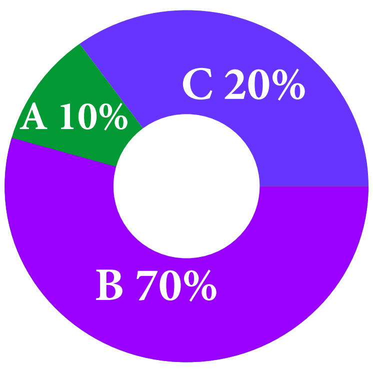
CA Vikash Mundhra
He can be reached at:
vikash@taxpointindia.com

GROUP: 1, PAPER: 7

DIRECT TAXATION (DTX)

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.

Income from House Property

1. Annual value of a property shall be taxable under the head "Income from house property" subject to fulfillment of the following conditions:

   There must be a property consisting of any building or land appurtenant thereto.
   Assessee is the owner (including deemed owner).
   Such property is not used in any assessable business or profession carried on by the assessee.

2. Annual value of a property is assessed to tax only in the hands of the owner. Income from sub-letting is taxable as business income or as income from other sources. Owner includes legal owner, beneficial owner and deemed owner.

   Deemed Owner [Sec. 27]

   Transfer of property to spouse or minor child (not being a married daughter) without adequate consideration;
   The holder of an impartible estate;

   Property held by a member of a housing co-operative society, company, etc.;
   A person who acquired a property u/s 53A of the Transfer of Property Act against part performance of contract;
   Lessee of a building for more than 12 years u/s 269UA(f).

3. Co-owners are not taxable as an AOP provided their respective share is definite and ascertainable. Share of each co-owner shall be taxable in his hands.

4. **Exempted Properties:** Any one palace or part thereof of an ex-ruler (provided the same is not let out) a farm house; house property of a local authority, of an approved scientific research association, of an educational institution, of a hospital, of a person being resident of Ladakh, of a political party, of a trade union; house property held for charitable purpose.

Composite Rent: Composite Rent = Rent for building + Rent for assets / Charges for various services

<table>
<tr><th colspan="5">Composite Rent</th></tr>
<tr><th rowspan="2">Case</th><th colspan="2">When rent is separable</th><th colspan="2">When rent is not separable</th></tr>
<tr><th>Property is acceptable by tenant without amenities</th><th>Property is not acceptable by tenant without amenities</th><th>Property is acceptable by tenant without amenities</th><th>Property is not acceptable by tenant without amenities</th></tr>
<tr><td>Income shall be taxable under the head</td><td>Rent for Property: 'Income from house property'
Rent for Amenities: 'Profits & gains of business or profession' or 'Income from other sources'.</td><td>'Profits & gains of business or profession' or 'Income from other sources'.</td><td colspan="2">'Profits & gains of business or profession' or 'Income from other sources'.</td></tr>
</table>

6. Property held as stock-in-trade

   Where house property is held as stock-in-trade & not let out during any part of the previous year, then annual value of such property shall be computed as under:

Period	Annual Value
Up to 1 year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority	Annual value of such property shall be taken to be nil.
After the completion of aforesaid period	Annual value of such property shall be computed as per other provisions.

7. Let-Out House Property

Gross Annual Value (GAV)

Step 1: Calculate reasonable expected rent (RER) of the property, being higher of a) GMV or b) Fair rent.
Note: RER cannot exceed Standard Rent.
Step 2: Calculate Actual Rent Receivable (ARR) for the year less current year unrealised rent (UR).
Step 3: Compare the values calculated in step 1 and step 2 and take the higher one.
Step 4: Where there is vacancy and owing to such vacancy the 'ARR – UR' is less than the RER, then 'ARR - UR' computed in step 2 will be treated as GAV.

Municipal Tax including service taxes, water taxes and other taxes levied by local authority: Such taxes shall be computed as a % of Net Municipal Value and allowed as deduction if such taxes are actually paid during the previous year by the assessee.

Standard deduction: 30% of net annual value is allowed irrespective of the actual expenditure incurred.

Interest on borrowed capital: Interest payable on amount borrowed for the purpose of purchase, construction, renovation, repairing, extension, renewal or reconstruction of house property can be claimed as deduction on accrual basis. For this purpose, interest on loan is divided into 2 parts:

Interest for pre-construction period	Interest for post-construction period
The period starts from the day of commencement of construction or the day of borrowing whichever is later and ending on March 31 immediately prior to the year of completion of construction. Interest for pre-construction period will be accumulated and claimed as deduction over a period of 5 equal installments commencing from the year of completion of construction.	The period starts from the beginning of the year in which construction is completed and continues until the loan is repaid. Interest for such period is allowed in the respective year(s).

Note: Any interest chargeable under this Act which is payable outside India, is not allowed as deduction if on such interest, tax has not been deducted at source.

Self-occupied Property: The annual value of oneself occupied property or part thereof shall be nil. If an assessee occupies more than one[2] house property as self-occupied, he is allowed to treat only one[2] house as self-occupied at his option. The remaining self-occupied properties shall be treated as 'Deemed to be let out'. Interest on loan u/s 24(b) shall be allowed as under:

Conditions	Maximum Interest Allowed
Where loan is taken on or after 1/4/1999 for construction or acquisition provided construction or acquisition is completed within 5 years from the end of the financial year in which the capital was borrowed & certificate received from lender.	₹ 2,00,000
In any other case	₹ 30,000

9. **Property not Occupied by the Owner / Unoccupied Property:** Where an assessee has a residential house (kept for self-occupation) and it cannot actually be occupied by him owing to his employment, business or profession and he has to reside at a place not belonging to him, then such house shall be termed as unoccupied property. It shall be treated at par with self-occupied property.

10. **Deemed to be let-out House Property:** Where the assessee occupies more than one house property as self-occupied or has more than one[4] unoccupied property, then for any one[4] of them, benefit u/s 23(2) can be claimed (at the choice of the assessee) and remaining property or properties shall be treated as 'deemed to be let out' and shall be treated same as let out house property.

11. Partly Self-occupied and Partly Let-out

---

2 From A.Y. 2020-21, two self occupied property

3 From A.Y. 2020-21, aggregate interest on loan taken for the purpose of acquisition or construction of self occupied house property, being treated as such, shall be allowed as per given table. Interest on loan taken for construction or acquisition of self-occupied property being treated as deemed to be let out shall not be considered in aforesaid limit of ₹ 2,00,000 / ₹ 30,000

From A.Y. 2020-21, two

Case 1) **Area wise Division:** In this case, a house property consists of two or more independent units and one or more of which are self-occupied and remaining units are let out.

Treatment: Self-occupied portion & let out portion shall be treated as two separate house (i.e., Unit A & Unit B); Income of both units shall be computed accordingly.

Case 2) **Time wise Division:** In such case, the house property is self occupied by the assessee for a part of the year and let out for remaining part of the year.

Treatment: In such case assessee will not get deduction for the self-occupied period and income will be computed as if the property is let out throughout the year. Reasonable expected rent (RER) shall be taken for the full year but the actual rent receivable (ARR) shall be taken only for the let-out period.

Case 3) **Area as well as Time wise Division:** Merger of Case 1 and Case 2

1. Taxation of arrears of rent or recovery of unrealized rent in the year of receipt [Sec. 25A]

Taxable Amount = 70% * [Recovery of Arrear Rent + Recovery of Unrealized Rent]

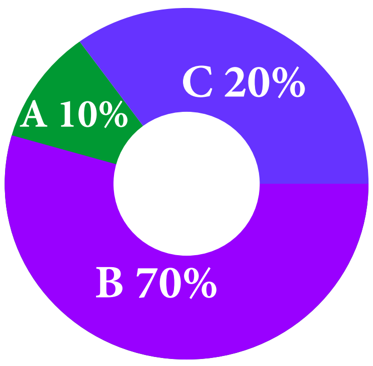
CMA (Dr.) Subir Kr. Datta
Principal,
Kshudiram Bose Central College,
He can be reached at:
duttasubirkumar1958@gmail.com

GROUP: 1, PAPER: 8

COST ACCOUNTING

(CAC)

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

In the present era the value and importance of costing need hardly be overemphasized. Although there is growing awareness about the need for cost accounting among the businessmen, there is also lack of appreciation as to how it can help them – this is due to imperfect competition and imperfect knowledge about costs vs benefits. It is hoped that with increased competition and growing realization about its need, cost accounting will increasingly find its place in the industries and its field will get considerably widened.

One of the important inputs in managerial decision-making is cost data . There is however no single concept of cost , which can cater to all management needs . Cost Accounting is that branch of accounting information system which records, measures and reports information about costs . A cost is a sacrifice of resources . The costs are reflected in accounting system by outlays of cash, promises to pay cash at a future date and the expiration of the value of an asset. The primary purpose of cost accounting is cost ascertainment and its use in decision making and performance evaluation.

Cost Accounting is a quantitative method that accumulates , classifies , summarizes and interprets financial and non-financial information for three major purposes, viz. 1. ascertainment of cost of a product or service, 2. Operational planning and control, 3. Decision-making. Optimum utilization of resource is the urgent need of the day. The role of Cost Accounting in this regard plays a vital role all over the world. Hence, theory as well as solving of practical problems is very much essential for successful preparation of the subject. It is observed from the past experience that 65% to 75% of the total questions are set from practical problems and the balance is theoretical part. Although only 25% questions are set from theoretical part, but a great emphasis should be given on theoretical part as most of the students are very much weak in theory. 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. The conquest of these examinations mainly depends on student's perseverance, seriousness of study and continuous effort.

Based on my personal experience following trips may be suggested for the examinees :-

1. There should be a plane developed for completing the whole syllabus within the scheduled time .
2. Try to go through your Study Note and know the complete syllabus. Remember all chapters are interlinked.
3. This paper is based on mainly practical problems.
4. Analyze the trends of setting questions by taking at least ten terms.
5. Prepare yourself based on previous paper setting.
6. Clarity of concepts and self expression is essential for success in life.
7. Time schedule with specified activities is very much essential for time-management.
8. Write down all the important terms in your own words and read them regularly.
9. Try to improve your speed by regular practice and revision.
10. Always try to answer all objective type questions, which carry 100% marks.
11. Finally, try to develop a habit of reading the questions well, underlining and understanding the specific requirements.

The study material of **Paper 8** includes 6 chapters. The first one is related to the basic concept of cost accounting. The second one described the Elements of cost in details. We know that the three major elements of costs are – Material, Labour and Overheads. Here, the major elements of cost are discussed elaborately with sufficient number of examples. You should read the scope and objectives of different Cost Accounting standards in details. This will help to grasp the concept of cost accounting easily. Try to solve the problems on earnings of workers under different schemes. Here Cost allocation, Cost apportionment and Cost absorption should be understood very clearly.

The next chapter is related to Cost Book-Keeping, which includes integrated accounting system also. In the Cost Books, only nominal accounts, e.g., income and expenses, losses and gains etc, and to some extent, real accounts are recorded. Costing Department is concerned with income and expenditure relating to business carried on. Here transactions are entered into the basis of double entry book- keeping principle – every debit must have a corresponding credit. It is generally the responsibility of the Cost Accountant to record the costing transactions. This chapter is very easy to understand but the process is lengthy. In practice different accounts are to be opened, but it is not necessary to give much effort to complete it. Here Cost Department maintains separate ledger quite distinct form financial accounting, maintaining their books of accounts.

Job or Batch Costing is one of the methods of Costing which is used when the job orders are under taken in the factory or workshop, and when contracts are taken out to build houses , construct roads , bridges , damps etc. Many companies manufacture goods against orders. The main purpose of job costing is to ascertain profit or loss on each job / batch undertaken. The chapter Contract /Job/ Batch Costing is very important for this type of examination. There are some standard norms for computation and recognition of profit or loss of incomplete contract. Students often face difficulty in recommending the amount of profit to be taken into account for incomplete contract. Make sure that you are familiar with various methods/formulae for different stage of completion and share of profit. Students are also advised to be through on the topic "Profit on incomplete contracts based on SSAP – 9". Various problems on 'exaltation clause' used to be set at this level of examination. Generally full credit is expected by solving the problem.

The next chapter, 'Operating Costing' relates to find out operating cost per unit of output. Operating costing has derived its name from cost ascertainment by each operation. This chapter also includes 'Transport Costing' , 'Hospital Costing', 'Power House Costing' , 'Hotel/ Hostel Costing' etc. Composite unit finding is important for solving the problem.

The next chapter "Marginal Costing" is not a particular method of cost ascertainment but a technique dealing with the nature and behavior of cost and there effects upon the profitability of an organization. It aims to find out cost-volume-profit relationships of a product. Some times more than one problem may be set from this chapter. The main thrust should be to follow the working and determine the desired impact on profitability. Finding the B.E.P. in Break-even Analysis is the basic part for solving problem. In this analysis you should also study the effect on profits due to various changes in Fixed Cost, variable cost , selling price and sales- mix.

In Slandered Costing, variances are analyzed in detail according to their originating causes. It provides a valuable guidance to the management in several management functions, such as in formulating policies, in determining prices, etc. The chapter relates to 'Variance Analysis' which helps the management to fix responsibility for each department and to identify the activities or areas of exceptions. Standard Costing, an accounting technique, came to be developed as a systematic method of Comparing the actual cost with the predetermined standard of cost and performance. Any problem on standard cost for working out different variances can be worked out by using a standard format applicable to all variance analysis. The students are 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 main purpose of Variance analysis is to enable the management to improve the operations for effectives utilization of resources need to increase the efficiency by reducing cost.

The next chapter deals with Budget and Budgetary control . Planning and control are the important function of management. For assisting management in these two functions, the technique of Budgetary Control and Standard Costing are applied. Budget is defined as a financial and /or quantitative statement, prepared prior to a defined period of time , of the policy to be pursued during that period for the purpose of attaining a given objective. 'Budget and Budgetary control', which requires preparation of 'Flexible Budget', 'Functional Budgets' and 'Cash Budget' for taking necessary actions. Both 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 budget 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 purchase budget. For Preparing Material Purchase Budget and Production Budget there is some common mistake of incorrectly deduction of opening and closing stocks.

The term contract Costing refers to the form of specific order costing which applies where work is undertaken to customers special requirements and each order is of long duration. The work is usually constructional nature. The solution of the following problem relating to contract costing can be taken as an example.

Problem

XYZ Construction Co. Ltd. Supplied you the following information relating to a contract for Rs. 4,25,000 during the period ended 31.12.2018.

	Rs.
Opening material	10000
Plant	120000
Value of uncertified work	10000
Expenses incurred during the period :	
Material purchased	140000
Wages paid	30000
Direct charges	20000
General overhead	25000
Material unused for the contract	6000
Salvage value thereof	2000
Sub- contract	10000

Additional information :

(i) Accrued wages on 31.12.2018	Rs. 800 expenses 1000
(ii) Additional plant purchased	80000
(iii) Rate of depreciation	15%
(iv) Value of works certified up to 15th December	300000
(v) Retention money	10%
(vi) Material on site	2000
(vii) Value of certified work includes profit & loss	25% on cost

Prepare a Contract A/C and find out the value of W.I.P.

Solution

Contract A/c

For the period ended 31.12.2018

Dr. Cr.

Dr.	Rs.	Cr.	Rs.
To Uncertified work b/d	10000	By Bank	2000
To Material b/d	10000	(Salvage value)	4000
To Material Purchased	140000	By Profit & Loss A/c	
To Wages paid	30000	(Loss on Material)	2000
To Accrued wages c/d	800	By Material c/d	170000
To Direct Charges	20000	By Plant c/d	
To Direct expenses c/d	1000	(200000 - 15% of 200000)	
To General overhead	25000	By Cost c/d	258800
To Sub. Contract	10000		
Rs.			
To Plant b/d 120000			
Add : Additional Purchase 80000			
	200000		
	436800		
To Cost b/d	258800	By Contractee A/c	
To Notional Profit c/d	60000	Value of certified work	300000
		Uncertified work c/d	18800
	318800		318800
To Profit & Loss A/c	36000	By Notional Profit c/d	60000
To Profit provision c/d	24000		60000
	60000		
To Uncertified work b/d	18800	By Profit provision b/d	24000
To Plant b/d	170000	By Accrued wages b/d	800
To Material b/d	2000	By Direct expenses b/d	1000

Workings :

(i) **Calculation for cost of certified work**

Profit of certified work = $\frac{1}{4}$ on cost = 1/5 on contract value

$\therefore$ Profit on contract value on certified work = 1/5 x 300000 = 60000

$\therefore$ Cost of certified work = (300000 - 60000) = 240000

	Rs.
Total cost up to date	258800
Less : Cost of certified work	240000
$\therefore$ Cost of uncertified work	18800

(ii)**Calculation for Cash received**

Cash received = Value of certified work - 10% of value of certified work (as retention money is 10%)

= (300000 - 10% of Rs. 300000) Rs. 270000

(iii)Calculation for Profit to be charged to profit & Loss A/c

Profit to be charged to P/L A/c = 2/3 x Notional Profit x Cash received /Work certified

$$= 2/3 \times 60000 \times \frac{270000}{300000} = 36000$$

(iv) Calculation for value of W.I.P.

(v)

	Rs.	
Cost of uncertified work	18800	
Value of certified work	300000	
		318800
Less : Profit provision	Rs. 24000	
Cash received	270000	294000
Value of W.I.P.		24800

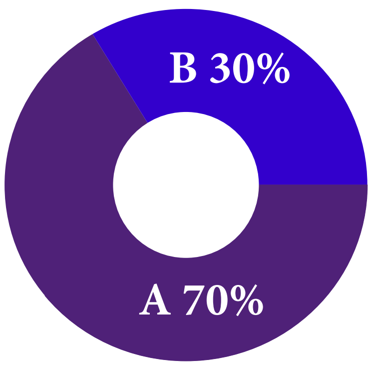
CMA Ankan K Bandyopadhyaya
He can be reached at:
abanerjee8533@gmail.com

GROUP: 2, PAPER: 9, Part- i

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM)

Operation Management

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 complex Line Balancing problems in continuation of our discussion on the same topic in last month's issue under Production Planning and Control.

Illustration:

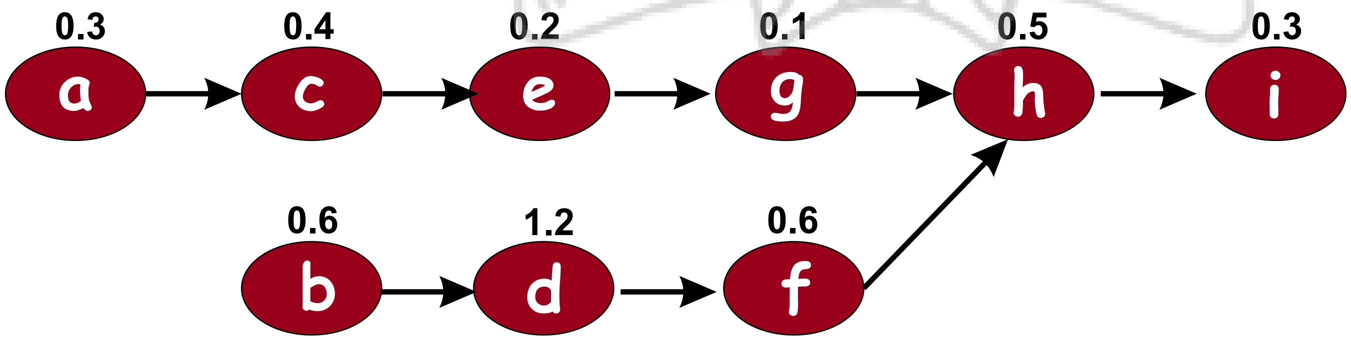
The tasks shown in the following table are to be assigned to workstations with the intent of minimising idle time. Management has designed an output rate of 300 units per day. Assume 600 minutes are available per day

a) Draw a precedence diagram;
b) Determine the appropriate cycle time
c) What is the minimum number of stations possible?
d) Assign tasks using the "positional weight" rule: Assign tasks with highest following times (including task's own time) first. Break ties using greatest number of following tasks.
e) Compute efficiency

Task	Immediate Predecessor	Task Time (in minutes)
a	-	0.3
b	-	0.6
c	a	0.4
d	b	1.2
e	c	0.2
f	d	0.6
g	e	0.1
h	f, g	0.5
I	h	0.3
Σt		4.2

Ans:

(a)



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

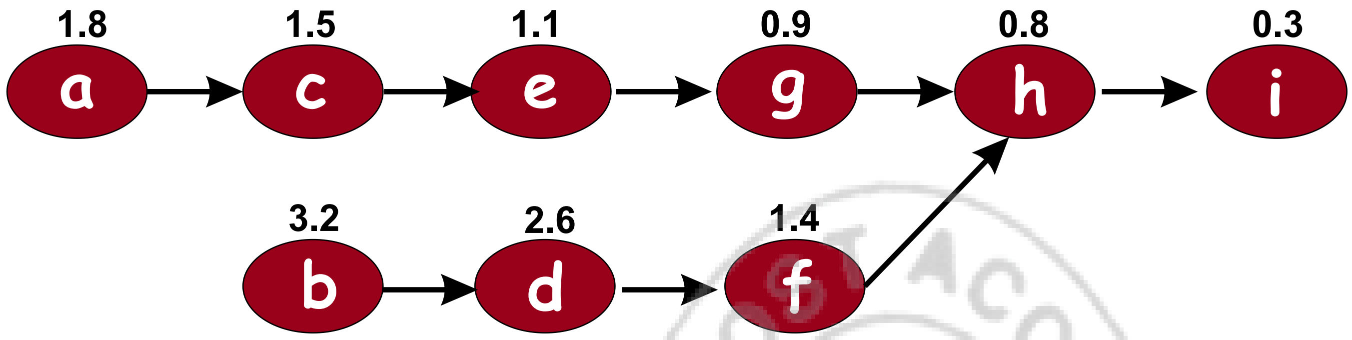
$$= \frac{600}{300} = 2 \text{ minute per unit}$$

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

$= \frac{4.2}{2} = 2.2$ = rounded to 3 station

(d)
The solution is given in the following table.

Positional weights i.e. task time plus the sum of all following times of each task is shown below.

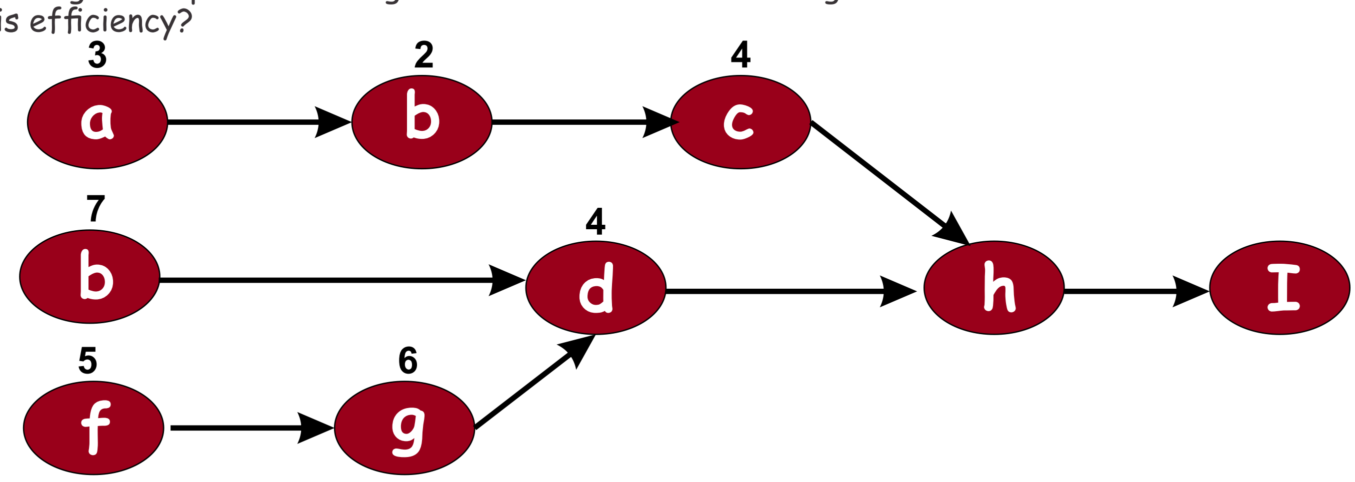


Station	Time Remaining	Eligible	Assign Task/ Time	Time Used	Revised Time Remaining	Station idle Time
1	2	a, b	b	0.6	1.4	
	1.4	a, d	d*	1.2	0.2	
	0.2	none	none			0.2
2	2	a,f	a	0.3	1.7	
	1.7	c,f	c	0.4	1.3	
	1.3	e,f	f	0.6	0.7	
	0.7	e	e	0.2	0.5	
	0.5	g	g	0.1	0.4	
	0.4					0.4
3	2	h	h	0.5	1.5	
	1.5	i	i	0.3	1.2	1.2
Total						1.8

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;
In workstation 1 task b is to be assigned first as it has the maximum possible weight.
*Time remaining in workstation 1 after assigning b is 1.4min. Now within this time tasks a and dboth are eligible. But since d has more positional weight (2.6 in comparison to 1.8 of a) task d has been assigned first. Therefore station's remaining time 0.2 min is the idle time of the station;

Illustration:
A manger wants to assign tasks to workstations as efficiently as possible and achieve an hourly output of four units. The department uses a working time of 56 minutes per hour. Assign the tasks shown in the accompanying precedence diagram (times are in minutes) to workstations using the following rules:

a) In order of most following tasks. Tiebreaker: greatest positional weight
b) In order of greater positional weight. Tiebreaker: most following tasks
c) What is efficiency?



Ans:

The following table shows the order of most following tasks and against each task positional weights are shown:

Task	Number of tasks following	Positional Weight
a	4	23
b	3	20
c	2	18
d	3	25
e	2	18
f	4	29
g	3	24
h	1	14
I	0	5

$$\text{Cycletime} = \frac{\text{Operatingtimeperday}}{\text{Desiredoutputrate}}$$

$$= \frac{56}{4} = 14\text{minutesperunit}$$

$$\text{Theoreticalminimumnumberofstations} = N_{min} = \frac{\Sigma t}{\text{Cycletime}}$$

$$= \frac{45}{14} = 3.21 = \text{roundedto4station}$$

a) The solution is given in the following table.

Station	Time Remaining	Eligible	Assign Task / Time	Time Used	Revised Time Remaining	Station idle Time	Reason
1	14	a,b,f	a	3	11		as has maximum follower
	11	b,d,f	f	5	6		as f has maximum follower
	6	b,g	g	6	0		as g has greatest positional weight
2	14	b,d	d	7	7		as d has greatest positional weight
	7	b,e	b	2	5		as b has maximum followe
	5	c,e	e	4	1		Refer Note 1 below
	1	None				1	
3	14	c	c	4	10		Only task, no choice
	10	h	h	9	1		Only task, no choice
	1	None				1	
4	14	I	5	5	9		Only task, no choice
	9					9	
	Total					11	

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;

Note 1: Task c and e both have same number of followers and same positional weights. So to tie break we have assigned task e arbitrarily.

b)

In this case we have to assign the tasks to stations on the basis of greatest positional weights. In case of ties, tie break is done by assigning the task with maximum followers.

The solution is given in the following table:

Station	Time Remaining	Eligible	Assign Task/ Time	Time Used	Revised Time Remaining	Station idle Time	Reason
1	14	a,d,f	f	5	9		as f has greatest positional weight
	9	a,d,g	d	7	2		as d has greatest positional weight
	2	None				2	
2	14	a,e,g	g	6	8		as g has greatest positional weight
	8	a,e,g	a	3	5		as a has greatest positional weight
	5	b,e	b	2	3		as b has greatest positional weiht
	3	None				3	
3	14	c,e	c	4	10		Refer Note 1 below
	10	e	e	4	10		Refer Note 1 below
	6	None				6	
4	14	h	h	9	5		Only task, no choice
	5	I	I	5	0		Only task, no choice
	Total					11	

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;

Note 1: Task c and e both have same positional weights and same number of followers. So to tie break we have assigned task c arbitrarily.

Efficiency:

Under (a) & (b)

$$\text{Percentageofidletime} = \frac{\text{Idletimepercycle}}{N_{actual} * \text{Cycletime}} * 100$$

$$= \frac{11}{4*14} * 100 = 19.64\%$$

Similarly with the help of formula for Efficiency of the linecould be found as:

$$\text{Efficiency} = 100\% - \text{Percentageofidletime} = 100\% - 19.64\% = 80.36\%$$

$$\text{Efficiencyoftheline} = \frac{N_{Actual} * \text{Cycletime} - \text{Idletime}}{N_{Actual} * \text{Cycletime}} * 100$$

$$= \frac{4*14-11}{4*14} * 100 = 80.36\%$$

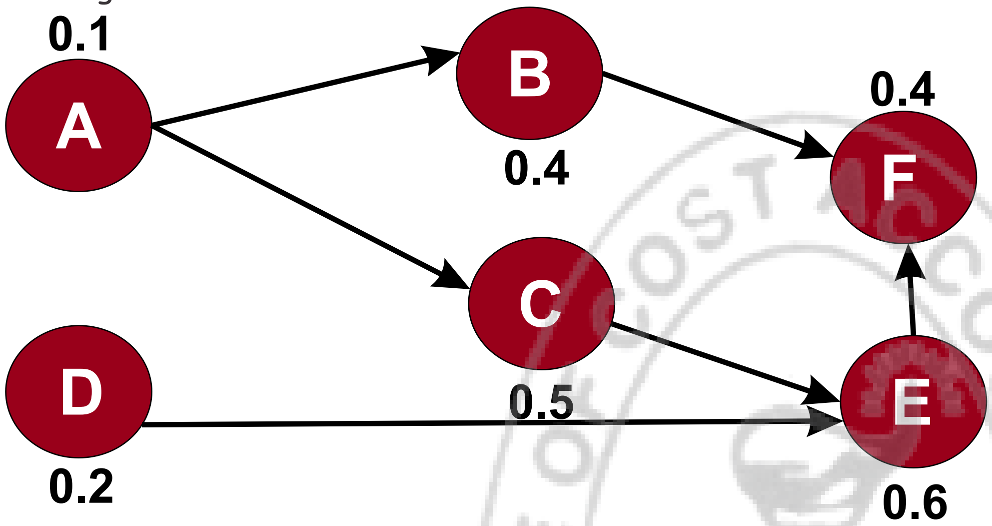
Illustration:

ABC Company needs to produce 4000 boxes of blocks per 40 hour week to meet upcoming holiday demand. The process of making block can be broken into six tasks. The precedence and time requirements for each task are as follows. Draw the precedence diagram and set up a balanced assembly line and calculate the efficiency.

Task	Precedence	Performance Time (Min)
A	-	0.1
B	A	0.4

C	A	0.5
D	-	0.2
E	C, D	0.6
F	B, E	0.4
		2.2

Ans:
The precedence diagram is as follows:



$$\text{Cycletime} = \frac{\text{Operatingtimeperday}}{\text{Desiredoutputrate}}$$

$$= \frac{40*60}{4000} = 0.6\text{minutesperunit}$$

$$\text{Theoreticalminimumnumberofstations} = N_{min} = \frac{\Sigma t}{\text{Cycletime}}$$

$$= \frac{2.2}{0.6} = 3.67 = \text{roundedto4station}$$

The solution is given below.
We are doing in order of greater positional weight. Tiebreaker: most following tasks

Task	Number of tasks following	Positional Weight
A	3	1.6
B	1	0.8
C	2	1.5
D	2	1.2
E	1	1
F	-	0.4

Station	Time Remaining	Eligible	Assign Task/ Time	Time used	Revised Time Remaining	Station idle Time	Reason
1	0.6	A,D	A	0.1	0.5		as A has greatest positional weight
	0.5	B,C,D	C	0.5	0		as C has greatest positional weight
2	0.6	B,D	D	0.2	0.4		as D has greatest positional weight
	0.4	B	B	0.4	0		Only task, no choice
3	0.6	E	E	0.6	0		Only task, no choice

4	0.6	F	F	0.4	0.2		Only task, no choice
	0.2					0.2	
	Total					0.2	

$$\text{Percentageofidletime} = \frac{\text{Idletimepercycle}}{N_{actual} * \text{Cycletime}} * 100$$

$$= \frac{0.2}{4 * 0.6} * 100 = 8.33\%$$

Similarly with the help of formula forEfficiency of the linecould be found as :

$$\text{Efficiency} = 100\% - \text{Percentageofidletime} = 100\% - 8.33\% = 91.67\%$$

$$\text{Efficiencyoftheline} = \frac{N_{Actual} * \text{Cycletime} - \text{Idletime}}{N_{Actual} * \text{Cycletime}} * 100$$

$$= \frac{4 * 0.6 - 0.2}{4 * 0.6} * 100 = 91.67\%$$

Suggestions:
This lesson is prepared purely from teachings imparted by the Guide book issued by Institute. Detail procedure for line balancing are discussed in the previous month's discussion. The study guide on Operations Management issued by Institute is to be studied thoroughly. In this month's discussion emphasis is given on how to break the tie by applying the techniques mentioned in earlier writing. Attempts are made here to explain the line balancing with tie break illustrations. For supplementary readings one can refer Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson.

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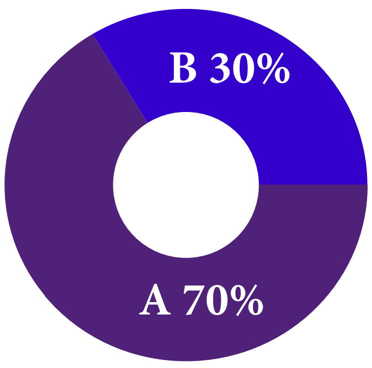
CMA (Dr.) Sumita Chakraborty
Additional Director,
Research & Studies
She can be reached at:
research.hod@icmai.in
studies.addldir1@icmai.in

GROUP: 2, PAPER: 9, Part- ii

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM)

Strategic Management

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:
Strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives. Strategy can also be defined as knowledge of the goals, the uncertainty of events and the need to take into consideration the likely or actual behaviour of others.

While planning a strategy it is essential to consider that decisions are not taken in a vacuum and that any act taken by a firm is likely to be met by a reaction from those affected:

Competitors,
Customers,
Employees or
Suppliers.

Strategy is the outline of decisions in an organization that shows its objectives and goals, reduces the key policies, and plans for achieving these goals, and defines the business the company is to carry on, the type of economic and human organization it wants to be, and the contribution it plans to make to its shareholders, customers and society at large.

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 behaviour 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.

Hence, 'Strategy' may be defined as the direction and scope of a organisation over the long term, which achieves advantage for the organisation through the configuration of resources within a changing environment and to fulfil stakeholder expectations.

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

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.
(viii) The strategy of an organisation is affected not only by environmental factors and resource availability but also by the values and expectations of those who have power in and around the organisation.

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 is defined by William F. Glueck as "a stream of decisions and actions which leads to the development of an effective strategy or strategies to help achieve objectives."

So Strategic Management is considered as either decision making and planning or a set of activities related to the formulation and implementation of strategies to achieve organisational objectives.

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 choices involve understanding the underlying bases for future strategy at both the corporate and business unit levels and options for developing strategy in terms of both the directions and methods of development.

Strategy into action is concerned with ensuring that strategies are working in practice.

Difference between Strategic Management and Operational Management:

Strategic Management is ambiguous/uncertain, complex, organisation wide, fundamental and has long term implications. On the other hand, operational management is routine-wised, operationally specific and has short term implications.

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.

Strategic Management Framework:

The basic framework of strategic management involves five stages:

Stage 1: In this stage, organisation analyse about their present situation in terms of their Strengths, Weaknesses, Opportunities and Threats.

Stage 2: In this stage, organisations setup their missions, goals and objectives by analysing where they want to go in future.

Stage 3: In this stage organisation analyses various strategic alternatives to achieve their goals and objectives. The alternatives are analysed in terms of what business portfolio/product mix to adopt, expansion, merger, acquisition and divestment options etc are analysed to achieve the goals.

Stage 4: In this organisations select the best suitable alternatives in line with their SWOT analysis

Stage 5: This is implementation stage in which organisation implement and execute the selected alternatives to achieve their strategic goals and objectives.

Stage 1: Where are we now? Analysis of present situation

Stage 2: Where we want to go? Setting goals and objectives for future

Stage 3: Analyses of various alternatives to achieve the goals and objectives

Stage 4: Selecting best alternatives in line with strengths of organisation

Stage 5: Implementing and executing the selected alternatives and monitoring of the same overtimes

Strategic Management Framework

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
(vii) Help to achieve growing and stable organisation.

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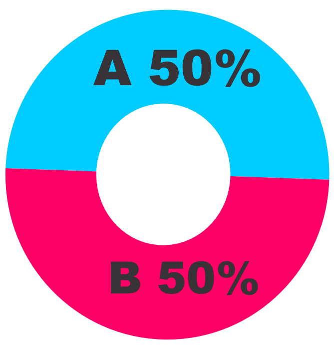
GROUP: 2, PAPER:10

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:Paper15) 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.

Decision Making Tools

Make or Buy Decision

- A product should be made in-house instead of being purchased from outside if the Relevant Cost of producing is lower than that of buying.
- Here, relevant cost is the cost which has to be incurred for the concerned alternative. For example:

Relevant Cost of Making	Relevant Cost of Buying
All Direct Cost	Purchase Cost
Variable Overhead	
Avoidable Fixed Cost	
Opportunity Cost or Cost of lost opportunity	

- Direct cost means the prime cost comprising direct material, direct labour and direct expenses.
- Avoidable fixed costs are those fixed costs which can be avoided if the company decides not to produce inhouse.
- Opportunity Cost or Cost of lost opportunity refers to the loss that has to be borne if the facility is used for production and not for the alternative use. For example if the facility can be rented to others, then the rent will be the opportunity cost or loss as the company will have to sacrifice the same in case it decides to start production by using the facility by itself and not giving it on rent.

Consider the following example:
X Ltd. manufactures automobile accessories and parts. The following are the total costs of processing 400000 units:

Particulars	Rs.
Direct material cost	2000000
Direct labour cost	3200000
Variable factory overhead	2400000
Fixed factory overhead	2000000

The purchase price of the component is Rs.22. The fixed overhead would continue to be incurred even when the component is bought from outside, although there would have been reduction to the extent of Rs.800000.

Required:

(a) Should the part be made or bought considering that the present facility when released following a buying decision would remain idle?
(b) In case the released capacity can be rented out to another manufacturer for Rs.600000 having good demand, what should be the decision?

Solution:

(a) Analysis of Relevant Cost for Different Alternatives

Particulars	Make	Buy
Variable cost (i.e. DM+DL+VOH)	7600000	
Avoidable Fixed Cost	800000	
Purchase Cost		8800000
Total relevant cost	8400000	8800000

Since relevant cost of making is lower, the product should be manufactured in-house.

(b) Analysis of Relevant Cost for Different Alternatives

Particulars	Make	Buy
Variable cost (i.e. DM+DL+VOH)	7600000	
Avoidable FC	800000	
Purchase Cost		8800000
Opportunity Cost (Rent)	600000	
Total relevant cost	9000000	8800000

Consider another example.

An automobile manufacturing company finds that while the cost of making in its own workshop part No. 0025is Rs.12.00 each, the same is available in market at Rs.11.20 with an assurance of continuous supply. Write a report to the Managing Director giving your views whether to make or buy this part. Give also your views in case the suppliers reduce the price from Rs.11.20 to Rs.9.20. The cost data is as follows;

	Rs.
Materials	4.00
Direct Labour	5.00
Other variable costs	1.00
Depreciation and other fixed costs	2.00

Solution:

Calculation for Relevant Cost of making and buying

	Make (Rs.)	Buy (Rs.)
Relevant cost of making:	4.00	
Material	5.00	
Labour	1.00	
Other variable cost		
Relevant cost of buying		
Purchase price		11.20
	10.00	11.20

Since the relevant cost of making is lower, it is recommended.
If, however, the component is available at Rs.9.20, buying will be recommended.
Note: Here depreciation and other fixed costs are sunk cost and hence, not relevant.

Shut Down Decision

- A plant should be shut down if the loss due to continuing the production is higher than the loss after it shuts down.
- The loss after it shuts down mainly covers the sunk cost (i.e. unavoidable fixed cost) and shut down cost.

Consider the following example:

A paint manufacturing company manufactures 200000 of medium-sized tins per annum when working at normal capacity. It incurs the following costs of manufacturing per tin:

Costs	Rs.
Direct material	7.80
Direct labour	2.10
Variable overhead	2.50
Fixed overhead	4.00
Total	16.40

Each of the product is sold for Rs. 22.50 with variable selling and administrative expenses Rs. 0.625 per tin. During the next quarter only 10000 tins can be produced and sold. The management plans to shut down the plant estimating that the fixed manufacturing cost can be reduced to Rs. 74000 for the quarter. When the plant is operating the fixed overheads are incurred at a uniform rate throughout the year. Additional costs of plant shut down for the quarter are estimated at Rs. 14000. Express your opinion on shut down. Also calculate the shut-down point.

Solution:

Calculation of loss if production is continued

Particulars	Rs.
Sales (22.50*10000)	225000
Total VC (7.80+2.10+2.50+0.625)*10000	130250
Contribution	94750
Fixed OH (200000*4)/4	200000
Loss	105250

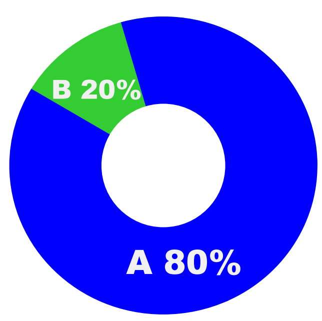
Loss if shut down = Unavoidable FC + Shut Down Cost = Rs. 74000+14000 = Rs. 88000
Since, loss in case the plant is shut down is lower than that if it is continued, the plant should be shut down.
Shut Down Point = Difference in FC/ Contribution p.u = (200000-88000)/9.475 = 11820 units.
Note: Here, CPU = 22.50 – (7.80+2.10+2.50+0.625) = Rs. 9.475

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

GROUP: 2, PAPER:11

INDIRECT TAXATION (ITX)

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

Refund of unutilized Input Tax Credit

Legal Provisions

Section 54(3) of CGST Act, 2017 provides for refund of unutilised input tax credit in following 2 circumstances

- Zero rated supplies of goods and/or services and
- Where credit has accumulated on account of rate of tax on inputs being higher than rate of tax on output supplies (inverted duty rate structure)

Central Government has been vested with the power under section 54(3) of CGST Act, 2017 to notify goods and/or services in respect of which refund of unutilised input tax credit accumulated on account of inverted duty rate structure shall not be allowed.

Consequently, Central Government vide Notification No.5/2017-Central Tax (Rate) dated 28/06/2017 has notified following textile and textile goods in respect of which refund of unutilised input tax credit accumulated on account of inverted duty rate structure shall not be allowed.

S. No.	Tariff item, heading, sub-heading or chapter	Description of goods
1	5007	Woven fabrics of silk or of silk waste
2	5111 to 5113	Woven fabrics of wool or of animal hair
3	5208 to 5212	Woven fabrics of cotton
4	5309 to 5311	Woven fabrics of other vegetable textile fibres, paper yarn.
5	5407, 5408	Woven fabrics of manmade textile materials
6	5512 to 5516	Woven fabrics of manmade staple fibres
6A	5608	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials
6B	5801	Corduroy fabrics
6C	5806	Narrow woven fabrics, other than goods of heading 5807; narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs)
7	60	Knitted or crocheted fabrics [All goods].

However, Notification No.5/2017 Central Tax (Rate) dated 28/6/2017 was amended vide Notification No.20/2018 Central Tax (Rate) dated 26/07/2018 to insert following provisos in it

1. Unutilised input tax credit accumulated on account of inverted duty rate structure on inward supplies received on or after 01/08/2018 in respect of above mentioned textile goods shall be allowed
2. In respect of above mentioned textile goods, unutilised input tax credit accumulated on account of inverted duty rate structure up to the month of July 2018, on inward supplies received up to 31/07/2018 shall lapse.

Landmark judgment on lapse of unutilised input tax credit accumulated upto 31st July 2018

Shabnam Petrofils Pvt. Ltd. versus Union of India - Gujarat HC

The Honourable High Court held the lapse of unutilised input tax credit accumulated on account of inverted duty rate structure up to the month of July in respect of textile goods as unlawful on the following grounds

- The only power conferred upon Central Government under section 54(3) of CGST Act 2017 is to notify the goods and services which are not entitled for refund of unutilized input tax credit accumulated on account of inverted duty rate structure.
- Central Government has no power under section 54(3) of CGST Act, 2017 to grant lapse of accumulated input tax credit lying unutilised in balance on 31/07/2018. In other words, there is no express provision under section 54(3) of CGST Act, 2017 for lapsing unutilised input tax credit accumulated on account of inverted duty rate structure.
- Input tax credit once validly taken is indefeasible. In other words, input tax credit once validly taken cannot be cancelled in absence of express legal provision for lapsing it.
- Every assessee holds the right to utilize the input tax credit without any limitation of time. In other words, assessee have a right over unutilised input tax credit accumulated on account of inverted duty rate structure upto 31/7/2018. It is not liable to be cancelled or lapsed.

Conclusion

- Amendment made to the Notification No.5/2018 Central Tax (Rate) dated 28/6/2018 to the extent of lapsing input tax credit accumulated on account of inverted duty rate structure lying unutilised upto the month of July 2018 on inward supplies received upto 31/7/2018 in respect of textile goods is declared to be unlawful and invalid.
- Assessee hold a valid right over input tax credit accumulated on account of inverted duty rate structure lying unutilised upto the month of July 2018 on inward supplies received upto 31/7/2018 in respect of textile goods. It is not liable to be cancelled or lapsed.

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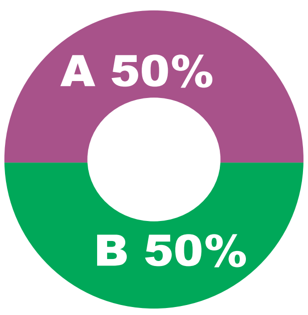
Dr. Malay Kr. Nayak
Associate Professor,
Dept. Of Commerce,
M.B.B.College,Tripura
He can be reached at:
malay_nayak@ymail.com

GROUP: 2, PAPER:12

COMPANY

ACCOUNTS & AUDIT (CAA)

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.

Types of Audit

Today we are to discuss about the various types of audit.

Complete Audit: Audit in which all the transactions recorded in the books of accounts are audited thoroughly.

Partial Audit: Audit in which only particular type of transaction is audited.

Voluntary Audit: Audit which has been made at the sweet will of the proprietor/interested parties of the concern.

Compulsory Audit: Audit which has been made compulsory under specific statute.

Private Audit: Audit which is undertaken by private organistion.

Government Audit: Audit which is applicable to Government Departments and departmental undertakings.

Final Audit: Audit which begins after the close of the period of accounts and is carried on until it is completed.

Continuous Audit: Detailed examination of all the transactions continuously throughout the year or at regular intervals

Interim Audit: Carrying out of audit work at any time during the year or in the middle of the financial year in order to ascertain the interim profit or loss or state of financial affairs of the concerns.

Cash Audit: It is undertaken with a limited purpose of examining cash receipts and payments.

Special Audit: It is the Audit of companies in certain cases undertaken as per central government directives particularly when the affairs of company are not being managed with sound business principles or if any company is being managed in a manner to cause serious injury to the interest of trade, industry or business.

Cost Audit: It is the verification or the correctness of cost accounts or of adherence of cost accounting plan. It is audit as per section 141 and section 148 of the Companies Act 2013.

Joint Audit: Audit by two or more persons or firms of chartered accountants.

Propriety Audit: Audit in which the various actions and decisions are examined to find out whether they are in public interest and whether they meet the standards of conduct.

Performance Audit: Objective examination of the financial and operational performance of an entity.

Operational Audit: Examination of all the operations and activities of an entity under audit

Internal Audit: An independent managerial function which involves a continuous and critical appraisal of the functioning of entity with a view to suggest improvements thereto.

Forensic Audit: Examination of concern to find out whether any fraud has been noticed or reported during the year and to indicate the nature and the amount involved.

Social Audit: Audit of measuring, understanding, reporting of organization's performance towards meeting its social and ethical objectives.

System Audit: Detail enquiry about the various system of accounting to safeguard data integrity, system effectiveness and system efficiency.

Auditing In Depth: Examination of path applied within a business, tracing of certain transactions from their origin to the conclusion.

Environment Audit: Evaluate the manner and extend to which to which business unit discharge the responsibility concerning environmental protection.

Secretarial Audit: Audit of every listed company as per section 204 of the Companies Act 2013 read with section 134 of Companies Act 2013.

Quality Audit: Review of management responsibility of quality, quality systems, quality records, statistical quality techniques with a view to satisfy quality management as effective and efficient.

Students are to go in depth of various audits particularly encircled in company affairs. Above discussion is only indicative. Techniques of different audit, advantages and disadvantages of different audit, appointment of auditor in different audit are to engulf in the study.

Enjoy Study in rainy season and prepare yourself for ensuing exam.

150 YEARS OF CELEBRATING THE MAHATMA

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

02 Solve Excercises given in Study Note

03 Assess Yourself

04 Appear For Examination

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.

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;

Few Snapshots

Election of CMA Balwinder Singh as President and CMA Biswarup Basu as Vice-President of the Institute.

CMA Balwinder Singh, President along with CMA Vijender Sharma, Council Member of the Institute welcomes Ms. Lucia Real-Martin, Lead Market Director, Association of Chartered Certified Accountants (ACCA) on 28th August 2019 at CMA Bhawan, New Delhi.

Glimpses of SAFA Foundation Day Conference on the theme "Emerging Challenges and Opportunities for Professional Accountants in South Asia" organised by the Institute on 22nd August 2019 at Hyderabad.

Glimpses of SAFA Foundation Day Conference on the theme "Emerging Challenges and Opportunities for Professional Accountants in South Asia" organised by the Institute on 22nd August 2019 at Hyderabad.

Launching SAP - FICO Course during the meeting of the Council of the Institute on 21st August 2019 at Hyderabad.

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