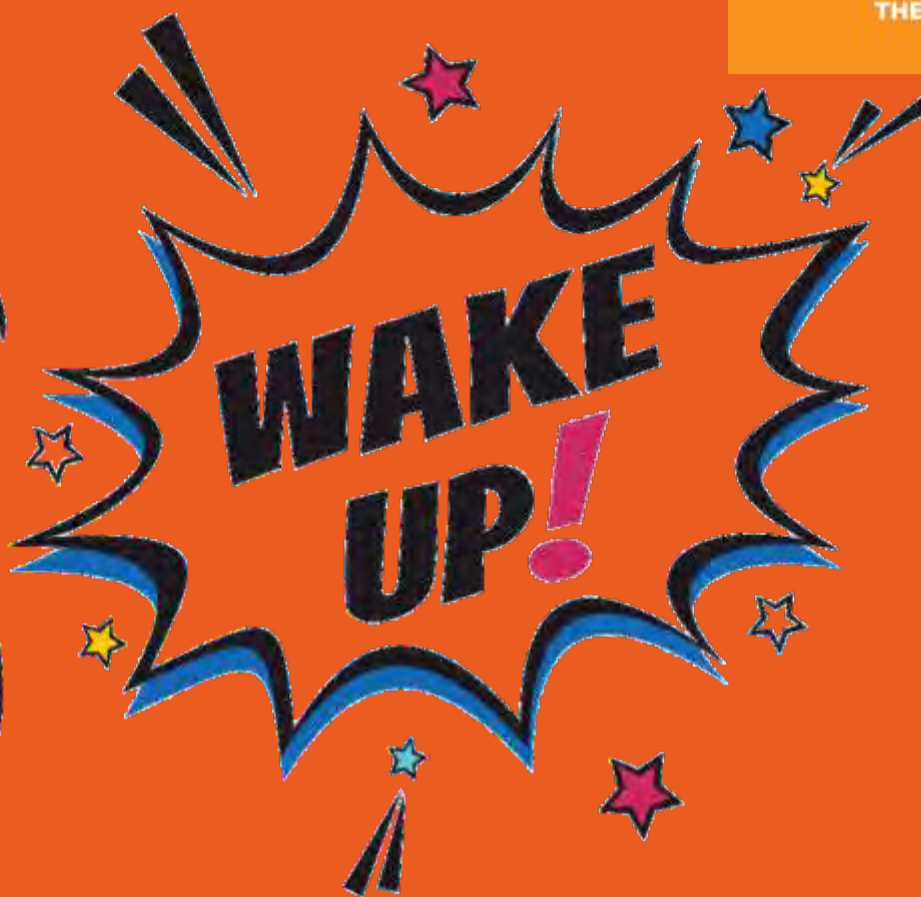


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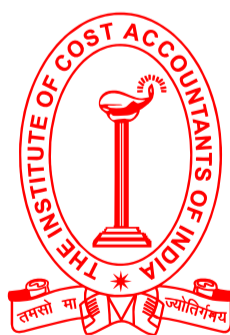
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# CMA Student E - Bulletin

# INTERMEDIATE

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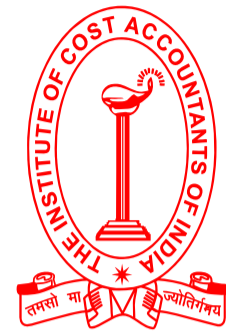
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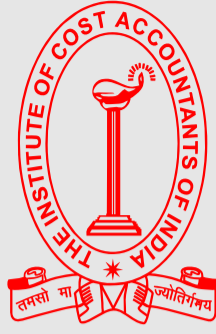
Behind every successful business decision, there is always a **CMA**



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# KNOWLEDGE Update



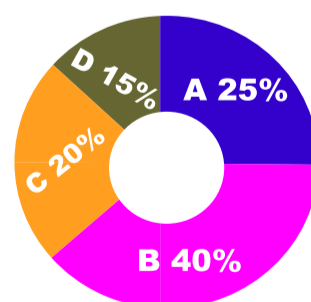
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.



**GROUP: I, PAPER: 5**  
**FINANCIAL**  
**ACCOUNTING (FAC)**

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# 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**

A marine biologist put a shark into a big tank at the time of a research experiment. Followed by that, he released some tiny bait fishes into it.

As expected, the shark didn't wait to attack those fishes and ate them. Later, a clear fiberglass was inserted into the tank which partitioned the tank into two and the shark remained in one side.

A similar set of bait fish was sent to the other side of the tank like before. And the shark attempted to attack those fishes but failed by hitting on the fiberglass.

The shark attempted for several days until it gave up. Later, the biologist removed the glass from the tank but the shark didn't try to attack the small fishes.

The shark always continues to see a false barrier in the tank and stopped his attempts.

**Moral:** It is quite common for many people to give up after many setbacks and failures. The story is an example for keep trying always and to never give up despite multiple failures.

With this backdrop let us start our journey today. Be bold in life and be confident. Never give up.

Here is again a very simple assignment

**Write true or false:**

- Del credere commission is paid for taking extra risk for collection from debtors t/f
- Legacies received for general purpose is credited to Income and Expenditure account t/f
- Goods sent on consignment 300000/- at Invoice price. Loading is 25 % on cost. Loading is 60000/-t/f
- Bad debt recovery will be debited to Debtors account. f/t
- Bill payable accepted will be debited to creditors account. t/f

Ans.

For correct answer follow the sequence of true and false.

**Choose the correct answer:****1. In relation to consignment accounts -**

- Consignor sends 'Account Sale' to consignee;
- Debtors sends 'Account Sale' to consignor;
- Consignee sends 'Account Sale' to consignor;
- Consignee sends 'Account Sale' to consignor.**

**2. Closing Stock of Joint Venture business:-**

- Shall be valued at cost
- Shall be valued at its original price
- Shall be valued at lower of cost or original price
- None of these**

**3. HO sends goods to branch at invoice price after adding 25% on cost price, so profit would be \_\_\_% of invoice price**

- 33.33%
- 40%
- 20%**
- 25%

4. When B/R endorsed to creditors is dishonoured-

- a. Debtors A/c is debited and Creditors A/c is credited
- b. Creditor A/c is debited and Debtors A/c is credited
- c. B/R A/c is debited and Creditors A/c is credited

5. Find out credit purchases:-

Cash Purchase Rs.5,000 , Cash Sales Rs. 12,000, Credit Sale Rs, 18,000, Closing Stock Rs. 3,500, Opening Stock Rs. 2,750, Rate of Gross Profit is 20% on Cost.

- a. Rs. 21,000
- b. **Rs. 20,750**
- c. Rs. 20,250
- d. Rs. 21,750

Ans.

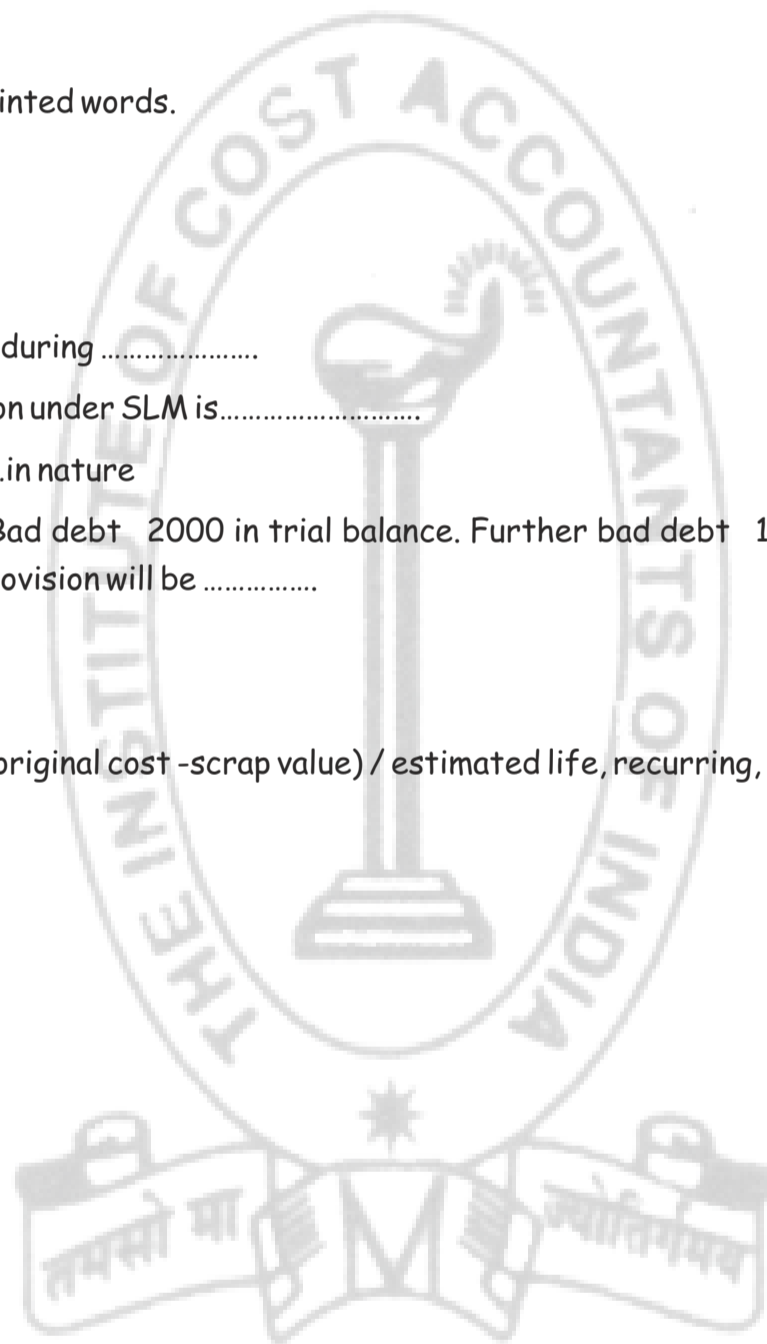
For correct answer see the bold printed words.

**Fill up the blanks**

- A. Assets = liabilities + .....
- B. FIFO method of pricing is suitable during .....
- C. Formula for calculating depreciation under SLM is.....
- D. Revenue receipt is .....in nature
- E. Debtors in trial balance 60000. Bad debt 2000 in trial balance. Further bad debt 1000. Provision for doubtful debt is to be made @ 5%. The amount of such provision will be .....

Ans:

Equities, deflationary situations, (original cost - scrap value) / estimated life, recurring, 2950

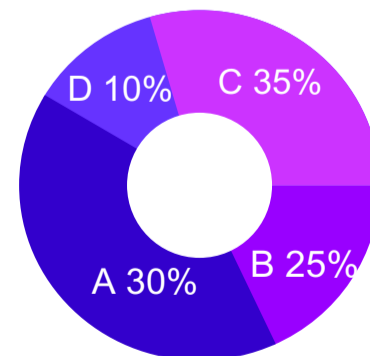




**GROUP: I, PAPER: 6**  
**LAWS & ETHICS**  
**(LNE)**

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## Your Preparation Quick Takes



**Syllabus Structure**  
A Commercial Laws **30%**  
B Industrial Laws **25%**  
C Corporate Laws **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.

**LAWS & 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 we shall continue to deal with Corporate Laws - Companies Act, 2013

**Liability of Debenture Trustee**

**Sec.71(7) of the Companies Act, 2013** provides that -

Any provision contained in a trust deed for :

- Securing the issue of debentures, or
- any contract with the debenture-holders secured by a trust deed,

shall be void in case such a provision would have the effect of :

- exempting a trustee ; or
- indemnifying the trustee ,  
from any liability for breach of trust, where such trustee fails to show reasonable degree of care and due diligence required of him as a trustee, as laid in the provisions of the trust deed which confers on him any power, authority or discretion .

The liability of the debenture trustee shall be subject to such exemptions as may be agreed upon by a majority of debenture-holders holding not less than 3/4th in value of the total debentures at a meeting held for the purpose.

**Redemption of Debentures**

**Sec.71(8) of the Companies Act, 2013** provides that -

A company shall pay interest and redeem the debentures in accordance with the terms and conditions of their issue.

**Sec.71(9) of the Companies Act, 2013** provides that -

Where at any time the debenture trustee comes to a conclusion that:

- the assets of the company are insufficient or

- are likely to become insufficient to discharge the principal amount as and when it becomes due ,  
in such a situation, the debenture trustee may :  
File a petition before the Tribunal ; and  
The Tribunal may, after hearing the company and any other person interested in the matter, by order, impose necessary restrictions, as it deems necessary, on the incurring of any further liabilities by the company in the interests of the debenture-holders.

**Failure to Redeem the Debentures**

**Sec.71(10) of the Companies Act, 2013** provides that -

Where a company fails to :

- redeem the debentures on the date of their maturity or
- fails to pay interest on the debentures when it is due

The Tribunal may :

- on the application of any or all of the debenture-holders, or debenture trustee
- after hearing the parties concerned

Issue Order and direct the company to redeem the debentures forthwith on payment of principal and interest due thereon.

**Default in complying with Order of the Tribunal**

**Sec.71(11) of the Companies Act, 2013** provides that -

If any default is made in complying with the order of the Tribunal, every officer of the company who is in default shall be punishable with imprisonment for a term of maximum 3 (three) years or with minimum fine of Rs.2,00,00 (two lakhs) which may extend to Rs.5,00,000 (five lakhs), or with both.

**Further issue of Share Capital - Increase in Subscribed Capital of a Company**

In order to meet its Funding Requirement, a company would normally consider increasing its subscribed capital after its incorporation. A further issue of shares would substantially increase the company's financial resources and ensure improved functioning of the company in the interest of the shareholders and the company as a whole.



Such further Increase in Subscribed Capital can take place where the authorized capital of the company is not exhausted and the further allotment of shares is made out of the unsubscribed portion of the capital within the ambit of Section 62 of the Companies Act, 2013. Section 62 of the Companies Act, 2013 applies to private companies as well.

Section 62 of the Companies Act, 2013 relates to 'further issue of share capital'. According to the said provisions the shares can be offered to:

- A. Existing shareholders on proportionate basis of their shareholding,
- B. Employees under ESOP scheme,
- C. Any other person,
- D. Conversion of debentures or loan into shares.

The following points may be kept in mind :

- 1) **Compliance** : A listed company must comply with the provisions of the Companies Act, 2013 and the SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018.
- 2) **Applicability** : The provisions of Section 62 of the Act are applicable to all companies except Nidhi Companies (A **Nidhi Company** is a Non-Banking Finance Company [NBFC], recognized under section 406 of the **Companies Act**, 2013.)
- 3) **Offer** : Shares shall be offered to the existing equity shareholders of the company, as on a "Cut-off" date to be specified by the company. Such equity shareholders shall be offered equity shares in proportion (i.e. pro rata basis), as nearly as the circumstances admit, to the paid-up share capital of the company ;
- 4) **Cut-off date** : The Board of Directors of the Company, shall determine the cut-off date for deciding the List of shareholders as on the Cut-off date and for making an offer of shares under Section 62 of the Act to those shareholders.
- 5) In case of rights issue, the **Approval of board** of directors is required.
- 6) **The Offer Letter** must have a specific reference to :
  - A) Offer on proportionate basis
  - B) Right of renunciation; and
  - C) The offer period.
- 7) **Price of Shares** : The board may decide the price of shares or obtain the valuation certificate under the Income Tax Act, 1961 or the Foreign Exchange Management Act, 1999 as applicable. If the valuation certificate is obtained, then it shall be noted by the board of directors in its meeting and necessary reference must be made in the offer letter.

8) **Offer Period** : The offer shall be made by notice specifying the number of shares offered and limiting a time not being less than 15 days and not exceeding 30 days from the date of the offer within which the offer, if not accepted, shall be deemed to have been declined.

Further in case of specified IFSC public company (Clause (a) of Sub-Section (1) of Section 4 specifies IFSC as International Financial Service Company ) or private companies, the periods lesser than 15 days/30 days shall apply if 90% of the members have given their consent in writing or in electronic mode ( Notification Date 4th January, 2017) .The notice to the shareholder shall be dispatched through registered post or speed post or through electronic mode or courier or any other mode having proof of delivery to all the existing shareholders at least 3 days before the opening of the issue.

9) **Right of renunciation**: the shareholders being offered such shares , shall have a right to renounce the shares offered to him or any of them in favour of any other person, unless the articles of association of the company provide otherwise. The notice/offer letter shall have a mention of this right of renunciation in the Offer Letter.

10) After the **Completion of the Period of Offer** , specified in the notice, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the board of directors may dispose of them in such manner which is not disadvantageous to the shareholders and the company.

11) **Unsubscribed Shares** : Those Shares that are issued but unsubscribed, the board of directors may allot to few promoters or directors or any other person. The objective is to ensure that the funding requirement of the company is achieved.

12) **Allotment of equity shares**: After receipt of share application money, the board of directors shall pass a resolution for allotment of shares and refund of share application money, if any. The board shall also authorise directors for completing post-allotment compliances.

13) In case of listed public companies, the Demat Account of the shareholders shall be credited with requisite number of allotted shares.

14) **Other compliances**: Within 30 days after the allotment of shares, the company shall :

- a File with the Registrar a return of allotment in e-Form PAS-3, along with the fee as specified in the Companies (Registration of Offices and Fees) Rules, 2014.
- b The company shall issue share certificates within 2 months from the date of allotment.
- c After allotment of shares, the company secretary of the company or any other authorised person by

the board of directors shall make necessary entries in the register of members within 7 days from the date of allotment.

### Conversion of Debentures into Shares

The following is the Step by step process to be followed :

1. Hold a Board of Directors Meeting
2. Pass a Board Resolution for converting debentures in shares capital of the company
3. Issue Notice for holding a Extra Ordinary General Meeting of Shareholders
4. Hold the Extra Ordinary General Meeting
5. Pass a Special Resolution for converting debentures in shares capital of the company
6. File E-Form MGT-14 with the Registrar of Companies, within 30 days of passing of the Special Resolution
7. The Company shall then enter into agreement laying the Terms for Conversion of debentures into equity shares of the company in future, the rate of interest payable on such debentures
8. The company shall again hold a Board of Directors meeting and pass a resolution for allotment of Equity Shares
9. Thereafter the List of Allottees shall be prepared
10. File E-Form PAS-3 for allotment of shares, within 30 days of passing of Board Resolution.



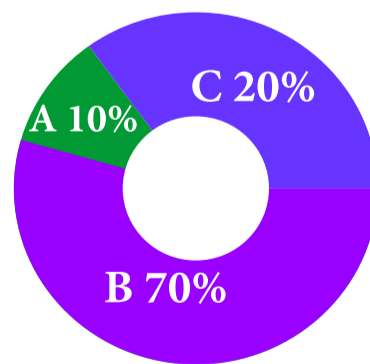


GROUP: I, PAPER: 7

# DIRECT TAXATION (DTX)

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## 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 Tax Management, 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**

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.

**Chart for understanding**



**Treatment of Partly Agricultural & Partly Non-Agricultural Income**

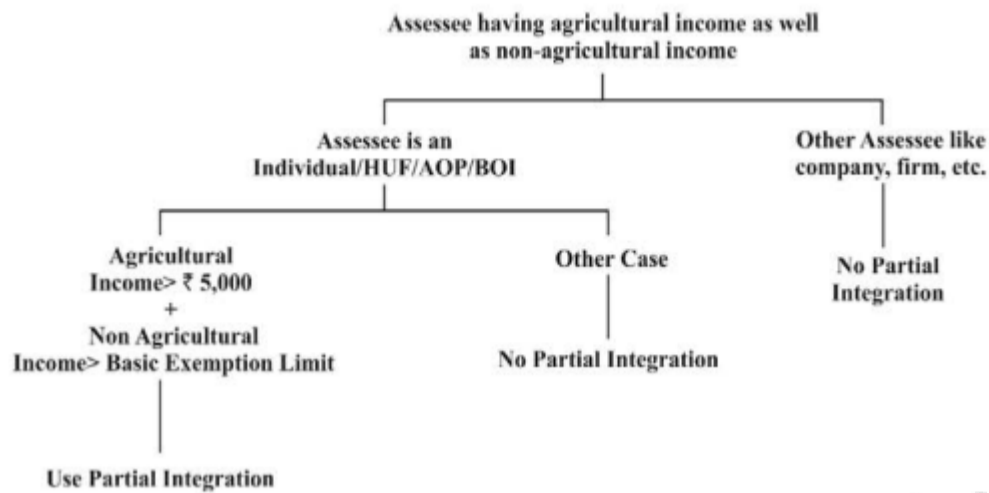
- Growing & manufacturing tea: 60% is agricultural income and 40% is non-agricultural income.
- Growing & manufacturing rubber: 65% is agricultural income and 35% is non-agricultural income.
- Growing & manufacturing coffee:
  - If coffee grown and cured by the seller: 75% is agricultural income and 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 (Partial Integration)



#### Conditions:

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

#### Treatment

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

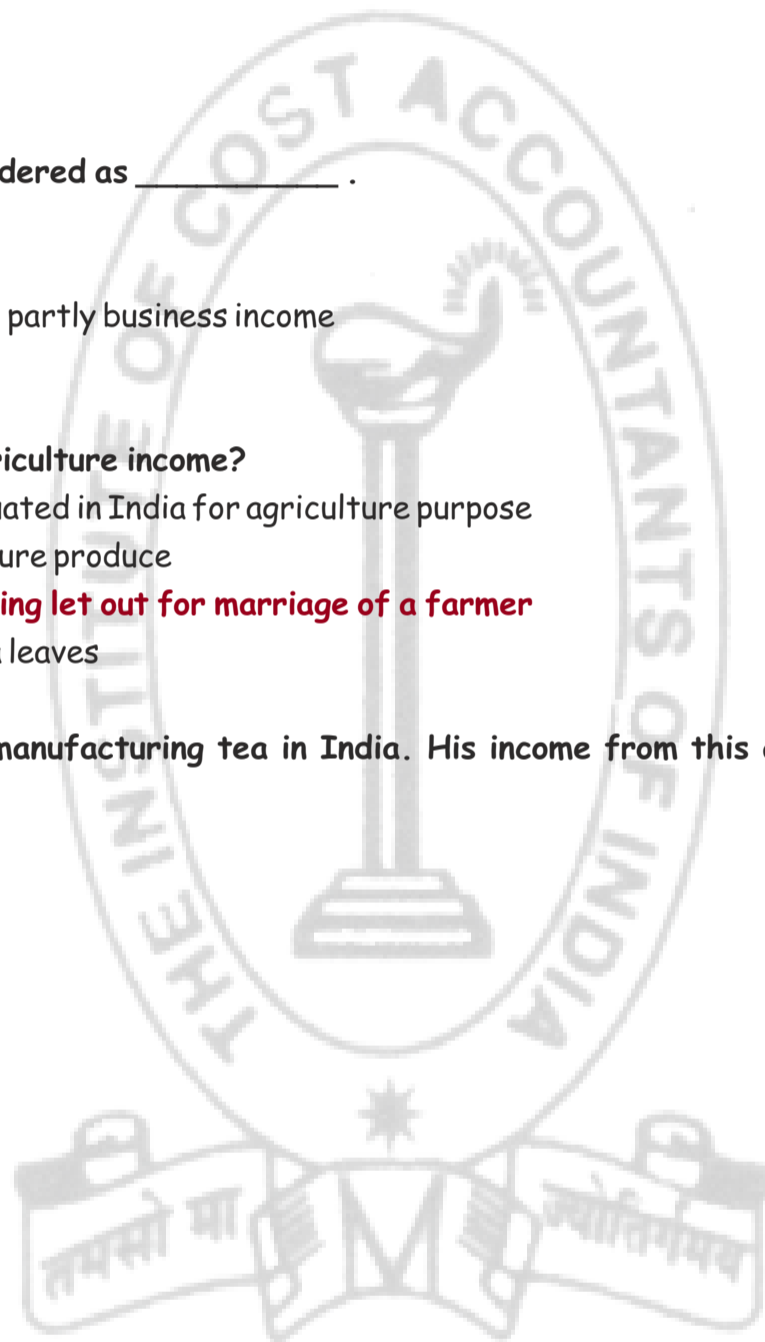
**Step 2:** Compute income tax on (Agricultural income + Maximum exempted limit)

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

#### Choose the correct option

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

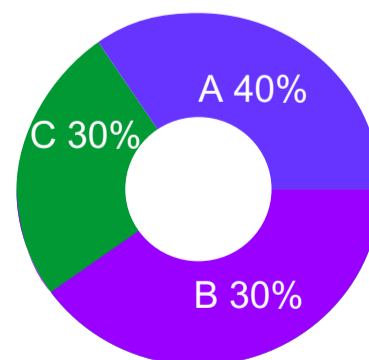




**GROUP: I, PAPER: 8**  
**COST ACCOUNTING**  
**(CAC)**

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# Your Preparation Quick Takes



**Syllabus Structure**

- A Introduction To Cost Accounting 40%
- B Methods of Costing 30%
- C Cost Accounting Techniques 30%

**Learning Objectives:**

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

**COST ACCOUNTING**

An efficient system of costing is an essential factor for industrial control under modern conditions of business, and as such may be regarded as an important part in the efforts of any management to secure business stability. The organization of an undertaking has to be so control that the desired volume of production is secured at the least possible cost in relation to the scheduled quantity of the product. Cost accounting provides the measurement of the degree to which this objective is attained, and thus has a definite place in the organization of the business. All expense is localized, and thereby controlled, in the light of information provided by the cost records.

In the present era the value and importance of cost accounting need hardly be overemphasized. Cost accounting, by exercising control over the entire business operations, enables management to eliminate wastages, leakages, increase efficiency and productivity, achieve economies and helps decision making by suitably fixing prices in case of competition, trade depression, and idle capacity with a view to maximizing the gains or minimizing the losses. This paper is a scoring paper out of the eight papers in the intermediate course of the Institute of Cost Accountants of India. 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. Hence, go through the theory very carefully for easy understanding the topic and then try to solve the exercise problems. Start from Chapter one and try to understand the other chapters serially as this will enable you to understand the succeeding chapters in a better way.

You should remember this is a professional examination. So, emphasis is to be given mainly on testing comprehension, self expression and managerial ability to apply knowledge in divergent situation. Chances of repetition of questions are normally avoided. The true success of this examination mainly depends on style of preparation which should have, perseverance, regularity of efforts, through practice, vision and objectivity.

Here I have suggested some tips based on my personal experiences :-

1. A well defined plan for completing the whole syllabus as well as revision.
2. Go through your Study Note and know the complete syllabus. Remember all chapters are interlinked.
3. Analyze the trends of setting questions by taking at least ten terms.
4. Time schedule with specified activities is very much essential for time-management.
5. Clarity or concepts is different from cramming which exerts avoidable strain on the students.
6. Write down all the important terms in your own words and read them regularly.
7. Improve your speed by regular practice and revision.
8. Finally, try to develop a habit of reading the questions well, underlining and understanding the specific requirements.
9. Always try to answer all objective type questions as practice, which carries 100% marks.
10. Try to develop a habit of reading the questions well, underlining and understanding the specific demands.

The purpose of our study Paper - 8 are :

- a) Understanding the concept of Cost
- b) Determining the Cost of product or service
- c) Understanding Standard Cost
- d) Applying the concept of Marginal Costing
- e) Formulating of business strategy and operational planning.



As per your study material, your entire syllabus is divided into six main chapters. In first chapter the basic concept of cost accounting are discussed, besides its other two branches viz, Financial accounting and Management accounting. The second chapter described the Elements of cost thoroughly. The three major elements of costs are - material, labour and Overheads. In this chapter cost concepts are discussed and analyzed element-wise. Material consists of the major part of total cost of a product, hence it is necessary to control this cost. You must read the scope and objectives of different Cost Accounting Standards. It will help to grasp the concept of cost accounting easily. Try to solve the problems on earnings of workers under different schemes. The meaning of Cost allocation, Cost apportionment and cost absorption should be very clear.

The next chapter, Cost Book-Keeping, including integrated accounting system is not at all difficult. Students need to have a clear conception about the integrated and non-integrated system of Accounts. Questions are sometimes set to journalize the transactions. In this system, different accounts are to be opened, but it is not necessary to give much effort to complete its solution. It's a lengthy process. Here, separate ledgers are maintained by the cost sections.

This chapter relates to Contract Costing. Only Job/Batch/Contract Costing is very important for the Intermediate Examinations. Students often face difficulty in recommending the amount of profit to be taken into account for incomplete contract. You should make sure that you are familiar with various methods/formulae for different stages of completion and share of profit. Students are also advised to go through the topic "Profit on incomplete contracts based on SSAP - 9". They should remember that for Escalation Clause both changed quantity and price is to be considered.

The next chapter is relates to Operating Costing. 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. Finding out the 'Composite Unit' is very important for finding the solution of these type problems. Here suitable cost unit to be used for cost ascertainment purpose.

The next chapter 'Marginal Costing' aims to find out cost-volume-profit relationships of a product. This is an important chapter from the students' perspective. Students should understand the concepts, Uses, needs and importance of 'Marginal Costing' carefully. The main thrust should be to follow the wording and determine the desired impact on profitability. Break-even Analysis and finding out the Breakeven point is the basic part for solving the problem. For a product of different sales-mix, contribution per unit of key-factor should be found out and then different options should be marked on the same basis, i.e. contribution per unit of key factor. Here you should also study the effect on profits due to various changes, in Fixed Cost/ Variable Cost/ selling price/ sales-mix and again the effect of the above on BEP, Margin-of-safety. More than one problem is generally set from this chapter. Hence, various types of problems should be worked out for easy understanding.

The chapter 'Variance Analysis' deals with creating responsibilities and identifying the activities or areas of exceptions. 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 a serious study and realization of the requirement in the problem can eliminate such difficulties. The main objective of this analysis is to improve the operation by effective utilization of resources for reducing its product cost. Calculation of Mix-variances is essential only when there are more than one type of components.

The next chapter is related to 'Budget and budgetary control'. The term budget can be expressed as a pre-determined plan of action in details. Budgetary control requires preparation of 'Flexible Budget', 'Functional Budgets' and 'Cash Budget' for taking necessary actions. Both theoretical and practical problems 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.

In order to bring uniformity and consistency in classification, measurement and assignment of costs CAS - 1 to 24 should read carefully. Questions are generally set from any one or two standards.

Now I have mentioned some objective type question relating to Cost Book Keeping as well as reconciliation of Cost and Financial Accounts :

**1. Which of the suggested solutions is the correct one?**

**(a) A main use of the financial ledger control account in the cost ledger is**

- (i) It makes the cost ledger self-balancing.
- (ii) It summarises the financial ledger entries .
- (iii) It records the financial profit for the period.

- (iv) Its balance is the profit reported in the cost ledger.

[ Ans : (I) ]

(b) Production overhead absorbed will be recorded in the cost ledger as :

- (i) Debit-Work-in-Progress A/c ; Credit-Production Overhead A/c.  
 (ii) Debit-Production Overhead A/c. ; Credit - Financial Ledger A/c.  
 (iii) Debit-Profit and Loss A/c ; Credit-Production Overhead A/c.  
 (iv) Debit-Finished Goods A/c ; Credit-Production Overhead A/c .

[ Ans: (iii) ]

(c) In an integrated Ledger system the entry for gross direct wages earned is :

- (i) Debit-Work-in-Progress ; Credit-Wages-Control A/c.  
 (ii) Debit-Bank A/c; Credit-Wages-Control A/c.  
 (iii) Debit-Work-in-Progress; Credit-Bank A/c.  
 (iv) Debit-Wages Control A/c ; Credit-Bank A/c.

[ Ans: (I) ]

2. A. Indicate whether the following statements are true or false :

- (a) Costing profit and loss account includes all items of financial nature which are not included in cost ascertainment.  
 (b) Dividend received but not included in cost accounts is to be added back to costing profit in reconciling profit with financial profit.  
 (c) Cost and financial accounts are reconciled under non-integral accounting.  
 (d) Rent on owned building is not included in cost accounts.  
 (e) Income Tax is provided in cost accounts only.  
 (f) Over-absorption of production overheads in cost accounts is decided is costing profit to reconcile it with profit as per financial book.

[ Ans . True : (b), (c), . False : (a), (d), (e), (f). ]

B. Indicate whether the following statements are true or false :

- (a) The need of reconciliation arises only under integrated accounting system.  
 (b) There is only one figure of profit under integral accounting system.  
 (c) No accounts for debtors and creditors are opened in integrated accounts.  
 (d) Integrated accounts eliminate the necessity of operating General Ledger Control accounts.  
 (e) Loss on the sale of capital assets is not included in accounts under integral system.

[ Ans. True : (b), (d), False. (a), (c), (e). ]

Here I have also suggested a problem relating to reconciliation of Financial Accounts and Cost Accounts.

### Problem

Gain More Ltd. Showed a net loss of Rs. 6,30,000 as per the financial accounts for the year ended 31<sup>st</sup> March 2017. The cost accounts however disclosed a loss of Rs. 5,00,000 for the same period. On scrutiny of the two accounts the following are available :

Factory overheads under-recovered	70000
Administrative overheads over-recovered	30000
Depreciation charged to financial accounts	150000
Depreciation charged in cost accounts	120000
Interest on investment not included in cost accounts	30000
Income tax provided in financial accounts	100000
Stores adjustments ( credit in financial accounts )	10000

Prepare a Memorandum Reconciliation Accounts .

Solution

Gain More Ltd.

Memorandum Reconciliation Accounts for the year ended 31<sup>st</sup> march 2007

Particulars	Rs.	Particulars	Rs.
To Loss as per Financial Accounts	630000	By Factory overhead under-recovered	70000
To Admn. Overheads over-recovered	30000	By Deprn. Undercharged in cost Accounts ( 150000 - 120000 )	30000
To Interest on investment not included in Cost Accounts	30000	By Provision for income tax not taken in Cost Accounts	100000
To Store adjustments credited in financial accounts	10000	By Balance c/d ( net loss as per Cost Accounts )	500000
	<b>700000</b>		<b>700000</b>

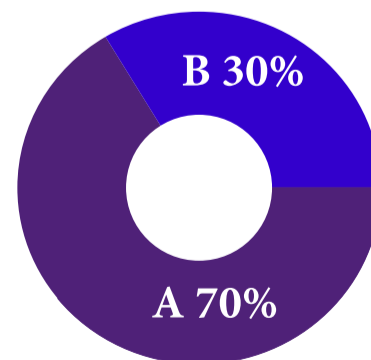




GROUP: II, PAPER: 9, Part- i  
**OPERATIONS**  
MANAGEMENT & STRATEGIC  
MANAGEMENT (OMSM)  
Operations Management

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# Your Preparation Quick Takes



### Syllabus Structure

A Operations Management 70%  
B Strategic Management 30%

**Learning Objectives:**

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

**Operations Management**

In this issue we will discuss on Material Requirement Planning (MRP).

Material Requirement Planning is a methodology used for planning the production of assembled products.

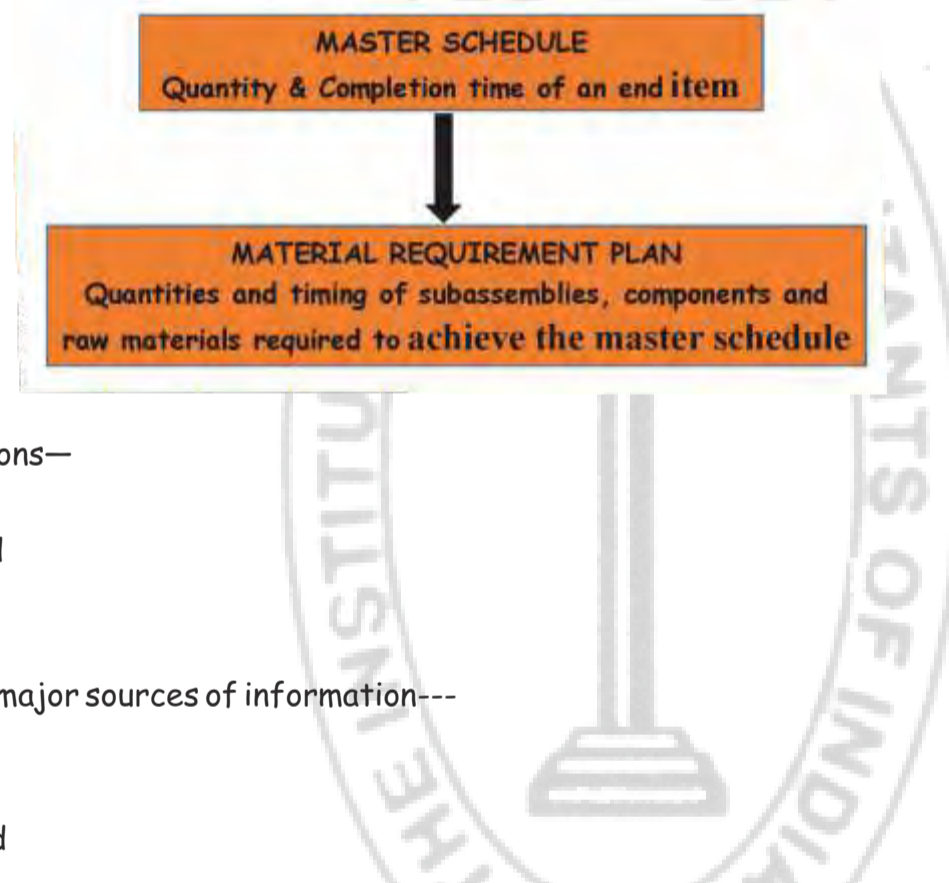
It is a computerised inventory control system that would facilitate determination of demand for component items, keep track of when they are needed and generate work orders and purchase orders that take into account the lead time required to make the item in-house or buy them from a supplier.

MRP begins with a Master Schedule.

Master Schedule designates the quantity and completion time of an assembled product, often referred to as end item.

This Master schedule for end items is translated into time-phased requirements for subassemblies, components and raw material.

The main objective of any inventory system is to ensure that material is available when needed. MRP does this by determining when component items are needed and scheduling them to be ready at that time, no earlier and no later.

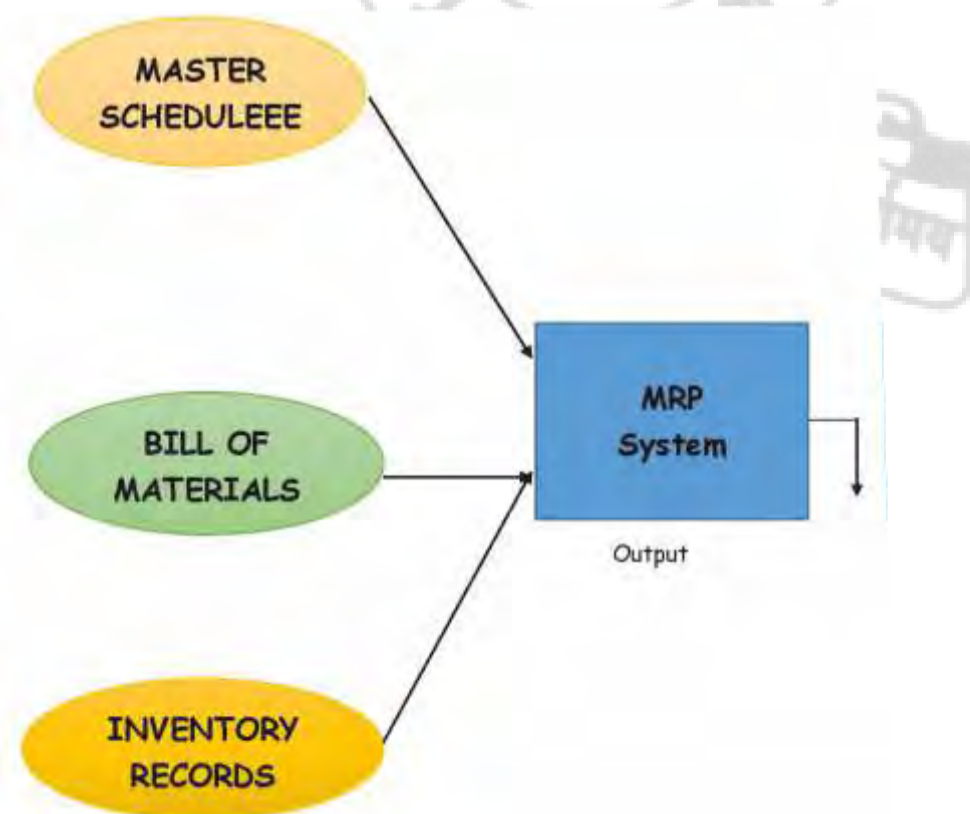


MRP answers three questions—

- What is needed
- How much is needed
- When is it needed

An MRP system has three major sources of information---

- A master schedule
- A bill of materials
- An inventory record



Master Schedule also called master production schedule states—

- which end items are to be produced
- when they are needed
- in what quantities

A Bill of Materials contains---

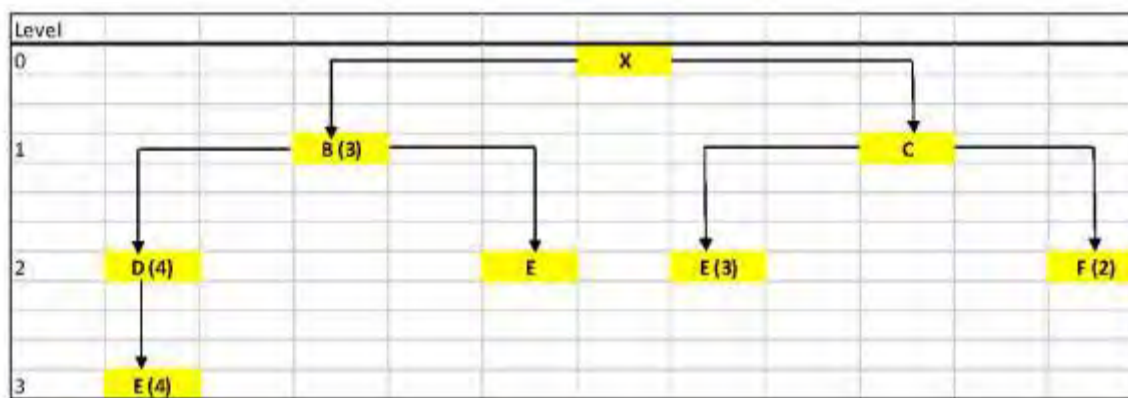
- a listing of all the assemblies, subassemblies, parts & raw materials that are needed to produce one unit of an end items
- EACH TYPE of FINISHED PRODUCT has its own Bill of materials

Inventory Records refer to---

- stored information on the status of each item by time periods i.e.
  - information on quantities on hand
  - information on quantities ordered
  - information on supplier, lead time and lot size policy etc.

The whole process is illustrated with the following illustration:

Illustration 1: Refer the following figure:



(a) Determine the quantities of B, C, D, E and F needed to assemble one unit of X

(b) Determine the quantities of these components that will be required to assemble 10 units of X taking into account the quantities on hand (i.e. in inventory) of various components as

Component	On Hand
B	4
C	10
D	8
E	60
F	30

Ans: The figure given above is called Product Structure Tree.

To initiate an MRP we know that input information comes from Master Schedule followed by Bills of Materials and Inventory record.

Now the listing in the bill of materials is hierarchical—it shows the quantity of each item needed to complete one unit of its parent item. This aspect of bill of materials is clear when we construct a Product Structure Tree as above which provides a visual depiction of the subassemblies and components needed to assemble a product.

From Master Schedule we gathered the information that we require one unit of end item X. From Bill of materials we collected following information:

- End item X is composed of three Bs and one C
- Each B requires four Ds and one E
- Each D requires four Es
- Each C requires three Es and two Fs

These requirements are listed by level beginning with 0 (available from Master Schedule) for the end item, then 1 for the next level and so on. The items at each level are components of the next level up. The quantities of each item in the product structure tree refer only to the amounts needed to complete the assembly at the next higher level---4 units of E required to complete one unit of D or 4 units of D

required for one unit of B etc. So following this knowledge through product structure tree of our problem the total requirement of components for producing one unit of end item X are given below:

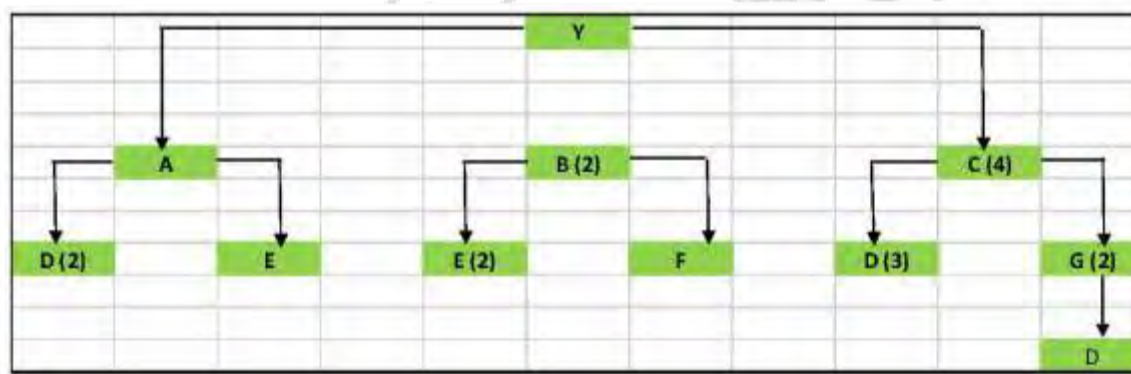
	B	C	D	E	F
One unit of X requires	3	1			
3 units of B requires			$3 \times 4 = 12$	$3 \times 1 = 3$	
12 units of D requires				$12 \times 4 = 48$	
1 unit of C requires				$1 \times 3 = 3$	$1 \times 2 = 2$
<b>Total Requirement</b>	<b>3</b>	<b>1</b>	<b>12</b>	<b>54</b>	<b>2</b>

These are the requirement for producing one unit of X. Now inventory records as given in 2<sup>nd</sup> table of the question is considered and actual requirement for producing 10 units of X will be as follows:

	B	C	D	E	F
Total Requirement for 1 unit of X	3	1	12	54	2
Total Requirement for 10 unit of X	30	10	120	540	20
Less Inventory on hand	4	10	8	60	30
<b>Actual Requirement now</b>	<b>26</b>	<b>0</b>	<b>112</b>	<b>480</b>	<b>0</b>

At present No F is required as in hand stock (30) is more than the requirement for producing 10 units of X (20)

Illustration 2: The following product structure tree indicates the components needed to assemble one unit of Product Y. Determine the quantities of each component needed to assemble 100 units of W considering the inventory records.



Inventory records are

Component	On Hand
A	5
B	15
C	7
D	75
E	40
F	20
G	12

Ans: Assuming the items at each level of product structure tree are components of the next level up & the quantities of each item in the product structure tree refer only to the amounts needed to complete the assembly at the next higher level, the basic requirement of components for producing 1 unit of Y are as follows:

	A	B	C	D	E	F	G
One unit of Y requires	1	2	4				
1 unit of A requires				$1 \times 2 = 2$	1		
2 units of B require					$2 \times 2 = 4$	$2 \times 1 = 2$	
4 unit of C require				$4 \times 3 = 12$			$4 \times 2 = 8$
8 units of G require				$8 \times 1 = 8$			
<b>Total Requirement</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>22</b>	<b>5</b>	<b>2</b>	<b>8</b>

After considering the inventory records the actual requirement for producing 100 units of Y are:

	A	B	C	D	E	F	G
Total Requirement for 1 Unit of Y	1	2	4	22	5	2	8
Total Requirement for 100 unit of Y	100	200	400	2200	500	200	800
Less Inventory on hand	5	15	7	75	40	20	12
Actual Requirement now	95	185	393	2125	460	180	788

Determining total requirements is usually more complicated than illustrated above. Because---

- > Many products have considerably more components and have a complicated Bills of Material
- > Issue of timing i.e. when must the components be ordered or made is essential and must be included in analysis

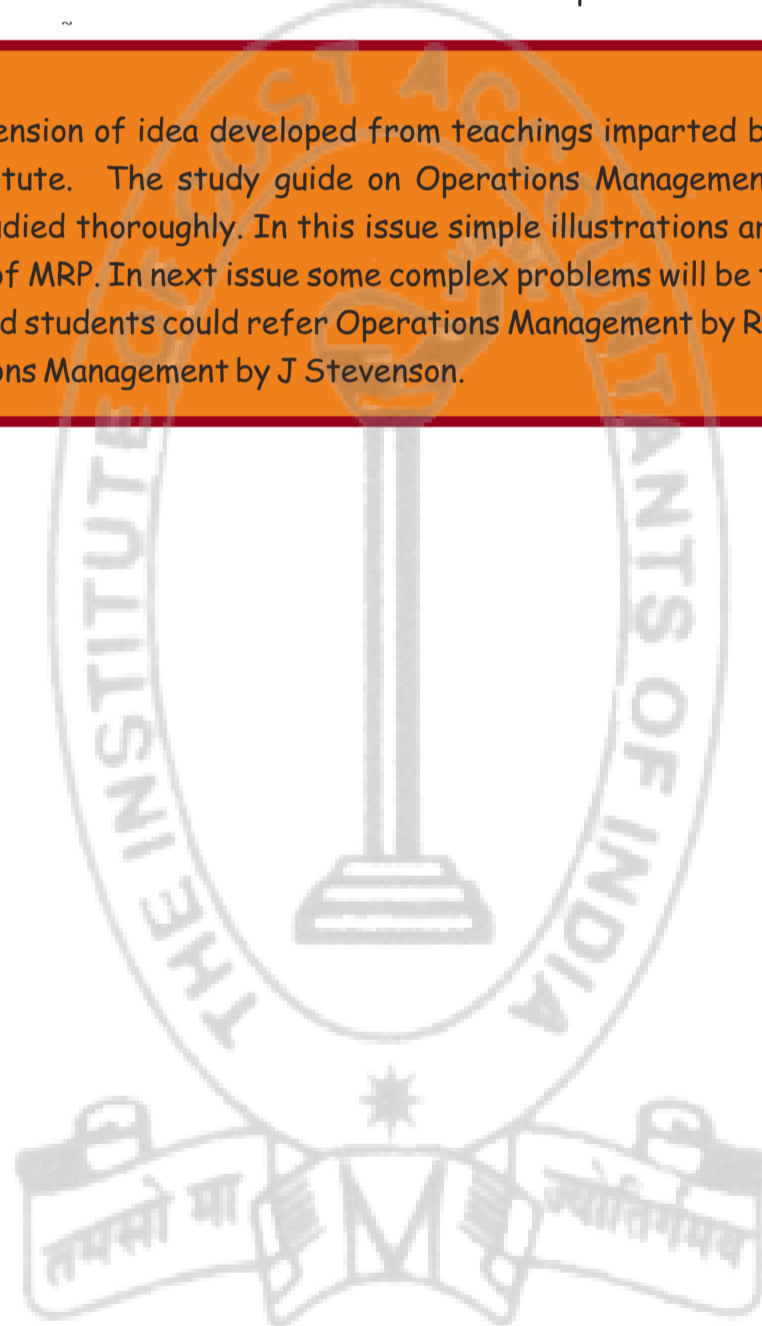
Before application of MRP it is to be fully ensured that the bill of materials accurately reflect the composition of a product as errors at one level become magnified by the multiplication process used to determine quantity requirements.

Like the bill of materials inventory records must also be accurate as erroneous information on requirements can have detrimental impact.

MRP is useful for dependent demand items. The demand for component parts does not have to be forecasted. It can be derived from the demand for the finished product. e.g. suppose demand for a car, consisting of four doors and one engine, is 500/week. Then demand for door-component will be  $4 \times 500 = 2000$ /week and demand for engine-component will be  $1 \times 500 = 500$ . The demand for door and engine are called derived demand for determining of which we use MRP as discussed in our simple illustrations.

#### Suggestions:

This lesson is an extension of idea developed from teachings imparted by the Guide book issued by Institute. The study guide on Operations Management issued by Institute is to be studied thoroughly. In this issue simple illustrations are taken for basic understanding of MRP. In next issue some complex problems will be taken up for discussion. Interested students could refer Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson.



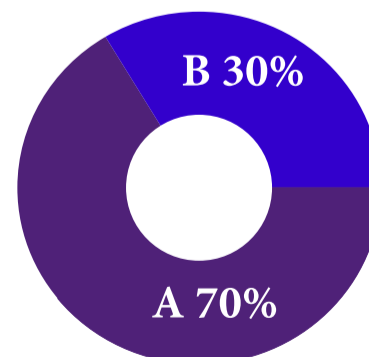




GROUP: II, PAPER: 9, Part- ii  
**OPERATIONS**  
MANAGEMENT & STRATEGIC  
MANAGEMENT (OMSM)  
Strategic Management

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# 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**

- is the strategy that includes Board of Directors and Chief Executive Officers, is responsible for the organization's financial performance and other non-financial goals:
  - Functional
  - Corporate
  - Business
  - Financial**
- Different levels of strategic decision making and strategic formulation in any organization does not include:
  - Financial**
  - Corporate
  - Functional
  - Business
- Which of the following doesn't describe corporate strategy?
  - What business or businesses should we be in?
  - How does the parent company add value to his subsidiaries?
  - How does being in one business help us compete in other businesses
  - How should we compete in other business?**
- Which of the following denotes the characteristics of Strategic Management?
  - Decentralization
  - Wide span of management
  - Searching for new sources of advantage**
  - Multi operational
- The role of stakeholders includes:
  - Direct management
  - Decision making
  - Investments
  - All the above**
- The process of strategic management is a / an ----- one that changes as the organizational goals and objective evolve
  - Continuous**
  - Interesting
  - Systematic
  - Stable
- The corporate level is where top management directs:
  - All employees for orientation
  - Its efforts to stabilize recruitment needs
  - Overall strategy for the entire organization**
  - Overall sales projections
- What is meant by the term 'Stakeholders'?
  - A person who is not related with a business
  - A person who is related with a business**
  - A person who owns a business
  - A person who purchases the shares of a business

9. The goal of the organization's-----is to capture the hearts and minds of employees, challenge them and evoke their emotions and dreams:
- Vision**
  - Mission
  - Culture
  - Strategy
10. Product differentiation refers to the:
- Ability of the buyers of a product to negotiate a lower price
  - Response of incumbent firms to new entrants
  - Belief by customers that the product is unique**
  - Feel that as more of a product is produced the cheaper it becomes per unit





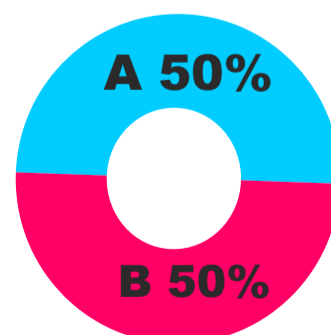
GROUP: II, PAPER:10

# COST & MANAGEMENT

ACCOUNTING AND FINANCIAL  
MANAGEMENT(CMFM)

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## 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.

**GR - II CMA & FM****Question No. - 1 (Sales)**

Acitex Ltd. has furnished the following information pertaining to sales for the month of January, 2021 :

Products	Budget		Actual	
	Units	Selling Price per Unit (Rs.)	Units	Selling Price per Unit (Rs.)
X	10,000	40	11,000	42
Y	7,000	60	6,500	58
Z	5,000	50	5,200	55

What shall be the :-

- i) Budgeted Sales : (a) Rs.10,70,000 (b) Rs.10,80,000 (c) Rs.10,90,000 (d) Rs.11,00,000
- ii) Actual Sales : (a) Rs.10,75,000 (b) Rs.11,00,000 (c) Rs.11,25,000 (d) Rs.11,50,000
- iii) Standard Sales : (a) Rs.10,60,000 (b) Rs.10,70,000 (c) Rs.10,80,000 (d) Rs.10,90,000
- iv) Revised Standard Sales : (a) Rs.11,03,045 (b) Rs.11,04,045 (c) Rs.11,05,045 (d) Rs.11,06,045
- v) Sales Price Variance : (a) Rs.35,000 A (b) Rs.35,000 F (c) Rs.36,000 A (d) Rs.36,000 F
- vi) Sales Volume Variance : (a) Rs.19,000 F (b) Rs.19,000 A (c) Rs.20,000 A (d) Rs.20,000 F
- vii) Sales Mix Variance : (a) Rs.14,045 F (b) Rs.14,045 A (c) Rs.15,045 A (d) Rs.15,045 F
- viii) Sales Quantity Variance : (a) Rs.33,045 A (b) Rs.33,045 F (c) Rs.34,045 F (d) Rs.34,045 A
- ix) Total Sales Variance : (a) Rs.55,000 F (b) Rs.55,000 A (c) Rs.60,000 A (d) Rs.60,000 F

**Answer :**

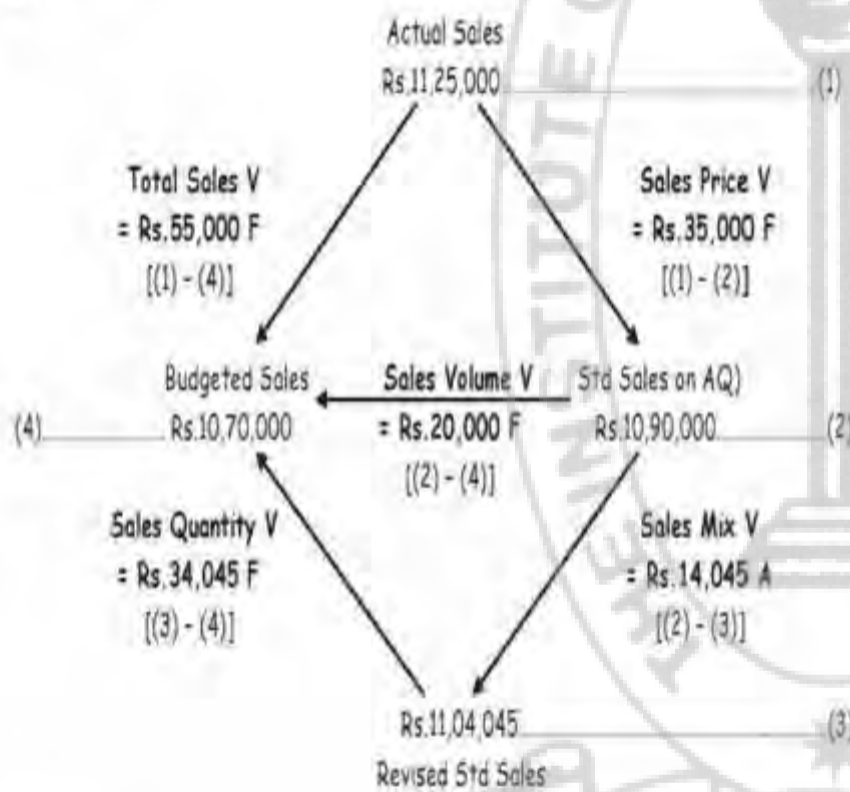
- i) (a) Rs.10,70,000
- ii) (c) Rs.11,25,000
- iii) (d) Rs.10,90,000
- iv) (b) Rs.11,04,045
- v) (b) Rs.35,000 F
- vi) (d) Rs.20,000 F
- vii) (b) Rs.14,045 A
- viii) (c) Rs.34,045 F
- ix) (a) Rs.55,000 F

**Steps for Solution :**

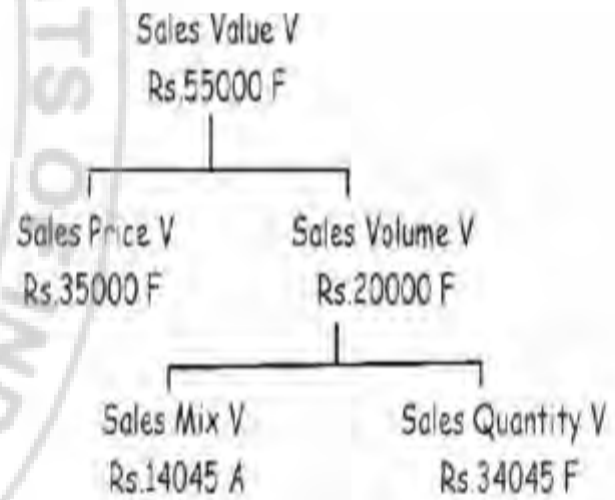
- 1) Compute the requisite components (viz. Actual Sales, Budgeted Sales etc.) as shown under Working Notes.
- 2) Place the components in the designated places of the diagram specified for Sales Variance.
- 3) Note down the variances with their nature (Favourable or Adverse) which would emerge automatically as indicated in the parenthesis of diagram.
- 4) In case of any difficulty, please have a look to the Solution through diagrams at the end of this e-bulletin.

**Solution :**

I.



II. Reconciliation



**Working Notes**

Products	Budgeted Sales			Actual Sales			Std Sales on AQ		
	Units	Selling price (Rs.)	Amount	Units	Selling price (Rs.)	Amount	Units	Selling price (Rs.)	Amount
X	10,000	40	4,00,000	11,000	42	4,62,000	11,000	40	4,40,000
Y	7,000	60	4,20,000	6,500	58	3,77,000	6,500	60	3,90,000

Z	5,000	50	2,50,000	5,200	55	2,86,000	5,200	50	2,60,000
			10,70,000	22,700		11,25,000	22,700		10,90,000

**Revised Standard Sales****(i.e. Standard Sales on Revised Std. Quantity)**

Products	AQ in Std proportion	RSQ	Std Rate (Rs.)	Amount (Rs.)
X	22,700 x 10/22 i.e.	10,318.18	40	4,12,727
Y	22,700 x 7/22 i.e.	7,222.72	60	4,33,363
Z	22,700 x 5/22 i.e.	5,159.09	50	2,57,955
				11,04,045

**Question No. - 2 (Overhead)**

S.V. Ltd. has furnished the following data for the Month of January, 2021

	Budget	Actual
No. of working days	25	27
Production in units	20,000	22,000
Fixed overheads	Rs.30,000	Rs.31,000

Budgeted fixed overhead rate is Re.1.00 per hour. In January, 2021 the actual hours worked were 31,500.

What shall be the :-

- Budgeted Hour : (a) 25,000 (b) 30,000 (c) 35,000 (d) 40,000
- Standard Hour for Actual Production : (a) 33,000 (b) 33,500 (c) 34,000 (d) 34,500
- Revised Budgeted Hour in Actual Days : (a) 29,400 (b) 30,400 (c) 31,400 (d) 32,400
- Standard Quantity (Units) in Actual Hour : (a) 19,000 (b) 20,000 (c) 21,000 (d) 22,000
- Revised Budgeted Quantity (Units) in Actual days : (a) 21,600 (b) 21,800 (c) 22,000 (d) 22,200
- Expenditure Variance : (a) Rs.1000 F (b) Rs.1000 A (c) Rs.1100 A (d) Rs.1100 F
- Volume Variance : (a) Rs.2700 A (b) Rs.2600 A (c) Rs.2800 F (d) Rs.3000 F
- Efficiency Variance : (a) Rs.1500 F (b) Rs.1500 A (c) Rs.2000 A (d) Rs.2000 F
- Capacity Variance : (a) Rs.800 A (b) Rs.800 F (c) Rs.900 A (d) Rs.900 F
- Calender Variance : (a) Rs.2300 A (b) Rs.2300 F (c) Rs.2400 F (d) Rs.2400 A

**Answer :**

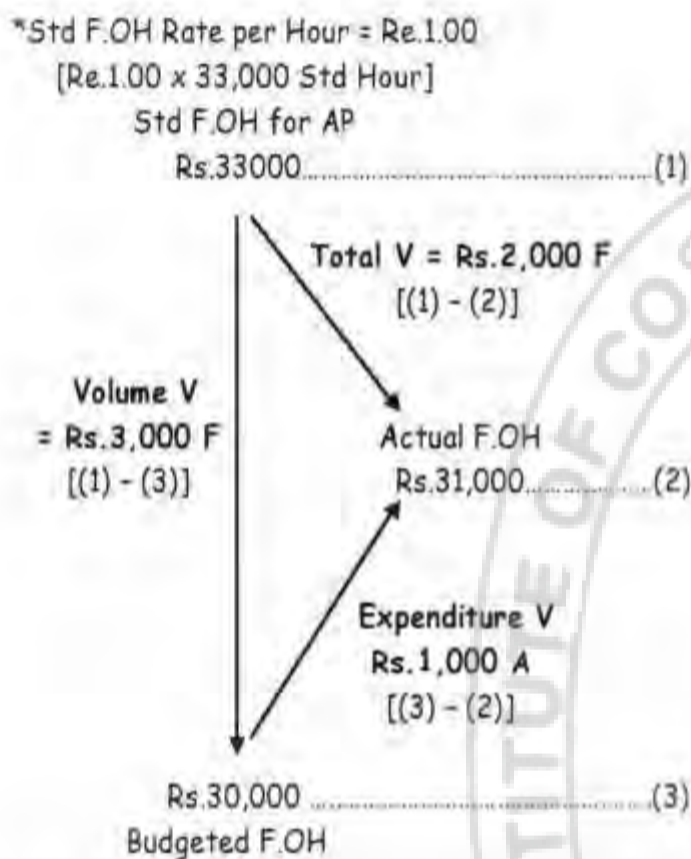
- i) (b) 30,000 Hrs.
- ii) (a) 33,000 Hrs.
- iii) (d) 32,400 Hrs.
- iv) (c) 21,000 Units
- v) (a) 21,600 Units
- vi) (b) Rs.1000 A
- vii) (d) Rs.3000 F
- viii) (a) Rs.1500 F
- ix) (c) Rs.900 A
- x) (c) Rs.2400 F

**Solution :**

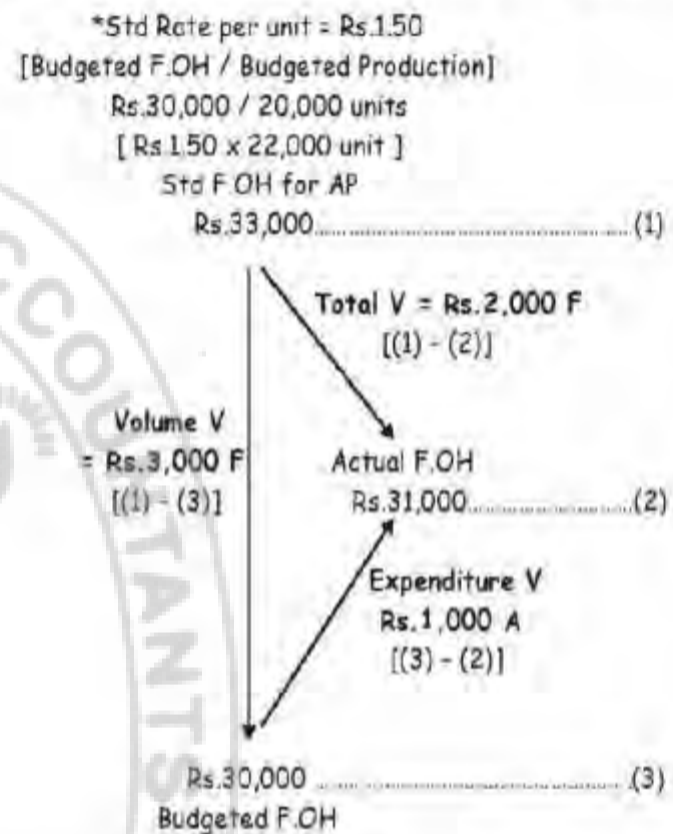
Basic data : Actual Production (AP) = 22,000 units

**FIXED OVERHEADS**

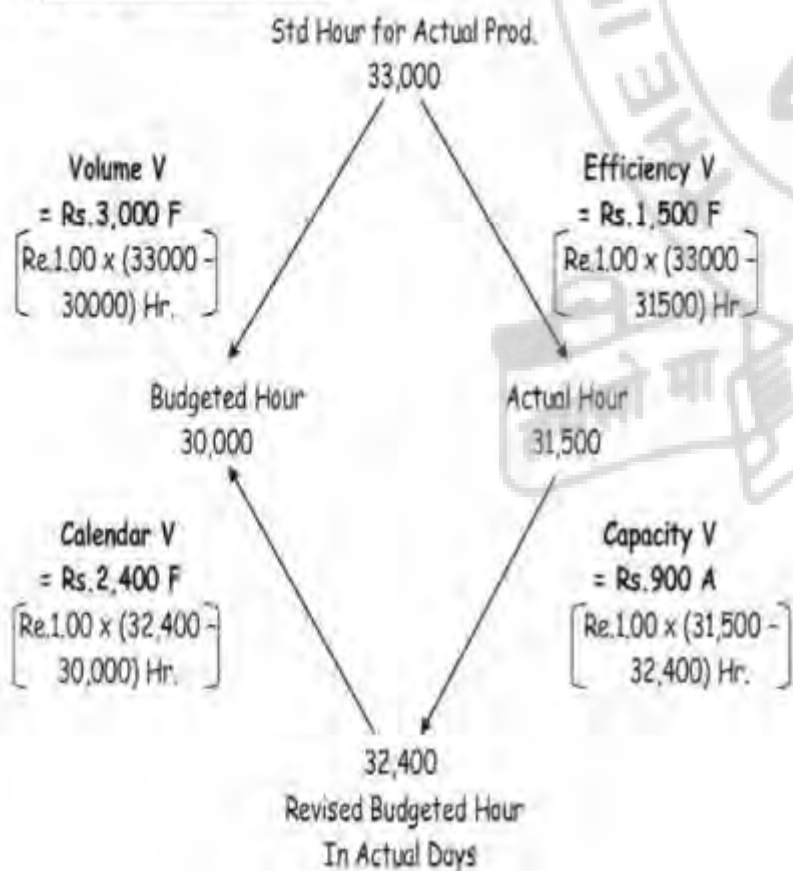
**HOUR BASIS**



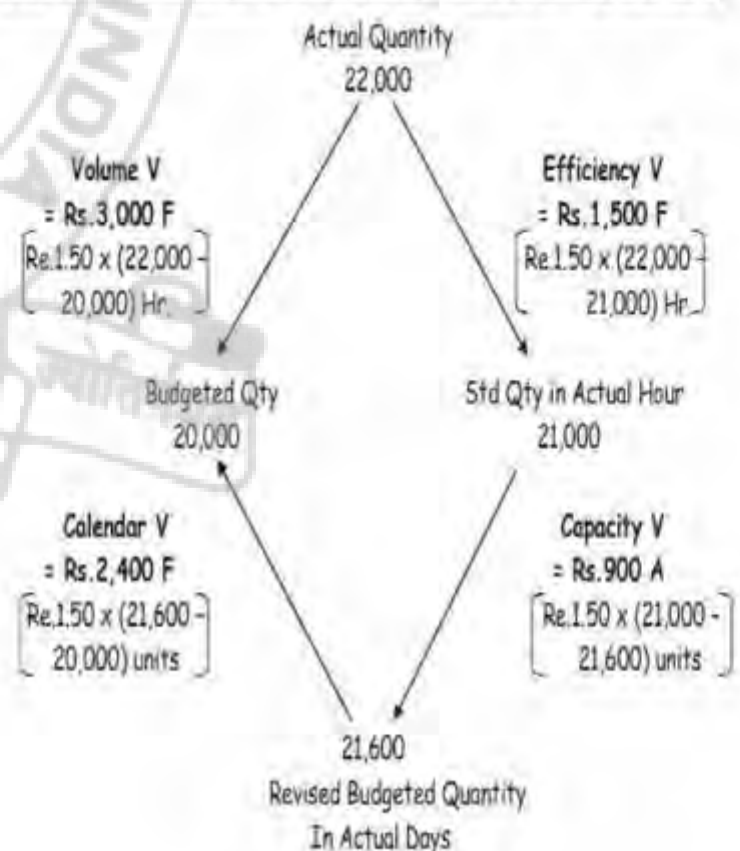
**OUTPUT OR PRODUCTION BASIS**



**HOUR BASIS**



**OUTPUT OR PRODUCTION BASIS**





Working Notes :-

- 1) Budgeted Fixed Overhead = Rs.30,000  
Budgeted F.OH Rate per Hour = Re.1.00  
So; Budgeted Hour = 30,000  
[Rs.30,000 / Re.1.00]

- 4) \*Std Qty in Actual Hour = 21,000

	Hour	Production
Std	30,000	20,000
	31,500	21,000

- 2) Std Hour for AP = 33,000

	Prod	Hour
Std	20000	30000
	1	1.50
	27	33000

- 5) Revised Budgeted Quantity in Actual Days = 21,600

	Days	Production
Std	25	20,000
	1	0.80
	27	21,600

- 3) Revised Budgeted Hour in Actual Days = 32,400

	Days	Hour
Std	25	30000
	1	1200
	27	32400

Question No. - 3 (Material)

X Ltd. is producing floor cover in roll of standard size measuring 3 meters wide and 30 meters long by feeding raw materials to a continuous process machine. Standard mixture fixed for a batch of 900 sq. meters of floor cover is as follows:

2000 kg	of material A	at	Re.1.00 / kg
800 kg	of material B	at	Re.1.50 / kg
20 gallon	of material C	at	Rs.30 / gallon

During the period, 1505 standard size rolls were produced from material issued for 150 batches. The actual usage and the cost of materials were :

300500 kg	of material A	at	Re.1.10 / kg
119600 kg	of material B	at	Re.1.65 / kg
3100 gallon	of material C	at	Rs.29.50 / gallon

Given that the Standard Cost of Standard Mix (SCSM) = Rs.5,70,000

What shall be the :-

- i) Number of Standard size Rolls : (a) 8 (b) 9 (c) 10 (d) 11  
for 1 (One) Batch
- ii) Number of batches for 1505 : (a) 150 (b) 150.50 (c) 160 (d) 160.50  
Standard Size Rolls
- iii) Standard Cost of Actual : (a) Rs.5,71,600 (b) Rs.5,71,700 (c) Rs.5,71,800

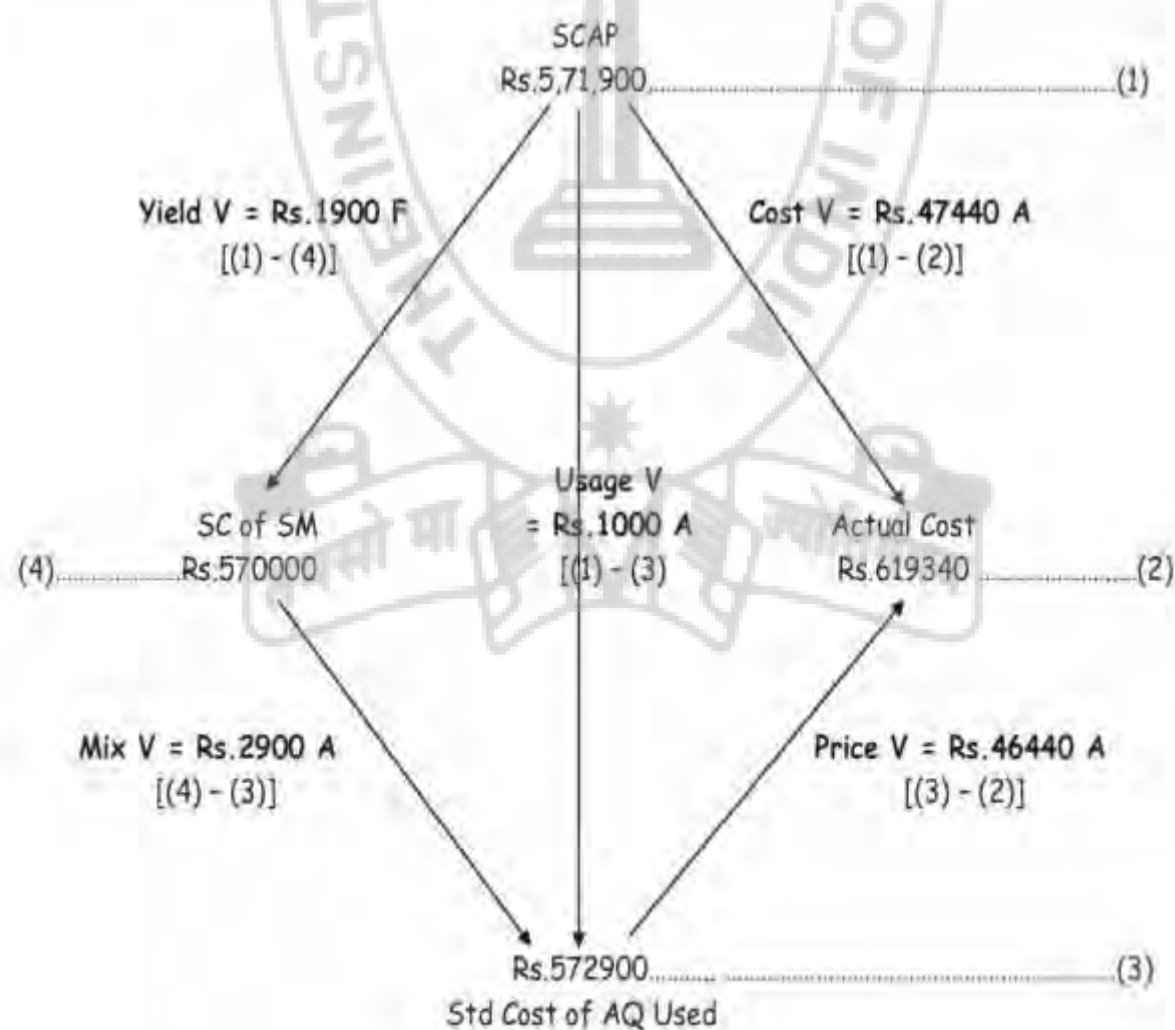
- Production (SCAP) (d) 5,71,900
- iv) Actual Cost of Production : (a) Rs.6,19,320 (b) Rs.6,19,330 (c) Rs.6,19,340 (d) Rs.6,19,350
- v) Standard Cost of Actual Quantity used : (a) Rs.5,72,900 (b) Rs.5,73,000 (c) Rs.5,73,100 (d) 5,73,200
- vi) Material Price Variance : (a) Rs.46,430 A (b) Rs.46,430 F (c) Rs.46,440 A (d) Rs.46,440 F
- vii) Material Usage Variance : (a) Rs.1000 F (b) Rs.1000 A (c) Rs.1100 A (d) Rs.1100 F
- viii) Material Mix Variance : (a) Rs.2900 A (b) Rs.2900 F (c) Rs.3000 F (d) Rs.3000 A
- ix) Material Yield Variance : (a) Rs.1800 A (b) Rs.1800 F (c) Rs.1900 A (d) Rs.1900 F
- x) Material Cost Variance : (a) Rs.47,440 A (b) Rs.47,440 F (c) Rs.47,450 A (d) Rs.47,450 F

**Answer :**

- i) (c) 10 Rolls  
ii) (b) 150.50 batches
- iii) (d) Rs.5,71,900  
iv) (c) Rs.6,19,340
- v) (a) Rs.5,72,900  
vi) (c) Rs.46,440 A
- vii) (b) Rs.1000 A  
viii) (a) Rs.2900 A
- ix) (d) Rs.1900 F  
x) (a) Rs.47,440 A

**Solution :**

Basic data : Actual Production (AP) = 1505 Rolls



Working Notes :-

- A) \*Details of Standard production :-  
3 meters wide and 30 meters long = 90 sq. mtrs. = 1 Roll  
Given that, 1 batch = 900 sq. mtrs. So 900 sq. mtrs. / 90 sq. mtrs. = 10 Rolls
- B) 150 batch = 150 x 10 Rolls = 1500 Rolls
- C) \*Actual Production :-  
1505 Rolls  
= 150.5 batch [1505 Rolls / 10 Rolls]

**Standard Cost of Standard Mix (for 150 batches)**

Material	Quantity per batch	Quantity for 150 batch	SR (Rs.)	Amount (Rs.)	SR
A	2000 Kg	300000 Kg	1.00	300000	
B	800 Kg	120000 Kg	1.50	180000	
C	20 gallon	3000 gallon	30.00	90000	
				Rs.570000	Rs.3800 per batch
				(Given)	

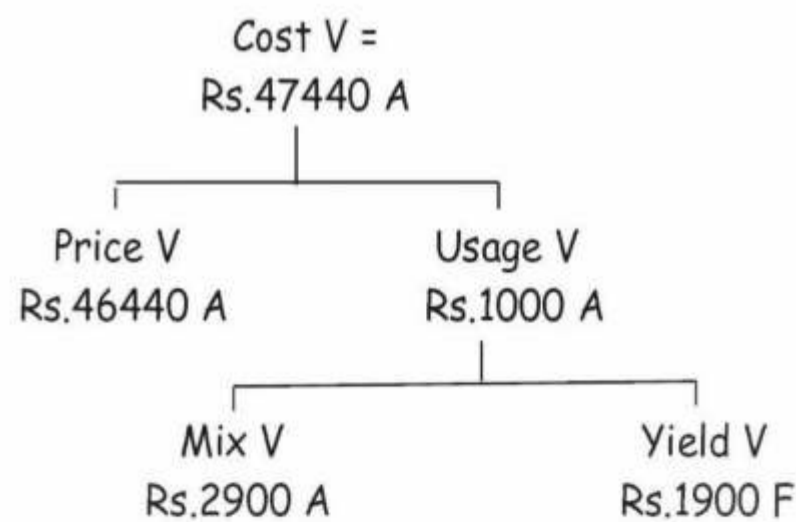
**Standard Cost of Actual Production (SCAP for 150.5 batches)**

Material	Quantity per batch	Quantity for 150 batch	SR (Rs.)	Amount (Rs.)
A	2000 Kg	301000 Kg	1.00	301000
B	800 Kg	120400 Kg	1.50	180600
C	20 gallon	3010 gallon	30.00	90300
				Rs.571900

Actual Cost (for 150 batches)				SC of AQ used (for 150 batches)			
Material	Quantity	Rate (Rs.)	Amount (Rs.)	Material	Quantity	Rate (Rs.)	Amount (Rs.)
A	300500 kg	1.10	330550	A	300500 kg	1.00	300500
B	119600 kg	1.65	197340	B	119600 kg	1.50	179400
C	3100 gallon	29.50	91450	C	3100 gallon	30.00	93000
Rs.619340				Rs.572900			

Check : Yield Variances = SR of Prod. Per batch (Actual Prod. - Std Prod.)  
= Rs.3800 (150.5 - 150) = Rs.3800 x 0.5 = Rs.1900 F

Verification :-



### Solution through diagrams

A diagrammatic solution is characterized by arrows having spearhead in one side. The basic principle is that the amount standing at the spearhead side should always be deducted from that of the bottom side of the same. The resulting balance, if positive, signifies a Favourable Variance whereas a negative balance invariably signifies an Adverse or Unfavourable Variance, automatically. The principle involved can be clearly understood with a simple illustration following :

- 1)  $\text{Rs.52} - \text{Rs.48} = (+) \text{Rs.4} = \text{Rs.4 Favourable Variance, shown as Rs.4 (F)}$
- 2)  $\text{Rs.52} - \text{Rs.61} = (-) \text{Rs.9} = \text{Rs.9 Adverse or Unfavourable Variance, shown as Rs.9 (A)}$

Some of the multiple advantages associated with the diagrammatic solution of Variance Analysis are noted hereunder :

- 1) Diagram works as a road map which leads one to reach destination in the easiest way.
- 2) Diagrams are simple, easy to understand and use.
- 3) Solution can be arrived at within the shortest possible time.
- 4) Nature of Variance (Favourable or Adverse) emerges automatically due to in-built system.
- 5) Inter-relationship of related Variances are clearly visible and understood.
- 6) Inconsistency in on-going computation is promptly detected for correction.
- 7) It is easier to memorize the diagrams than a bunch of confusion-raising formulae.

A sincere practice of Variance Analysis through diagrams over a couple of days is likely to pay a rich dividend.



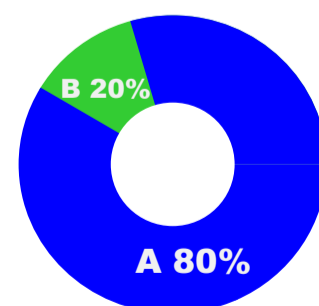


GROUP: II, PAPER:11

# INDIRECT TAXATION (ITX)

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Scottish Church College  
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[das.poushali16@gmail.com](mailto:das.poushali16@gmail.com)

## Your Preparation Quick Takes



### Syllabus Structure

A Canons of Taxations -  
Indirect Tax 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

**Important MCQ of GST**

1. Goods or services or both are used partly for taxable supplies including zero rated supplies under IGST or under CGST Act, and partly for exempted supplies -
  - a) only that amount of input tax which is attributable to the taxable supplies including zero rated supplies will be allowed as credit and not for exempted supplies
  - b) 100% ITC Allowed irrespective of the usage of Goods/Services
  - c) Fix 50% ITC allowed in this cases
  - d) None of the above.
  
2. officer shall pass an order (Provisional assessment request), within a period not later than \_\_\_\_\_ from the date of receipt of such request -
  - a) 90 days
  - b) 100 days
  - c) 30 days
  - d) 120 days.
  
3. The time duration for retention of accounts and records under GST is until expiry of \_\_\_\_\_ from the due date of furnishing of annual return for the year pertaining to such accounts and records-
  - a) Seventy-two months
  - b) seventy-one months
  - c) seventy months
  - d) none of the above
  
4. Tax rate applicable in hands of Restaurant under composition scheme -
  - a) 2% (CGST + SGST).
  - b) 18% (CGST + SGST)
  - c) 5% (CSGT + SGST)
  - d) 2.5% (CGST + SGST)
  
5. To be eligible for registration under Composition scheme it is required that the aggregate turnover of a registered tax payer should not exceed \_\_\_\_\_ in the preceding financial year & the limit is \_\_\_\_\_ for North Eastern & Special Category States)
  - a) Rs. 75,00,000/-, Rs. 50,00,000/-
  - b) Rs. 100,00,000/-, Rs. 50,00,000/-
  - c) Rs. 50,00,000/-, Rs. 25,00,000/-
  - d) Rs. 75,00,000/-, Rs. 20,00,000/-
  
6. \_\_\_\_\_ is excluded from the definition of goods as well as services
  - a) securities and money
  - b) Only money
  - c) Only Securities
  - d) None of the above
  
7. What is the correct procedure of file return under GST?
  - i. Submission of return
  - ii. Rectification of discrepancies in ITC
  - iii. Matching of claim in reduction in output tax liability
  - iv. Final acceptance of ITC
  - v. Matching of ITC
  - a) i, ii, iii, iv & v
  - b) v, ii, iii, iv & vi
  - c) i, v, iv, ii & iii
  - d) none of the above
  
8. What shall be time of supply in case of reverse charge?
  - a) the date of the receipt of goods
  - b) the date of payment as entered in the books of account or payment is debited in his bank account, whichever is earlier
  - c) the date immediately following thirty days from the date of issue of invoice or any other document

d) earlier of the above

9. Which of the following states covered North Eastern and Special Category States -

- i. Assam, Arunachal Pradesh,
- ii. Manipur, Meghalaya,
- iii. Mizoram, Nagaland,
- iv. Tripura, Sikkim,
- v. Delhi, Bihar
- vi. Jammu & Kashmir
- vii. Himachal Pradesh

- a) i, ii, iii, iv & vi
- b) Only vi
- c) i, ii, iii, iv & vii
- d) Only i, ii & iii

10. Which of the following Bills passed by parliament?

- i. Central Goods and Services Tax (CGST) Bill
- ii. Integrated Goods and Services Tax (IGST) Bill
- iii. Union Territory Goods and Services Tax (UTGST) Bill
- iv. Goods and Services Tax (Compensation to States) Bill
- v. State Goods and Services Tax (CGST) Bill

- a) i, ii, iii & iv
- b) Only i, ii & iii
- c) Only i
- d) None of the above

#### ANSWERS

1. A, 2. A, 3. A, 4. C, 5. A, 6. A, 7. C, 8. D, 9. C, 10. A

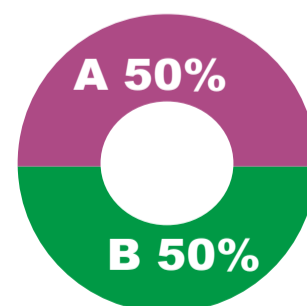




**GROUP: II, PAPER:12**  
**COMPANY**  
**ACCOUNTS & AUDIT (CAA)**

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# 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 we will discuss some of the interesting topics of Accounts of Electricity Company.  
1<sup>st</sup> we take Reasonable Return.

What is Reasonable Return as per Act?

The Electricity (Supply) Act, 1948, imposes restrictions on electricity undertakings on earning too high a profit, by means of the concept of reasonable return, which stipulates the following:

1. A yield at the standard rate which is the Bank Rate stipulated by the Reserve Bank of India from time to time, plus 2% on the Capital Base.
2. Income derived from investments excluding investments made against the Contingencies Reserve.
3. An amount equal to  $\frac{1}{2}$  % on any loan advanced by the Board.
4. An amount equal to  $\frac{1}{2}$  % on the amount borrowed from organizations or institutions approved by the state government
5. An amount equal to  $\frac{1}{2}$  % on the amounts realized by the issue of debentures
6. An amount equal to  $\frac{1}{2}$  % on the accumulation in the development reserve.
7. Any other amount as may be allowed by the central government having regard to the prevailing tax structure in the country.

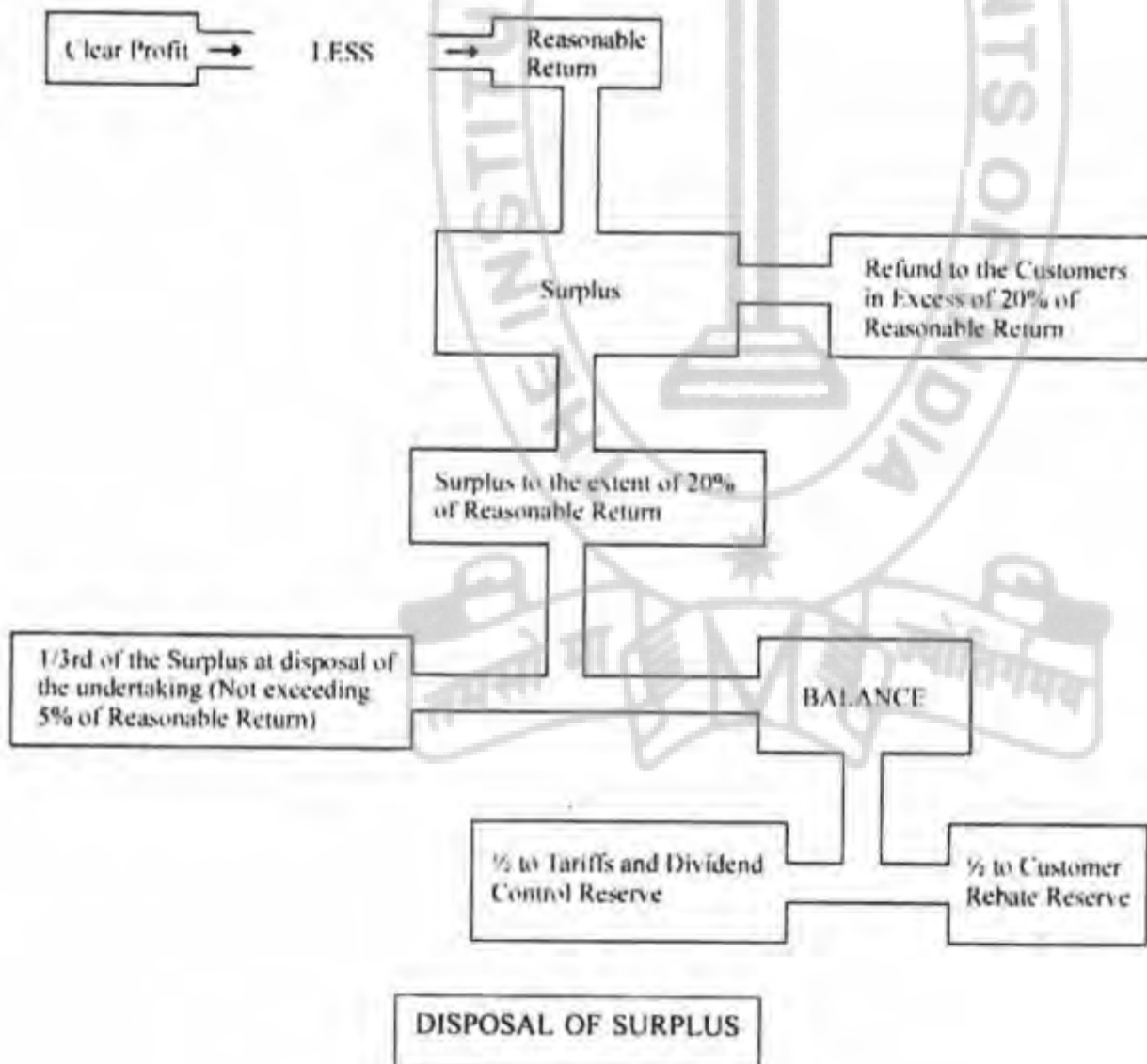
Calculation of capital base may be done in the following way.

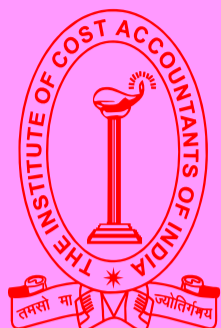
Rs

1. Original cost of fixed assets available for the purpose of the undertaking Less contributions, if any, made by the consumers for construction of service lines and also amounts written off	
2. The cost of intangible assets including expenses on account of new capital issue	
3. The original cost of work-in-progress.	
4. The amounts of investments made compulsory against Contingencies Reserve	
5. The monthly average of the stores, materials, supplies and cash and bank balances held at the end of each month	
	Total (A) _____
<b>Less :</b>	
1. The amounts written off or set aside on account of depreciation of fixed assets and the amounts written off in respect of intangible assets in the books of the undertaking	
2. Loans advanced by the Board	
3. Loans borrowed from organisations or institutions approved by the State Government	
4. Debentures issued	
5. Amounts deposited in cash by consumers by way of security	
6. The amount standing to the credit of Tariffs and Dividend Control Reserve	
7. The amount standing to the credit of the Development Reserve	
8. The amount carried forward at the beginning of the year of account to the credit of the Consumers Benefit Reserve	
	Total (B) _____
	Total A – Total B : Capital Base _____

Para xv11 of the sixth schedule of the Act provides guidelines for the computation of clear profits which means the difference between the amount of income and the sum of expenditure plus specific appropriation.

<i>Expenditure incurred on</i>	<i>Rs.</i>	<i>Income derived from</i>	<i>Rs.</i>
1. Generation and purchase of energy		1. Receipt from sale of energy less discounts	
2. Distribution and sale of energy		2. Rentals of meters and other apparatus hired to consumers	
3. Rent, rates and taxes		3. Sale and repair of lamps etc.	
4. Interest on Loans		4. Rents	
5. Interest on security deposits		5. Transfer fees	
6. Legal charges		6. Investments, fixed and call deposits and bank balances	
7. Bad debts		7. Other general receipts accountable in the assessment of income tax	
8. Auditor's fees			
9. Management			
10. Depreciation			
11. Other expenses admissible for assessment of income tax			
12. Contributions to provident fund, staff pension etc.			
<b>Total</b>			
Special Appropriations sufficient to cover			
1. Loss of previous year			
2. All taxes on income and profits			
3. Amounts written off intangible assets and new capital expenses			
4. Contribution to the Contingencies Reserve			
5. Contributions towards arrears of depreciations			
6. Other Special appropriations permitted by the State Government			
<b>Grand Total</b>			
<b>Balance - Clear Profit</b>			





# 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, Attend  
Webinar sessions**

**Solve Exercises  
given in Study Note**

02

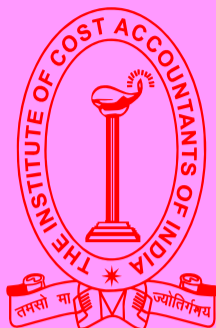
03

**Assess Yourself**

**Appear For Examination**

04

FINISHED



# SUBMISSIONS



## 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](http://www.icmai.in) at request option.

Dear Students,

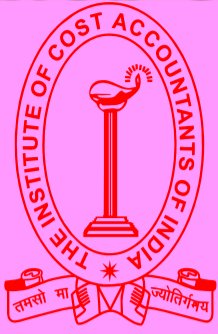
We are very much delighted to receive responses from all of you; for whom our effort is!

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](mailto:studies.ebulletin@icmai.in)  
website: <http://www.icmai.in>



## Message from Directorate of Studies

Dear Students,

We from the Directorate of studies know your expectations from us and accordingly we are trying to deliver some meaningful tips through the publications of monthly E-bulletins. Other than this we are trying to help you through, Mock Test Papers (MTPs), Work Books, MCQs and we have conducted Webinar sessions.

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 link mentioned below :**

<https://icmai.in/studentswebsite/>

- Don't give up
- Don't give in
- Don't give out
- You can win!

**GOOD LUCK**

**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

STUDENTS' E-bulletin Intermediate  
Vol: 3, No.: 12, December 2018, Issue



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

[www.icmai.in](http://www.icmai.in)

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December Exam  
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of the same Calendar Year

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Students

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9  
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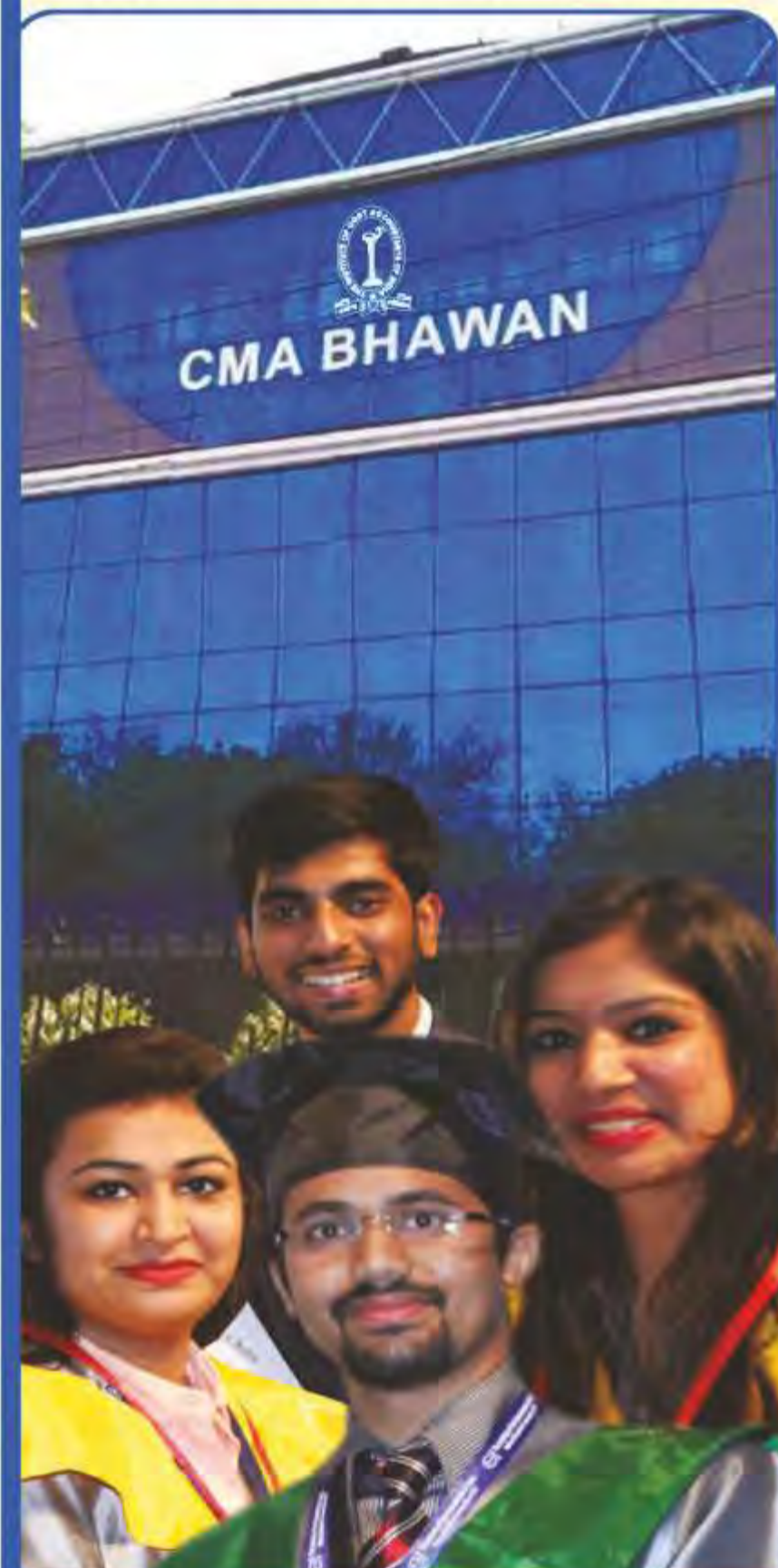
*Few of Our Proud Recruiters*



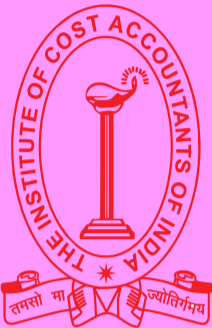
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Behind every successful business decision, there is always a **CMA**



# Few Snapshots



Republic Day Celebrations at the Institute Headquarters



Release of "Aide Memoire on Lending to Micro Small and Medium Enterprises Sector" (including restructuring of MSME credits) at the hands of Shri Anurag Singh Thakur, Hon'ble Union Minister of State for Finance and Corporate Affairs on 30th December 2020.



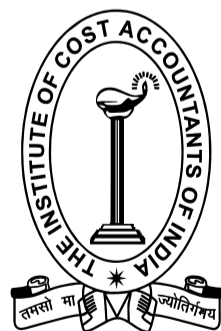
Republic Day Celebrations at the Institute Headquarters



CMA Biswarup Basu, President and CMA Chittaranjan Chattopadhyay, Chairman of Indirect Taxation Committee Chairman as well as Banking, Financial Services & Insurance Committee extending greetings to Novel Roy, IRS, Central Board of Direct Taxes, New Delhi, Ministry of Finance, Government of India and also handed over Representation on Transfer Pricing in Income Tax on 27th January 2021 at his office in New Delhi.



CMA Chittaranjan Chattopadhyay, Chairman, Banking, Financial Services & Insurance Committee and Indirect Taxation Committee presented copy of "Aide Memoire on Lending to Micro Small and Medium Enterprises Sector" (including restructuring of MSME credits) to Shri Pankaj Jain, IAS, Additional Secretary, Department of Financial Services, Ministry of Finance, Government of India on 27th January 2021 at his office in New Delhi.



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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

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