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January

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150 YEARS OF CELEBRATING THE MAHATMA

2022

Happy New Year!

CMA Student E - Bulletin

INTERMEDIATE

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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

Behind every successful business decision, there is always a CMA

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150 YEARS OF CELEBRATING THE MAHATMA

CONTENTS

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KNOWLEDGE Update

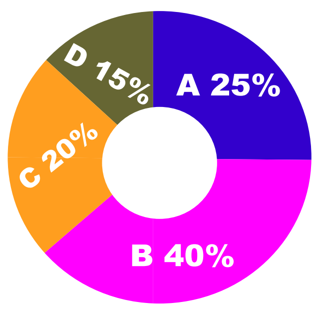
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.

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

GROUP: I, 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

"You are never too old to set another goal or to dream a new dream." -C.S. Lewis

Life is such. Its dynamic. Life never teaches us to put a halt. In this new year let us cheer again with new dreams and hopes to fulfil- come whatever may. When you will read this paper your foundation examination will be over. However, this may help you to revive to rethink to reconstruct. Wish you all the best.

Fill in the blanks:

(a) The cash discount is allowed by______to the______.
(b) Profit means excess of__over_____.
(c) Debtor is a person who_to others.
(d) In a credit transaction, the buyer is given a____facility.
(e) The fixed asset is generally held for______.
(f) The current liabilities are obligations to be settled in__period.
(g) The withdrawal of money by the owner of business is called_____.
(h) The amount invested by owners into business is called _____.
(i) Transaction means exchange of money or money's worth for ______.
(j) The net result of an income statement is or___.
(k) The____shows financial position of the business as on a particular date.
(l) The____discount is never entered in the books of accounts.
(m) Vehicles represent___expenditure while repairs to vehicle would mean____expenditure.
(n) Net worth is excess of__________over____________________.

Solution:

(a) creditor, debtor
(b) income, expenditure
(c) Owes
(d) Credit
(e) Longer period
(f) Short
(g) Drawings
(h) Capital
(i) Value
(j) Profit, loss
(k) Balance sheet
(l) Trade
(m) Capital, revenue
(n) Total assets, total liabilities

(i) Which of the following is not a Qualitative Characteristics of Financial Statement?
(A) Cost Principle
(B) Understandability
(C) Relevance
(D) Reliability

(ii) The balance in consignment account shows
(A) Amount receivable from consignee
(B) Amount payable to consignee
(C) Profit/ loss on consignment
(D) Closing stock with consignee

(iii) Provision for bad debts is
(A) Real Account
(B) Nominal account
(C) Personal account
(D) None of the above

(iv) The business is treated as distinct and separate from its owners on the basis of the
(A) Going concern concept
(B) Conservatism concept
(C) Matching concept
(D) Business entity concept

(v) Canteen expenses are apportioned among departments in the proportion of
(A) Departmental floor space
(B) Departmental direct wages
(C) Departmental sales
(D) Departmental No. of employees

(b) Match the following in Column-I with the appropriate Column-II:

Column-I	Column-II
(I Receipt & Payment A/c	(a) AS-10
(ii) Revaluation model of Asset	(b) Consignment
(iii) Proforma Invoice	© Not-for-Profit Organization
(iv) Stage of Completion Method	(d) Hire Purchase
(v) Partial Repossession	(e) AS-7
	(f) AS-6

i-c, ii - f iii- b, iv-e, v- d

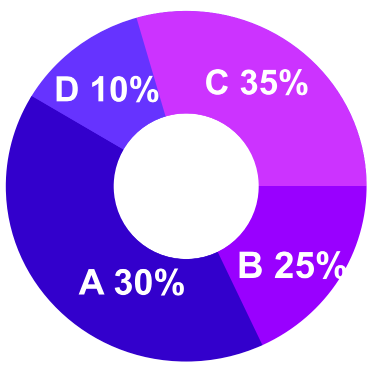
(a) State whether the following statements given below are true or false:
(i) Receipt & Payment Account only records the revenue nature of receipts and expenses. f/t
(ii) Sales Book records both cash and credit sales. f/t
(iii) Normal loss of goods sent on consignment is shown in Consignment Account. f/t
(iv) In case of trading concern, cost of goods sold and cost of sales are same. f/t
(v) In Proprietorship business, Income-tax payable is shown as a liability in Balance Sheet. f/t

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

GROUP: I, PAPER: 6

LAWS & ETHICS
(LNE)

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 and Rules

Independent Directors – Sec.149(6) provides that an independent director in relation to a company, means a director other than a managing director or a whole time director or a nominee director.

(a) who in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience.

(b) (i) who is or was **not a promoter** of the company or its holding company or, subsidiary or an associate company;

(ii) who is **not related to promoters or directors** in the company, its holding, subsidiary or associate company

(c) Effective from 7th April,2018, an Independent Director **must not have or ever had any pecuniary relationship** (a relationship concerning money), other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

(d) Effective from 7th April,2018, an Independent Director must be a person ,**none of whose relatives**—

(i) is **holding any security of or interest in the company**, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding Rs.50,000 (fifty lakh) or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

(ii) **is indebted to the company**, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;

(iii) **has given a guarantee or provided any security** in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or

(iv) has **any other pecuniary transaction or relationship with the company**, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);]

(e) who, neither himself nor any of his relatives -

(i) **holds or has held the position of a key managerial personnel** or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years.

(ii) **is or has been an employee or proprietor or a partner**, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of -

(A)a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B)any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent. or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any nonprofit organization that receives 25 % (twenty-five per cent) or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

(f) who possesses such other qualifications as may be prescribed in Rule 5 **Qualifications of Independent Director**

Small shareholder Directors – Under Sec.151 a listed company may have one director elected by such small shareholders in such manner and with such terms and conditions as may be prescribed.

Explanation - for the purposes of this section "Small Shareholders" means a shareholder holding shares of nominal value of not more than twenty thousand rupees or such other sum as may be prescribed in **Rule 7 Companies (Appointment and Qualification of Directors) Rules, 2014**

Women Director – Sec.149(1)

Rule 3 of Companies (Appointment and Qualifications of Directors) Rules, 2014 deals with Woman Director in detail and it also prescribes the class of companies as referred to in Section 149 of the Act on which this provision is applicable. The said rule lays down the following:

1. The class of companies for which appointment of woman director is mandatory are given below :

- Every listed company;
- Every other public company having:
  a) paid-up share capital of one hundred crore rupees or more; or
  b) turnover of three hundred crores rupees or more.

The paid up share capital or turnover, as the case may be, as on the last date of latest audited financial statements shall be taken into account.

2. The Time period given to the company for compliance with the provision is as follows :

When the provision of appointment of woman director is *applicable to the company*, the company *shall comply with such provisions within a period of six months from the date of its incorporation.*

3. Intermittent Vacancy of a Woman Director

Any intermittent vacancy of a woman director shall be filled-up by the Board at the earliest but not later than:

(a) Immediate next Board meeting; or

(b) Three months from the date of such vacancy.

Further, a **Woman Director can be an executive director or a non-executive director**. A woman director can :

I. hold the position of a director until the next Annual General Meeting from the date of appointment.

II. She is also entitled to seek reappointment at the general meeting.

It may be noted regarding the tenure of a woman director that she is liable to retirement by rotation as per Section 152 (6) similar to other types of directors.

Additional Director – Sec.161(1)provides that the Articles of Association of a company may confer on its Board of Directors the power *to appoint any person, other than a person who fails to get appointed as a director in a general meeting*, **as an additional director at any time** who shall hold office up to the date of the next annual general meeting or the last date on which the annual general meeting should have been held, whichever is earlier.

Alternate Director - Sec.161(2) provides that the Board of Directors of a company may, if so authorized by its Articles of Association or by a resolution passed by the company in general meeting, appoint a person, not being a person holding any alternate directorship for any other director in the company, **to act as an alternate director for a director during his absence** *for a period of not less than 3 (three) months from India:*

Provided that no person shall be appointed as an alternate director for an independent director unless he is qualified to be appointed as an independent director under the provisions of this Act:

Provided further that an alternate director ***shall not hold office for a period longer than that permissible to the director in whose place he has been appointed*** *and shall vacate the office if and when the director in whose place he has been appointed returns to India:*

Nominee Director - Sec.161(3) provides that - subject to the Articles of Association of a company, the Board may appoint any person **as a director nominated** by any institution in pursuance of the provisions of any law for the time being in force or of any agreement or by the Central Government or the State Government by virtue of its shareholding in a Government company.

Qualification of Independent Directors

There is nothing is specified in the Act laying any specific qualifications for directors. Section 162 (3) provides that a motion for approving a person for appointment as a director, or for nominating a person for appointment as a director, shall be treated as a motion for his appointment.

The relevant provision of the law that deals with the disqualification of directors are Section 152, 164, 165, and 188 of the Act and The Companies (Appointment and Qualification of Directors) Rules, 2014.

However, as per a**mendment (effective from 1st December 2019) to Rule 5 of The Companies (Appointment and Qualification of Directors) Rules, 2014**, the Rule states the qualification of the Independent Director and the following Compliances are now required by a Person Eligible And Willing to be Appointed as an Independent Director **:**

Every individual -

i. Existing Independent Directors shall within a period of three months from commencement of the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019 ; and

ii. Every individual who intends to get appointed as an Independent Director after such commencement shall : -

1. Apply online to **the Indian Institute of Corporate Affairs (Institute)** for inclusion of his name in the data bank for a period of one year or five years or for his life-

time till he continues to hold the office of an independent director in any company.

2. Every individual whose name has been included in the data bank shall file an application for renewal for a period of 1 year, 5 years or for his life time, within 30 days from the date of expiry of the period upto which the name of the individual had applied for inclusion in the data bank, failing which, the name of such individual shall stand removed from the data bank of the institute.

3. Every independent director shall submit a declaration of compliance of sub-rule (1) and sub-rule (2) of the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019 to the Board, each time he submits the declaration required under section 149(7) of the Act.

4. Every individual whose name is so included in the data bank ***shall pass an online proficiency self-assessment test conducted by The Indian Institute of Corporate Affairs (Institute) within a period of 1 year from the date of inclusion of his name in the data bank,*** failing which, his name shall stand removed from the databank of the institute.

5. **Passing of the online proficiency self-assessment test *is not applicable* to** an individual :

a) who has served for a period of not less than ten years as on the date of inclusion of his name in the databank as director,

b) or key managerial personnel in a listed public company or

c) in an unlisted public company having a paid-up share capital of Rs. 10 crores

Sec.152 provides that n the case of appointment of an independent director in the general meeting, an explanatory statement for such appointment, annexed to the notice for the general meeting, shall include a statement that in the opinion of the Board, he fulfils the conditions specified in this Act for such an appointment.

Sec.164 provides the **Disqualifications for Appointment of Director**, which are as follows :

Under Sec.164(1) A person shall not be eligible for appointment asa director of a company if :

(a) he is of unsound mind and stands so declared by a Competent Court ;

(b) he is an undischarged insolvent ;

(c) he has applied to be adjudicated as an insolvent and his application is pending ;

(d) he has been convicted by a court of any offence , whether involving moral turpitude or otherwise and sentenced in respect thereof to imprisonment for not less than 6 months and a period of 5 years has not elapsed from the date of expiry of the sentence.

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of 7 (seven) years or more, he shall not be eligible to be appointed as a director in any company;

(a) an order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;

(b) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;

(c) he has been convicted of the offence dealing with related party transactions under Sec. 188 at any time during the last preceding 5 (five) years; or

(d) he has not complied with sub-section (3) of Sec.152.

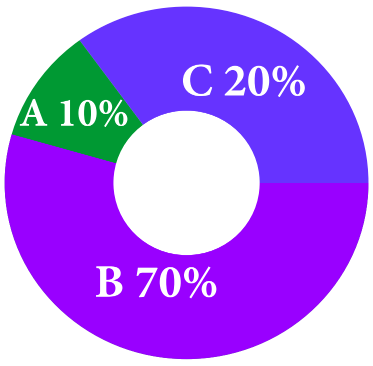
Sec.165 of the Companies Act, 2013 provides that an individual can become director in 20 Companies (including a maximum of 10 Public Companies).
This Sec.165 intends to prohibit an Individual person from becoming director in more than 20 companies (including maximum 10 public companies) so that such person can devote sufficient and effective time to the companies as a director while discharging the functions of a director.

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

GROUP: I, 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 Tax Management, Administrative Procedures and ICDS **20%**

Learning Objectives:

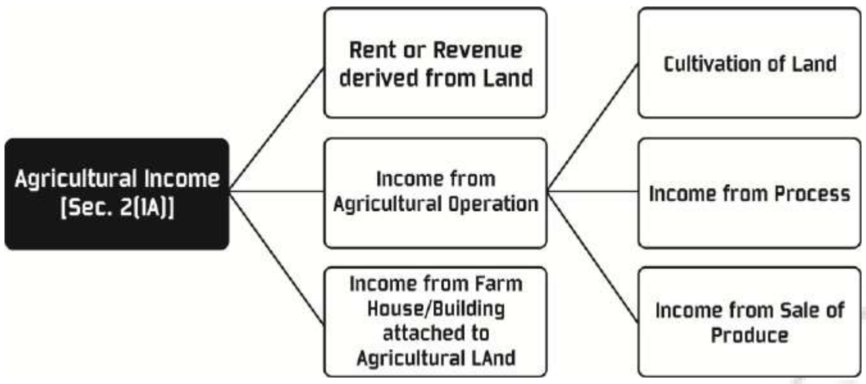
- Identify the key concepts and functions of direct tax.
- Know how to calculate income tax provision's.
- Describe how uncertain tax positions are accounted for under the rules.
- Gradually you will come to know how to prepare and file tax returns.

Agricultural Income

Meaning

Agricultural income means -

a. Any rent or revenue derived from a land, which is *situated in India* & is *used for agricultural purposes*;



b. Any income derived from such land by *agricultural operations*[#];

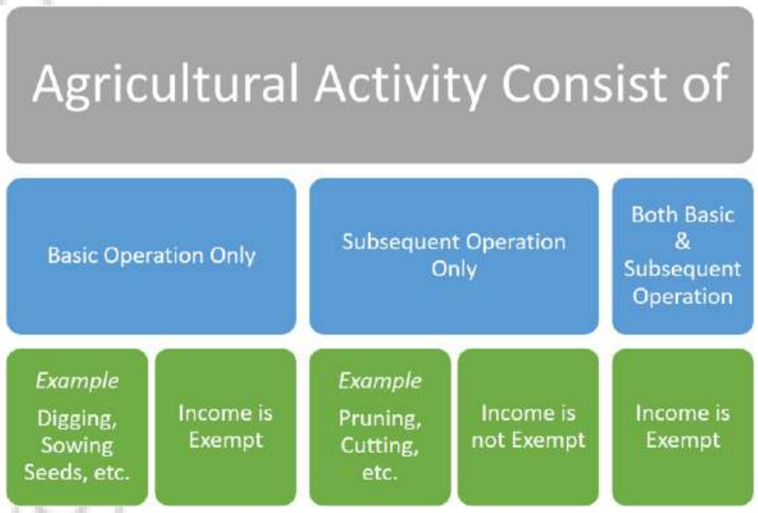
c. Any income derived from such land by the cultivator by processing the agricultural produce raised or by the receiver of rent in kind by processing the agricultural produce received; so as to render it fit for sale in market.

d.

e. 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.

e. Any income derived from a building subject to fulfillment of the following conditions

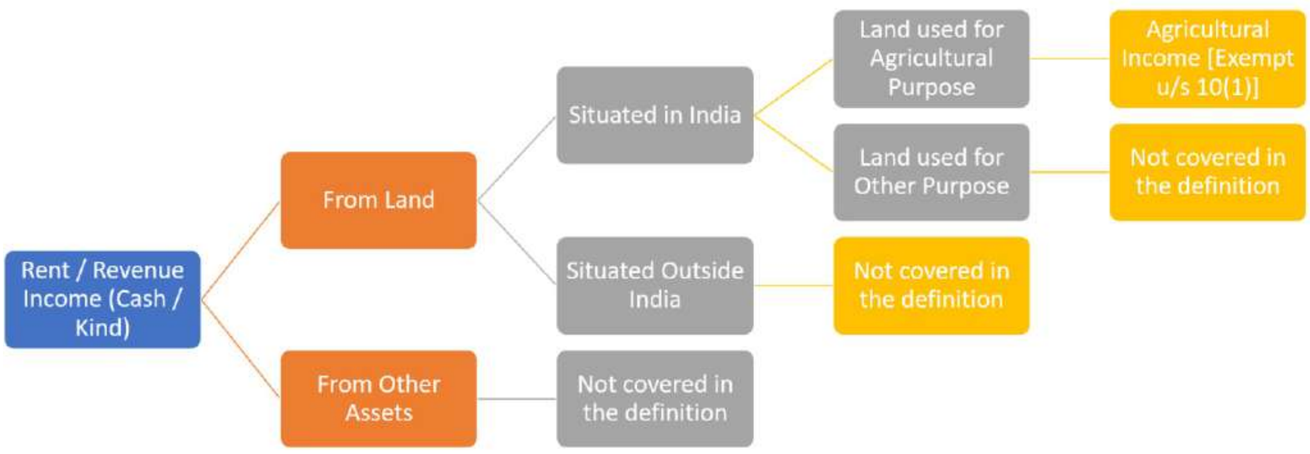
- The building should be occupied by the cultivator or receiver of rent in kind.
- The building should be on or in the immediate vicinity of the land, being situated in India and used for agricultural purposes.
- The building should be used as dwelling house or store-house or other out building.
- The 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.

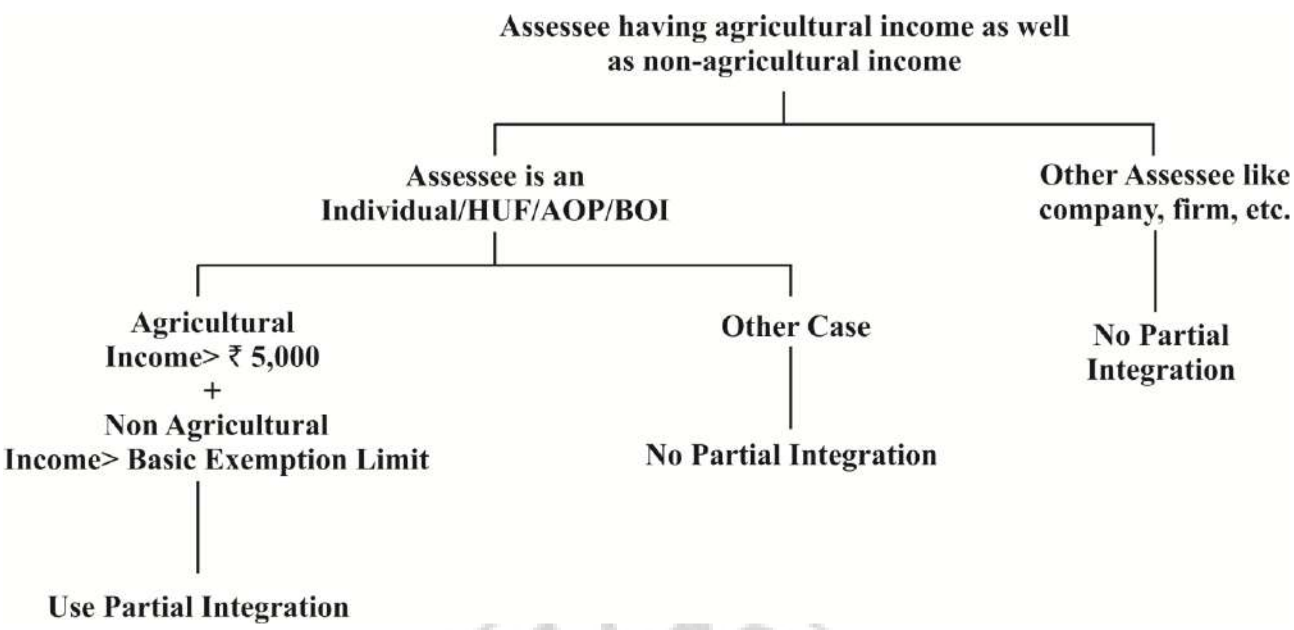
Chart for understanding



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)



1.12

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

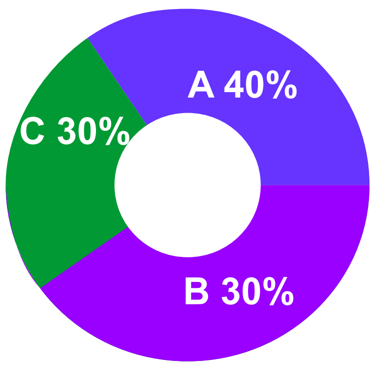
10. **Mr. X is engaged in growing and manufacturing tea in India. His income from this activity is ₹ 1,40,000. His agriculture income will be –**
   (a) ₹ 70,000
   (b) **₹ 84,000**
   (c) ₹ 1,40,000
   (d) ₹ 56,000

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

GROUP: I, PAPER: 8

COST ACCOUNTING
(CAC)

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

Although manufacturer are now willing to accept as a principle that Costing is of value , there is a still a considerable lack of appreciation by many of them is to where its value lies. Costing enable a business not only to find out what various jobs or processes have cost but also what they should have cost; it indicates where loses and waste are occurring before the work is finished, and there for immediate action may be taken if possible to avoid such losses or waste . Business policy may require the consideration of alternative methods and procedures, and this is facilitated by cost information correctly presented. At present 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 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.

The eighth paper is a scoring subject out of all papers in the intermediate course of the Institute of Cost Accountants of India. It is observed from the past experience that 70% to 80% of the total questions are set from practical problems and the balance is theoretical part. Although only 20% questions are set from theoretical part, but a greater emphasis should be given on theoretical part, as most of the students are very much weak in theory. For easy understanding the topic you should go through the theory in details and then try to solve the exercise problems. Starting from the first chapter we should go through all other chapter serially to understand the succeeding chapters in a better way.

As it is a professional examination, hence emphasis should 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 the following tips based on my personal teaching experiences during this longer period.

1. A time bound plan should be there for completing the whole syllabus as well as revision within the target periods.
2. Try to 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 to fifteen terms.
4. Please try to write all the important terms in your own words and read them regularly.
5. Improve your speed by regular practice and revision.
6. Always try to answer all objective type questions as practice, which carries 100% marks.
7. Try to develop a habit of reading the questions well, underlining and understanding the specific demands.

The main purpose of our study, Paper – 8 are to understand the concept of cost, determining the Cost of product or services, understanding the concept of Standard Cost, applying the concept of the marginal costing , Budgetary Control and formulating of business strategy and operational planning.

As per study material, your entire syllabus is divided into six main chapters. In first chapter the basic concepts 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. Here a classification has to be made to arrive at the detailed cops of departments, process , production orders , jobs or other cost units. 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 by solving the practical problems regularly. It will help to grasp the concept of Cost Accounting very easily.

The next chapter, Cost Book-Keeping, which includes integrated accounting system is not at all difficult. In this system, different accounts are to be opened, but it is not necessary to give much emphasis to complete its solution. Here, separate ledgers are maintained by the cost sections. The chapter is very easy to understand but the process is lengthy.

This chapter relates to Contract Costing. The Job, Batch or Contract Costing is very important for the Intermediate Examinations. Most of the students often face difficulty in recommending the amount of profit to be taken into account for an 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". Various problems on 'escalation clause' are used to be set at this level of examination also.

The next chapter is related 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.

The next chapter relates to 'Marginal Costing' which aims to find out cost-volume-profit relationships of a product. It is not a system of costing , but is a especial technique concerned particularly with the effect which fixed overheads has on the running of the business. 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 find 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 'Standard Costing' deals with creating responsibilities and identifying the activities or areas of exceptions. Here variances are analyzed in detail according to their originating causes. 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.

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. A budget is thus a slandered with which to measure the actual achievement of pupil, departments , farms etc. It is the planning in advanced of various functions of a business so that the business as a whole can be controlled. 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.

Selection of method of remuneration to workers is the most complex problem nowadays ---
from the view point of both workers as well as employers. There is not any single method which is acceptable to both. Hence prosperity of a concern depends on the joint and co-ordinate efforts of both the employers and employees. Here we have suggested some important questions in MCQ pattern for understanding the concept of labour clearly.

A. State which statements are correct (C) and which are wrong(W) :

(i) The cost of labour turnover is recovered through departmental overhead recovery rates.
(ii) Measurement of labour turnover gives an idea of the degree of mobility of labour.
(iii) Labour mobility being purely personal, nothing can be done to reduce high labour turnover.
(iv) Defection of workers is one of the reasons for labour turnover.
(v) The cost of abnormal idle time may be recovered by inflating the hourly rate.
(vi) The cost of normal idle time may be charged to departmental overhead.
(vii) The treatment of idle time in cost accounting depends upon the destination between normal and abnormal idle time.
(viii) The difference between time clocked and time booked is known as idle time.
(ix) Time booking is the recording of time spent by a worker on a specific job or work order.
(x) Time booking is not necessary when time keeping is accomplished.
(xi) Time keeping facilitates the preparation of payroll.
(xii) Labour cost can be reduced by recruiting cheap labour.
(xiii) A well-satisfied team of workers can raise productivity to a large extent.
(xiv) Productivity of workers can be improved only if they are supervised closely.

[Ans. Correct (C) : (i), (ii), (iv), (vi), (vii), (viii), (ix), (xi), (xii).
Wrong (W) : (iii), (v), (x), (xii), (xiv).

B. State which statements are correct and which are wrong :

(i) The Halsey Plan protects workers against loose premium rate setting.
(ii) Piece rate system cannot be successfully applied when the work is of repetitive type.
(iii) Time wages system is suitable where output cannot be measured.
(iv) Price rate system is suitable when quality of goods produced is of extreme importance.
(v) There are two principal wage system.
(vi) Low time wages do not necessarily mean low cost of production and high wages mean high cost of production.

[Ans. Correct (C) : (iii), (v), (vi).
Wrong (W) : (i), (ii), (iv)]

C. State which statements are correct and which are wrong :

(i) Muster roll is necessary for the preparation of the payroll.
(ii) High wages need not necessarily mean high cost per unit.
(iii) Non-financial incentive or labour based costs are also fringe benefits.
(iv) Fringe benefits are labour – related costs.
(v) Group bonus plans distinguish between efficient and inefficient workers.
(vi) Under the Rowan Plan bonus is a fixed percentage.
(vii) The Halsey plan guarantees a minimum hourly wage.

(viii) Incentive plans benefit only the employees.
(ix) Premium Bonus plans induce workers to increased efficiency and greater output.
(x) payment by result method lowers the cost of production through their impact on fixed on fixed costs.
(xi) Time and Motion study, which is function of the Engineering department , is useless For the determination of Wages.

[Ans. Correct (C) : (i), (ii), (iv), (vi), (ix), (x).
Wrong (W) : (iii), (v), (vii), (viii), (xi).]

A contract is usually undertaken for a fixed period and price (called contract price) , which is payable either on the completion of the contract or by installments according to the progress of work done. The work is usually constructional and in general the method is similar to job costing. Here it is desirable to determine profit of incomplete contract carefully and cautiously so that reasonable portion of profit should be credited to P/L A/c every year . A problem based on Contract Costing is set in order to clear the concept of Job/Contract Costing.

Problem :
Mirik Construction Limited earned a construct a building . The contract value is Rs. 650000 to be realized in installments on the basis of the value of work certified by the architect, subject to a retention of 10%. The work commenced on 1/4/1988 but it remained incomplete on 31/12/1988 when the final accounts are to be prepared.

The facts and figures of the contract are :

	Rs.
Plant charged to contract at the commencement	32000
Materials charged to contract	180000
Wages paid	87000
Expenses incurred on the contract	38750

Total establishment expenses amounted to Rs. 41000 out of which 25% is attributable to this contract. Out of the materials issued to the contract, material costing Rs. 4000 were sold for Rs. 5000. A part of the plant (Costing Rs. 2000) was damaged on 1/10/1988 and the scrap realized Rs. 300 only. Plant costing Rs. 3000 was transferred to another contract site on 31/12/1988.

Plant is to be depreciated @	10%
Materials in hand on 31.12.1988	Rs. 17500
Cash received from Contractee	Rs. 306000
Cost of work yet to be certified	Rs. 30000

Prepare Contract Accounting showing therein the amount of Profit or Loss to be transferred to Profit & Loss Account.

Solution :
In the Book of Mirik Construction Ltd.
Contract Account
For the year ended 31.12.1988

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Materials Charged	180000	By Bank (Materials sold)	5000
To Wages	87000	By Bank (Sale price of damaged Plant as Scrap)	300
To Expenses	38750	By Plant (transferred to another contract)	2775
To Establishment Expenses (25% of Rs. 41000 i.e. 41000 × 25/100	10250	By Material in hand c/d	17500
To Profit & Loss A/c (Profit on materials sold i.e. Rs. 5000 – Rs. 4000)	1000	By Plant c/d	24975
To Plant charged to contract	32000	By Cost of Contract c/d	298450
	349000		349000
To Cost of contract b/d	298450	By Contractee's (work certified)	340000
To Notional Profit c/d	71550	By Cost of uncertified work c/d	30000
	370000		370000
To Profit & Loss A/c	42930	By Notional Profit b/d	71550
To Profit provision c/d	28620		
	71550		71550
To Material b/d	17500	By Profit provision b/d	28620
To Plant b/d	24975		

Working :

(i) Calculation for closing balance of Plant

	Rs.	Rs.
Plant purchased		32000
Less : Cost of plant damaged	2000	
Cost of plant transferred	3000	
		27000
Less : Depreciation for 9 months [27000 × 10/100 × 9/12]		2025
		24975

(ii) Calculation for W.D.V. of plant transferred to another contract

	Rs.
Cost of Plant Transferred	3000
Less : Depreciation for 9 month	225
	2775

150 YEARS OF CELEBRATING THE MAHATMA

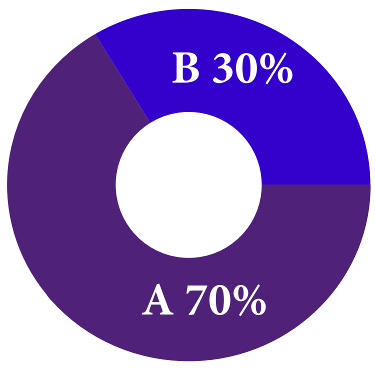
CMA Ankan K Bandyopadhyaya
He can be reached at:
abanerjee8533@gmail.com

GROUP: II, PAPER: 9, Part- i

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM)

Operations 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 us discuss preliminaries on CAPACITY Planning for Products & Services
Developing Capacity Strategies
Capacity refers to an upper limit or ceiling on the *load* that an *operation process* can handle.
The load might be in terms of of

- The number of physical units produced e.g. electric locomotives produced/year
- The number of services performed e.g. Customers served per hour in bank teller

The operating process might be a plant , department, machine, store, worker etc.

Capacity is the maximum rate of output of a process or a system. Managers are responsible for ensuring that the firm has the capapcity to meet current and future demand.
Otherwise the organisation will miss out opportunities for growth and profit.
To grab these opportunities organisations are involved in capacity planning. Opportunities arise because of various reasons – changes in demand, changes in technology, changes in the environment, perceived threats from competitors etc.

A gap between current and desired capacity will result in capacity that is out of balance. Overcapacity causes operating costs that are too high (as capacity costs are distributed over small number of units produced) while undercapacity causes strained resources and possible loss of customers.

The key questions in capacity planning are the following:

- What kind of capacity is needed? ---per year, per hour, per man days etc-- depends on products and services to be produced
- How much capacity is needed? --- 200 units per year, 100 tickets per hour etc.
- When is capacity is needed? ----On 1st quarter, On a working day etc

Forecasts are key inputs used to answer the questions of How much and When

Since forecasts are for future and future is always not very certain some organisations prefer to delay capacity investment until demand materialises.

- Such strategies often inhibit favourable opportunities/growth because adding capacity tales time and customers won't usually wait
  Some other organisations add capacity in anticipation of growth depending on forecast
- Such strategies actually attracts growth Therefore
- To some organisations capacity choices are made infrequently or
- To some other organisations capacity choices are made regularly as a part of ongoing process

Generally the factors that influence this frequency are

- The stabilty of demand
- The rate of technological change in equipment & product design
- Competitive factors

Capacity decisions

- Have an impact on the ability of the organisations to meet future demand
- Affect operating costs
- Involve long term commitment of resources
- Affect competitivenesss

Capacity decisions are made in light of several long term issues such as the firm's economies and diseconomies of scale, capacity cushions, timing, trade offs between customer service and capacity utilisation etc.

Because of the aforesaid long term factors there are risks involved and Capacity strategies should consider all these.
Therefore while taking capacity decisions concerns are on factors

Flexibililty:

- *Flexibility* is introduced into the system
  - *Provisions for future requirments* must be there in the system

If future expansion of an education institute is most likely, then during initial construction of the the institute's building water lines, power lines etc must be provided with adequate capacity commesurate with future need

- Besides provisions for future requirements flexibility also incorporated
    - While designing Location & Layout of equipments
    - While making Productin planning, Scheduling & Inventory policies

Life Cycle:
Capacity requirements are often closely linked to the stage of the *Life Cycle* that a product or service is in.
The product life cycle is the process a product goes through from when it is first introduced into the market until it declines or is removed from the market. The life cycle has four stages - introduction, growth, maturity and decline.

- At introduction phase of a product---size of the overall market and organisation's share of the market is uncertain----large and inflexible capacity planning needs to be avoided
- At growth phase of a product---size of the overall market grows—
    - Rate of growth of individual organisation's market share influences its capacity planning
    - Influences individual organisation's level of production, level of investment
    - Opens opportunities to all organisations to bring competitive advantage through introduction of distinguished features into product (product differentiation) by investing in technology and process improvements
    - Brings risks of overcapacity in the market and result in higher unit costs of the output
- At maturity phase of a product---size of the market levels off
    - Organisations tend to have stable market share
    - Organisations could increase profitability through cost reduction and full capacity utilisation
    - Organisations with lower capacity in earlier phases of life cycle could go for capacity addition if maturity stage is thought to be prolonged
- At decline phase of a product---overall market demand declines
    - Organisations face underutilisation of capacity
    - Excess capacity could be sold off
    - Excess capacity could be used for producing other products or services

Interrelation:

- Parts of any system is always interrelated
- Capacity of one part has impacts on other parts and so capacity planning must consider these interrelations

Increasing the number of routes from an airport must have influence on security check-in capacity of the station.

- Capacity decisions related to a process has a role on the supply chain of the organisation as a whole

Increasing production capapcity may require more raw material supplies and suppliers require time to adjust this change requirement

- So capapcity planning decsions must be made with collaboration among all the interelated players including suplliers, distributos, transporters etc

Bottleneck:

- Capacity planning decision must not encouarge *Bottleneck Operation*

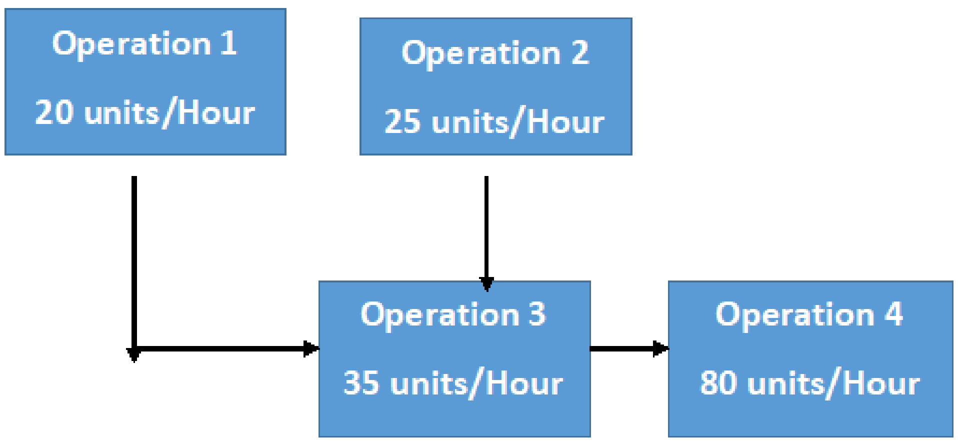
Bottleneck operation is an operation in a sequence of operations whose capacity is lower than the capacities of other operation in the sequence.

- Bottleneak operation limits the capacity utilisation of the previous and successive operation in the whole sequence of opertion
- Capacity utilisation of the whole system is thereby reduced

Supoose there are four operations named

Operations 1, Operation 2, Opeartion 3 & Operation 4

Production capacities and their interrealtion is shown in the following figure:



Operation 3 can handle only 35 units/hour. But Operation 1 and Operation 2 at its full capacity could produce a total of 45 units /hour which Operation 3 cannot handle. So although operation 4 has enough capacity overall capacity of the system is restricted to 35 units per hour

Chunk:

- Capacities are available in Chunks
- Creates mismatch between desired capacity and available capacity
- Creates either shortfall or surplus in production

Variability:

- Demand is variable
- Variability can be seasonal, chance random, cyclical etc.
- Variable demand brings unevenness in capacity requirements
- Capacity strategies should provide allowances for these
- Capacity should be for complementary products & services to cater seasonality

Optimal Operating level:

- Production units always have an ideal or optimal level of operation in terms of unit cost of output
- This brings Economies of scale and Diseconomies of scale

Economies of scale

- States that the average unit cost of a good or service can be reduced by increasing its output rate

This is true when:

- Fixed costs can be spread over a larger number of units;
- Production or operating costs do not increase linearly with output levels;
- Quantity discounts are available for material purchases;
- Operating efficiency increases as workers gain experience;

A higher capacity plant offers some economies of scale:

- Automation is possible in a high capacity plant;
- Labour economies – lower variable cost/unit – increase of skill of worker;
- Managerial economies, technical competence;
- Marketing economies – Purchase in bulk;
- Financial economies – better security, attract investment at lower cost;

Economies of scale do not continue indefinitely. Above a certain level of output diseconomies of scale can occur:

Diseconomies of scale:

A level of operation at which average cost per unit increases as the facility's size increases

- Overtaxed machines and material handling equipment break down
- Slowing of service time;
- Quality suffers requiring more rework;
- Labour costs increase with more overtime;
- Increase in difficulties in coordination and management activities;

Miscellaneous:

- Incremental Expansion or single step expansion of capacity considering
    - Competitive pressure
    - Market Opportunities
    - Costs and availability of funds
    - Disruption of operation
    - Training requirements

Three dimensions of capacity strategy:

Operation managers must examine three dimensions of capacity strategy before making capacity decisions:

(1) Sizing capacity cushions

If the demand goes on increasing over time, then long term capacity must be increased accordingly to provide some buffer against uncertainties. When average utilization rates approach 100 percent, it is usually a signal to increase capacity.

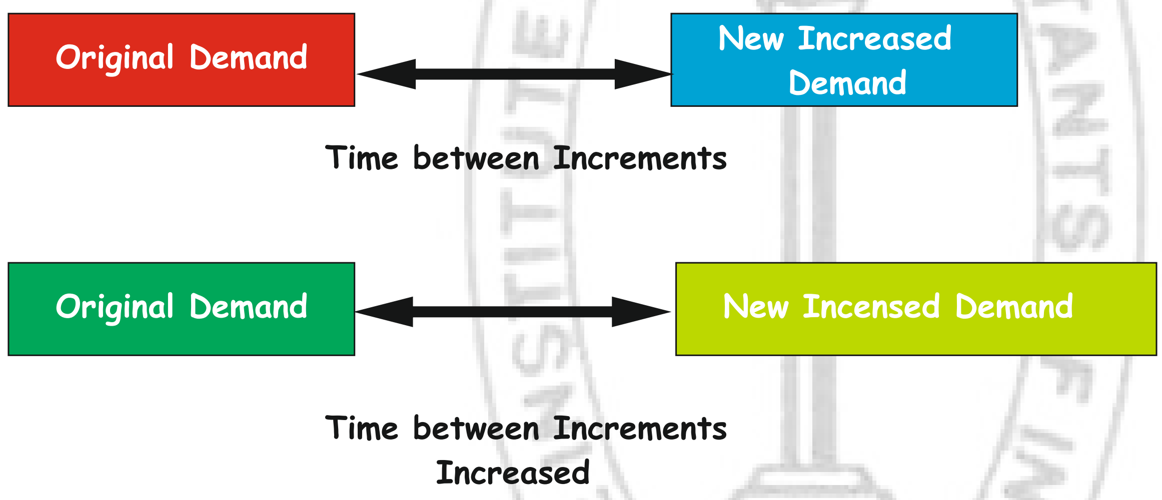
Capacity Cushion is the amount of reserve capacity a process uses to handle sudden increases in demand. It measures the amount by which the average utilization in terms of total capacity falls below 100% i.e.

- Capacity Cushion = 100% - Average utilization rate (%)
  The appropriate size of the cushion varies by industry—capital intensive industries prefer under 10% cushion where less capital intensive can run with 40 to 30% cushion
  - ➢ Unused capacity costs money and brings low return on investment
- Business keeps large cushion when demand varies or when future demand is uncertain or with a changing product mix
- In the long run it buffers the organisation against uncertainty as do resource flexibility, inventory and longer customer lead times
- Any change in any decision area needs change in capacity cushion
  - ➢ Capacity cushions for a process can be lowered if competitive priorities are given
  - ➢ Capacity cushions can be lowered if the company is willing to smooth the output rate by raising prices when inventory is low (high price lowers demand and that time producing more increases inventory level and in turn average utilisation rate) and decreasing prices when it is high

Large capacity cushions are common in industries in which demand is –
- Highly variable;
- Resource flexibility is low;
- Customer service is important;

Highly variable demand – In certain service industries (e.g. Grocery) demand on some days of the week is predictably higher than on other days. Long customer waiting times are not acceptable because customer goes impatient if they have to wait in a supermarket checkout line for more than a few minutes. Prompt customer service requires supermarkets to maintain a capacity cushion large enough to handle peak demand.

(2) Timing and sizing expansions
- Has concern when to adjust capacity levels and by how much
  - ➢ If demand is increasing and the time between increments increases, the size of the increments must also increase



Two extreme strategies are followed for expanding capacity:
- Expansionist Strategy – which involves large infrequent jumps in capacity. It stays ahead of demand, minimizes the chance of sales lost to insufficient capacity. Suitable for second situation above;
- Wait and see strategy – which involves smaller more frequent jumps. It lags behind demand. Suitable for first condition above;

Factors favouring expansionist strategy:

- It results economies of scale;
- It results reducing cost of operation;
- It facilitates a firm to compete on price;
- It might increase the firm's market share;

Factors favouring wait and see strategy:

- It reduces the risks of overexpansion;
- It facilitates firms to avoid obsolete technology;
- It guards against inaccurate assumptions regarding competition;

Advantages/disadvantage of Expansionist strategy---
- It can result in economies of scale and faster rate of learning

- This helps a firm to reduce its costs and compete on price
- This might increase firm's market share
- It may bring risk of overexpansion

Advantages/disadvantage of Wait & see strategy---

- It reduces the risks of overexpansion
- It is unable to respond if demand is unexpectedly high
- It fits the short term outlook but can erode market share over the long run

Managers may choose one of these two strategies or one of the many between these extremes

Three basic strategies for the timing of capacity expansion in relation to a steady growth in demand are
Capacity Lead Strategy: Capacity is expanded in anticipation of demand growth. This aggressive strategy is used to lure customers from competitors who are capacity constrained or to gain a foothold in a rapidly expanding market

Capacity Lag strategy: Capacity is increased after an increase in demand has been documented. This conservative strategy produces a higher return on investment but may lose customers in the process. It is used in industries with standard products and cost based or weak competition. The strategy assumes that lost customers will return from competitors after capacity has expanded

Average Capacity strategy: Capacity is expanded to coincide with average expected demand. This is a moderate strategy in which mangers are certain they will be able to sell at least some portion of the additional output

Capacity decisions affect

- Product lead times (Duration between receipt of order for the product and readiness of the product);
- Customer responsiveness
- Operating costs
- Firm's ability to compete

(3) Linking process capacity and other operating decisions

- Capacity decisions should be closely linked to processes and supply chains throughout the organisation
- Capacity decisions must link backward as well as forward channels in the whole operation chain

The major trade-off in capacity planning is having too much capacity vs. inadequate capacity. Having too much capacity will result in idle time and wasted resources. On the other hand, not having enough capacity will result in backorders or lost sales.

Inadequate capacity can

- Lose customers
- Limit growth

Excess capacity can

- Drain a company's resources
- Prevent investments in more lucrative ventures

Capacity planning is a team effort and should include representatives from operations, marketing, and finance areas. Since long term capacity planning has tremendous impact on supply chain also, the planning should require involvement of all concerned staff and officers. If capacity planning involves major expansion or a major involving decision, top management also should be there in the team.

While doing capacity planning enough consideration should be given on impact of technology on capacity planning. Automation and computer operated machinery have revolutionized the manufacturing and service industries. A right decision on purchase of highly sophisticated machine may bring effective result in firm's operation but a mistake (like buying a highly tech-savvy machine when it is not required) could be very costly for the firm. On the other hand, these machines tend to be powerful and produce large number of quantities of a given product. Therefore, if we do not purchase the machinery and the demand turns out to be high, then our losses due to lost sales or backorders would be larger than usual.

Suggestions:
These concepts on Capacity planning under Operations Management are taken purely from teachings imparted by the Guide book issued by Institute and some reference books covering the syllabus. The study guide on Operations Management issued by Institute is to be studied thoroughly. In this month discussions are also held to develop theoretical concepts on Capacity planning, its development strategies etc. Application of these concepts will be discussed in next issues. Attempts are made here to explain all in some detail. For supplementary readings one can refer Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson.
Best Wishes

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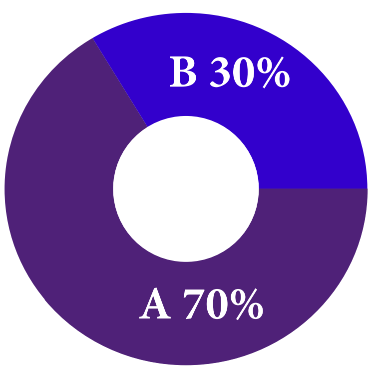
CMA (Dr.) Sumita Chakraborty
Additional Director,
Studies & RC & CC Committee
She can be reached at:
studies.addldir1@icmai.in

GROUP: II, 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

1. **Different levels of strategic decision making and strategic formulation in any organization does not include:**
   A. Financial
   B. Corporate
   C. Functional
   D. Business

   Answer: A

2. **Strategic management is the management of an organization's resources to achieve its -------------------------------**
   A. Profit
   B. Goals and objectives
   C. Market share
   D. Competitive advantage

   Answer: B

3. **Strategic management does not involve:**
   A. Setting objectives
   B. Analyzing the competitive environment
   C. Analyzing the internal organization
   D. Analyzing the external organization

   Answer: D

4. **The term strategy is derived from a ----------------- word 'strategos'**
   A. Latin
   B. Greek
   C. Chinese
   D. German

   Answer: B

5. **Which of the following does not describe Corporate strategy?**
   A. What business what businesses should be in
   B. How does the parent company add value to its subsidiaries?
   C. How does being in one business help us compete in other businesses
   D. How should we compete in other business?

   Answer: D

6. **The role of stakeholders includes:**
   A. Direct management
   B. Decision making
   C. Investments
   D. All of the above

   Answer: D

7. **Which of the following defines how each individual business unit will attempt to achieve its mission?**
   A. Business strategy
   B. Corporate strategy
   C. Functional strategy
   D. National strategy

Answer: A

8. **Which of the following is at the core of the strategic management?**
A. Choosing which organizational objectives to focus on
B. Being alert for opportunities to change work responsibilities
C. Adapting the organization to a changing external environment
D. Choosing whether to make decisions autocratically or on the basis of participation

Answer: C

9. **The corporate level is where the top management directs:**
A. All employees for orientation
B. Its efforts to stabilize recruitment needs
C. Overall strategy for the entire organization
D. Overall sales projections

Answer: C

10. **What is meant by the term 'Stakeholder'?**
A. A person who is not related with a business
B. A person who is related with a business
C. A person who owns a business
D. A person who purchases the shares of a business

Answer: B

11. **The environmental segments that comprise the general environment typically will not include:**
A. Demographic factors
B. Sociocultural factors
C. Substitute products or services
D. Technological factors

Answer: C

12. **Which of the following is not an entry barrier to an industry?**
A. Expected competitor relation
B. Economies of scale
C. Customer product loyalty
D. Bargaining power of suppliers

Answer: D

13. **Suppliers are powerful when:**
A. Satisfactory substitute are available
B. They sell a commodity product
C. They offer a credible threat of forward integration
D. They are in highly fragmented industry

Answer: C

14. **Internal analysis enables a firm to determine what the firm can:**
A. Can do
B. Should do
C. Will do
D. Might do

Answer: A

15. **-----------------is / are the sources of a firm's-------------, which is / are the sources of firm's---------------------:**
A. Resources, capabilities, core competencies
B. Capabilities, resources, core competencies
C. Capabilities, resources, above average returns
D. Core competencies, resources, competitive advantage

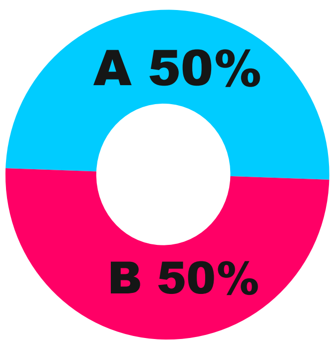
Answer: A

CMA Bimalendu Banerjee
He can be reached at:
bbanerjee2050@gmail.com

GROUP: II, PAPER:10

COST & MANAGEMENT ACCOUNTING AND FINANCIAL MANAGEMENT(CMFM)

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.

GR – II CMA & FM

Question No. – 1 (Sales)

The following data relates to two products 'X' and 'Y' produced exclusively by a reputed manufacturing Company :

Product	Budgeted Quantity (unit)	Actual Quantity (unit)	Budgeted Sales price/unit	Actual Sales price/unit	Standard Cost/unit
X	240	400	Rs.50	Rs.45	Rs.30
Y	160	200	Rs.25	Rs.20	Rs.15

What shall be the :-

1) Budgeted Margin per unit for Product 'X' : (a) Rs.19 (b) Rs.20 (c) Rs.21 (d) Rs.22
2) Actual Margin per unit of Product 'Y' : (a) Rs.5 (b) Rs.6 (c) Rs.7 (d) Rs.8
3) Total Actual Sales Margin : (a) Rs.4000 (b) Rs.5000 (c) Rs.6000 (d) Rs.7000
4) Total Standard Sales Margin : (a) Rs.9000 (b) Rs.9500 (c) Rs.10000 (d) Rs.10500
5) Total Revised Std Quantity (RSQ) Sales Margin : (a) Rs.9300 (b) Rs.9400 (c) Rs.9500 (d) Rs.9600
6) Total Budgeted Sales Margin : (a) Rs.6400 (b) Rs.6500 (c) Rs.6600 (d) Rs.6700
7) Sales Margin Volume Variance in respect of Product 'X' : (a) Rs.3000 F (b) Rs.3000 A (c) Rs.3200 F (d) Rs.3200 A
8) Sales Margin Quantity Variance in respect of Product 'X' : (a) Rs.2300 A (b) Rs.2300 F (c) Rs.2400 A (d) Rs.2400 F
9) Sales Margin Price Variance in respect of Product 'Y' : (a) Rs.1000 F (b) Rs.1000 A (c) Rs.1100 F (d) Rs.1100 A
10) Sales Margin Mix Variance in respect of Product 'Y' : (a) Rs.400 A (b) Rs.400 F (c) Rs.500 A (d) Rs.500 F
11) Total Sales Margin Value Variance : (a) Rs.600 A (b) Rs.600 F (c) Rs.650 A (d) Rs.650 F

Answer :

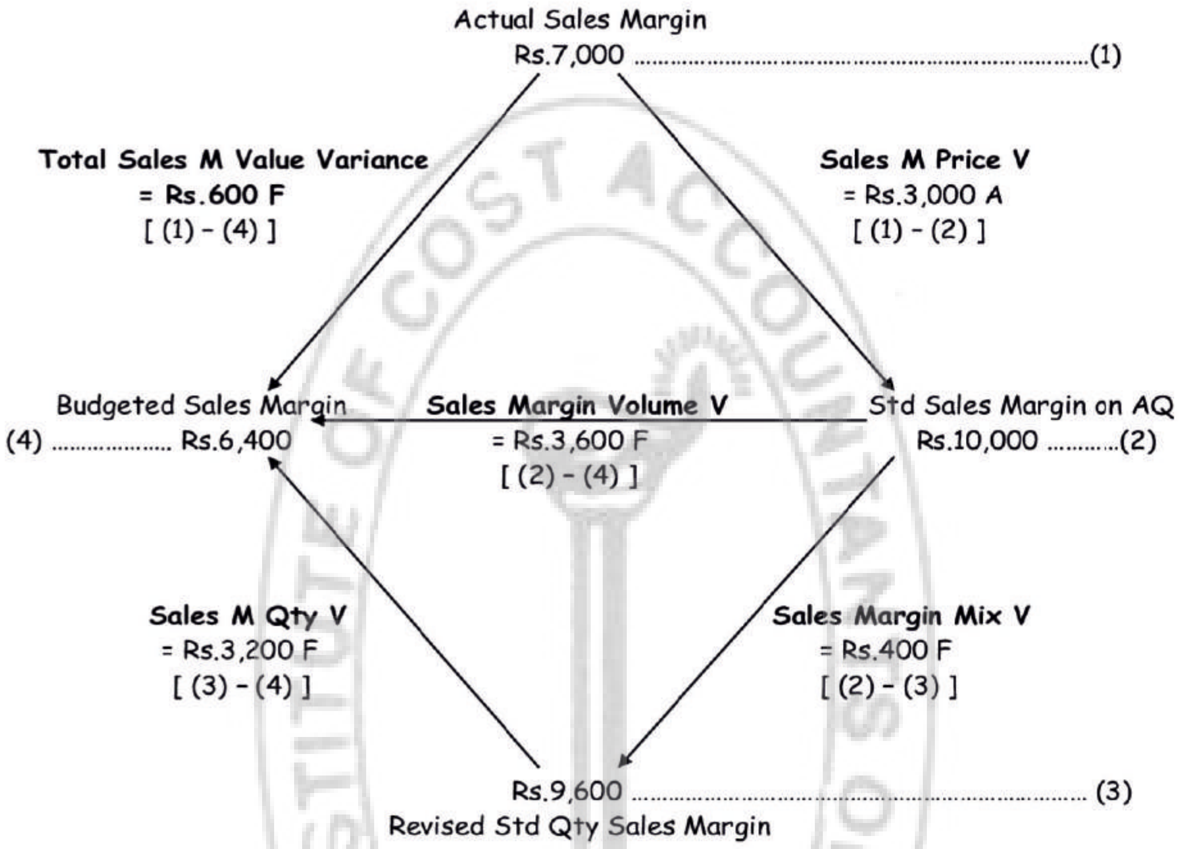
1) (b) Rs.20	2) (a) Rs.5	3) (d) Rs.7000
4) (c) Rs.10,000	5) (d) Rs.9,600	6) (a) Rs.6,400
7) (c) Rs.3,200 F	8) (d) Rs.2,400 F	9) (b) Rs.1,000 A
10) (a) Rs.400 A	11) (b) Rs.600 F	

Steps for Solution for both Question 1 and 2 :

1) Draw diagrams as shown in respect of each Question.

2) Put the given data as well as data derived from the Working Notes in the appropriate places of the diagrams as specified.
3) Start connecting the same by the arrows having spearheads in the way embodied therein.
4) The requisite Variances will emerge automatically.
5) In case of any difficulty, please have a look to the **Solutions through diagrams** at the end of this e-bulletin.

Solution with Working Notes :



Working Notes :

	Products Amount in Rupees X	 Y
Budget Sales Price	50	25
Std Cost per unit	30	15
Budgeted Margin per unit	**Rs.20**	Rs.10
Actual Sales Price	45	20
Std Cost per Unit	30	15
Actual Margin per Unit	Rs.15	**Rs.5**

Budgeted Sales Margin

Product	Qty (unit)	Margin (Rs.)	Amount (Rs.)	Av. Std Margin Per unit (Rs.)
X	240	20	4800	
Y	160	10	1600	
	400		Rs.6400	Rs.16

Actual Sales Margin

	Qty (unit)	Price (Rs.)	Amount (Rs.)
X	400	15	6000
Y	200	5	1000

	600		**Rs.7000**

Std Sales Margin (on AQ)

Product	Qty (unit)	Margin (Rs.)	Amount (Rs.)
X	400	20	8000
Y	200	10	2000
	600		**Rs.10000**

Revised Std Quantity Sales Margin

AQ in Std proportion	RSQ (unit)	Price (Rs.)	Amount (Rs.)
X : 600 X 240/400	360	20	7200
Y : 600 X 160/400	240	10	2400
	600		**Rs.9600**

Check : Av. Std. Margin per unit X RSQ units = Rs. 16 X 600 = Rs.9600

Details of variances

1) Total Sales Margin Value V
= Actual Sales Margin – Budgeted Sales Margin
X : Rs.6,000 – Rs.4,800 = Rs.1,200 F
Y : Rs.1,000 – Rs.1,600 = Rs. 600 A
Rs.600 F

2) Sales Margin Volume V
= Std Sales Margin – Budgeted Sales Margin
X : Rs.8,000 – Rs.4,800 = Rs.3,200 F
Y : Rs. 2,000 – Rs. 1,600 = Rs. 400 F
Rs.3,600 F

3) Sales Margin Price V
= Actual Sales Margin – Std Sales Margin
X : Rs.6,000 – Rs.8,000 = Rs. 2,000 A
Y : Rs.1,000 – Rs.2,000 = Rs.1,000 A
Rs.3000 A

4) Sales Margin Mix V
= Std Sales Margin – Revised Std Sales Margin
X : Rs.8,000 – Rs.7,200 = Rs. 800 F
Y : Rs.2,000 – Rs.2,400 = Rs.400 A
Rs.400 F

5) Sales Margin Quantity V
= Revised Std Sales Margin – Budgeted Sales Margin
X : Rs.7,200 – Rs.4,800 = Rs.2,400 F
Y : Rs. 2,400 – Rs. 1,600 = Rs. 800 F
Rs.3,200 F

RECONCILIATION

Total Sales Margin V
Rs.600 F

Sales M Price V
Rs.3000 A

Sales M Volume V
Rs.3600 F

Sales M Mix V
Rs.400 F

Sales M Qty V
Rs.3200 F

<u>Question No. – 2 (Comprehensive)</u>

Gem and Co. manufactures a product for which the standard selling price has been ascertained as below :

Details Per Unit	Rs.
Material – 2 units at Rs.20	40
Labour – 20 hrs. @ Rs.2.00	40
Variable Overhead	8
Fixed overhead	20
Total	108
Profit	32
Selling Price	140

During the budget period, the company could produce and sell only 8,000 units, as against a budget of 10,000 units. The company's profit and loss account is presented below :

Profit and Loss account for the year ended

	Rs.		Rs.
To Matrial (16,500 units)	3,96,000	By Sales (8,000 units)	11,20,000
To wages (1,70,000 Hours)	3,46,800		
To variable overhead	60,000		
To Fixed overhead	1,84,000		
To Net profit	1,33,200		
	11,20,000		11,20,000

4,000 hours were lost due to power failure. There was no opening or closing work-in-progress.

What shall be the :-

<u>BASIC COMPUTATIONS REG MATERIAL</u>

1) Std cost per Unit of Production : (a) Rs.37 (b) Rs.38 (c) Rs.39 (d) Rs.40
2) Std Quantity for Actual Production : (a) 15000 units (b) 16000 units (c) 17000 units (d) 18000 units
3) Actual Rate of Material : (a) Rs.24 (b) Rs.25 (c) Rs.26 (d) Rs.27
4) Std Cost of Actual Quantity (AQ) used : (a) Rs.3,20,000 (b) Rs.3,30,000 (c) Rs.3,40,000 (d) Rs.3,50,000

5)	Price Variance	:	(a) Rs.65000 F (b) Rs.65000 A (c) Rs.66000 A (d) Rs.66000 F
6)	Usage Variance	:	(a) Rs.10000 A (b) Rs.10000 F (c) Rs.10500 A (d) Rs.10500 F

REG. LABOUR

7)	Std Cost per unit of Production	:	(a) Rs.39 (b) Rs.40 (c) Rs.41 (d) Rs.42
8)	Std Hour for Actual Production	:	(a) 1,60,000 Hrs. (b) 1,62,000 Hrs. (c) 1,64,000 Hrs. (d) 1,66,000 Hrs.
9)	Productive Hours (PH)	:	(a) 1,61,000 Hrs. (b) 1,63,000 Hrs. (c) 1,65,000 Hrs. (d) 1,66,000 Hrs.
10)	Std Cost of Actual Hour (AH) worked	:	(a) Rs.3,36,000 (b) Rs.3,38,000 (c) Rs.3,40,000 (d) Rs.3,42,000
11)	Wage Rate Variance	:	(a) Rs.6800 F (b) Rs.6800 A (c) Rs.6900 F (d) Rs.6900 A
12)	Idle time variance	:	(a) Rs.8,000 A (b) Rs.8,500 A (c) Rs.9,000 A (d) Rs.9,500 A
13)	Efficiency Variance	:	(a) Rs.11,500 F (b) Rs.11,500 A (c) Rs.12,000 F (d) Rs.12,000 A

REG. VARIABLE OVERHEADS

14)	Std V OH Rate per Hour	:	(a) Re.0.30 (b) Re.0.40 (c) Re.0.50 (d) Re.0.60
15)	Std Hour for Actual Production	:	(a) 1,58,000 Hrs. (b) 1,60,000 Hrs. (c) 1,62,000 Hrs. (d) 1,64,000 Hrs.
16)	Std Cost of Productive Hours (PH)	:	(a) Rs.66,400 (b) Rs.66,500 (c) Rs.66,600 (d) Rs.66,700
17)	Efficiency Variance	:	(a) Rs.2300 A (b) Rs.2300 F (c) Rs.2400 A (d) Rs.2400 F
18)	Expenditure Variance	:	(a) Rs.6400 A (b) Rs.6400 F (c) Rs.6500 A (d) Rs.6500 F

REG. FIXED OVERHEADS

19)	Budgeted Fixed Overheads	:	(a) Rs.17000 (b) Rs.18000 (c) Rs.19000 (d) Rs.20000
20)	Expenditure Variance	:	(a) Rs.16000 F (b) Rs.16000 A (c) Rs.17000 F (d) Rs.17000 A
21)	Std. Rate per Hour	:	(a) Rs.1.00 (b) Rs.2.00 (c) Rs.3.00 (d) Rs.4.00
22)	Std Production in Productive Hour (PH)	:	(a) 8100 units (b) 8200 units (c) 8300 units (d) 8400 units
23)	Std Hour for Actual Production (SH for AP)	:	(a) 159000 Hrs. (b) 160000 Hrs. (c) 161000 Hrs. (d) 162000 Hrs.
24)	Volume Variance	:	(a) Rs.39000 F (b) Rs.39000 A (c) Rs.40000 F (d) Rs.40000 A
25)	Capacity Variance	:	(a) Rs.34000 A (b) Rs.34000 F (c) Rs.35000 A (d) Rs.35000 F
26)	Efficiency Variance	:	(a) Rs.5000 A (b) Rs.5000 F (c) Rs.6000 A (d) Rs.6000 F

REG. SALES

27)	Sales Margin Price Variance	:	(a) Rs.60000 F (b) Rs.60000 A (c) Rs.64000 F (d) NIL
28)	Sales Margin Volume V	:	(a) Rs.64000 F (b) Rs.64000 A (c) Rs.65000 F (d) Rs.65000 A

29) Sales Margin Value Variance : (a) Rs.63000 F (b) Rs.63000 A (c) Rs.64000 F (d) Rs.64000 A

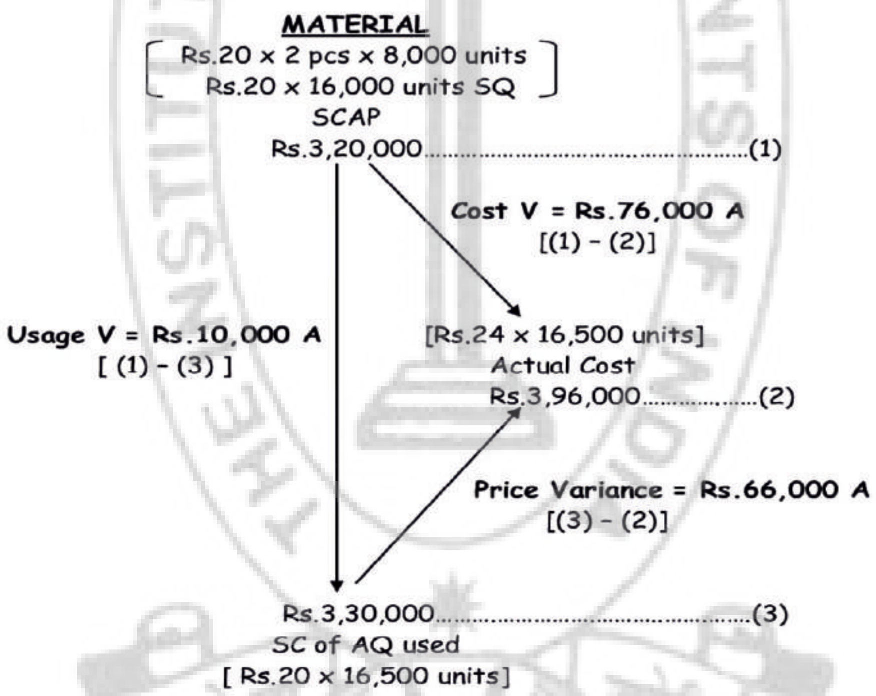
30) Actual Sales Price per Unit : (a) Rs.138 (b) Rs.140 (c) Rs.142 (d) Rs.144

Answer :

1)	(d) Rs.40 [Rs.20 x 2 pcs]	2)	(b) 16000 units
3)	(a) Rs.24	4)	(b) Rs.330000
5)	(c) Rs.66000 A	6)	(a) Rs.10000 A
7)	(b) Rs.40 [Rs.2 x 20 Hours]	8)	(a) 160000 Hr.
9)	(d) 166000 Hr.	10)	(c) Rs.340000
11)	(b) Rs.6800 A	12)	(a) Rs.8000 A
13)	(d) Rs.12000 A	14)	(b) Re.0.40 [Rs.8 / 20 Hours]
15)	(b) 160000 Hr.	16)	(a) Rs.66400
17)	(c) Rs.2400 A	18)	(b) Rs.6400 F
19)	(d) Rs.20000	20)	(a) Rs.16000 F
21)	(a) Rs.1.00 [Rs.20 / 20 Hours]	22)	(c) 8300 units
23)	(b) 160000 Hrs	24)	(d) Rs.40000 A
25)	(a) Rs.34000 A	26)	(c) Rs.6000 A
27)	(d) NIL	28)	(b) Rs.64000 A
29)	(d) Rs.64000 A	30)	(b) Rs.140 [Rs.11,20,000/8000 units]

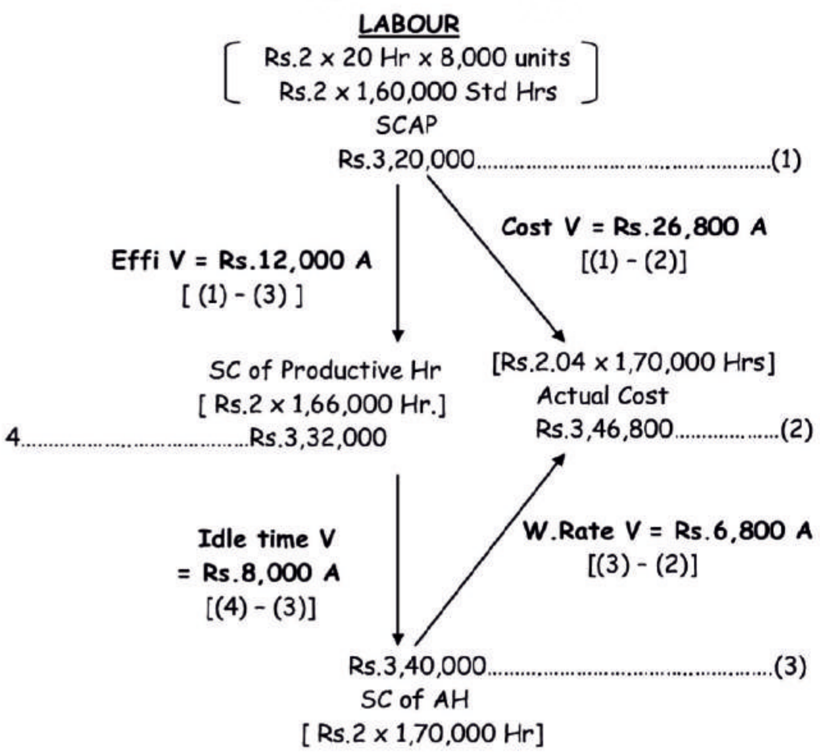
Solution with Working Notes : Basic data : Actual Production (AP) = 8,000 units

Working Note – 1



Note : Cost V = Price V + Usage V

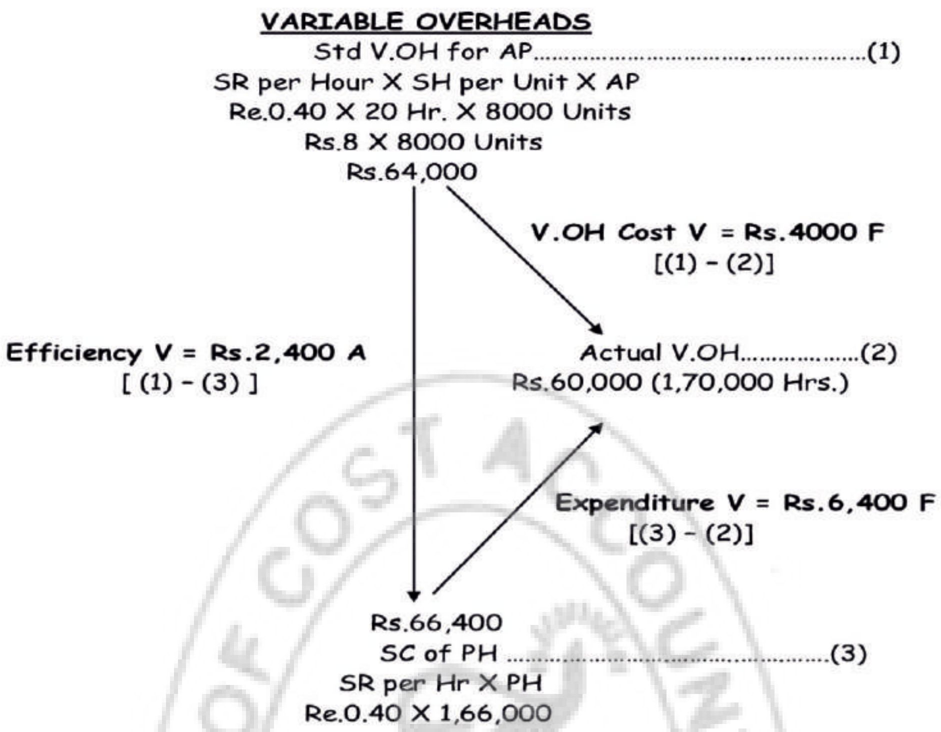
Working Note – 2



Note :

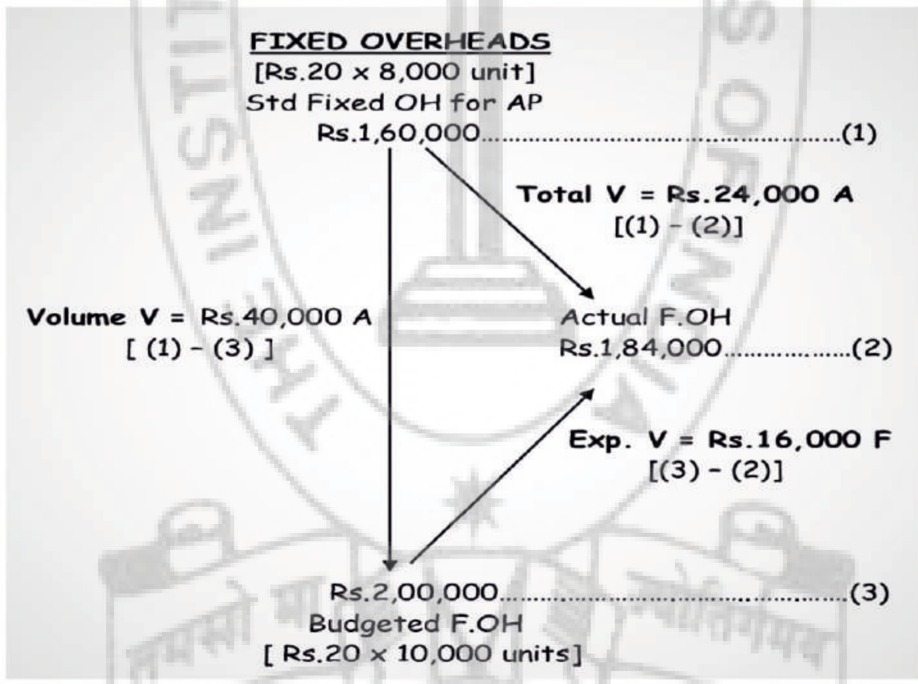
a) Productive Hrs. = 1,70,000 – 4,000 = 1,66,000 Hrs.
b) Cost V = W. Rate V + Efficiency V + Idle time V

Working Note - 3

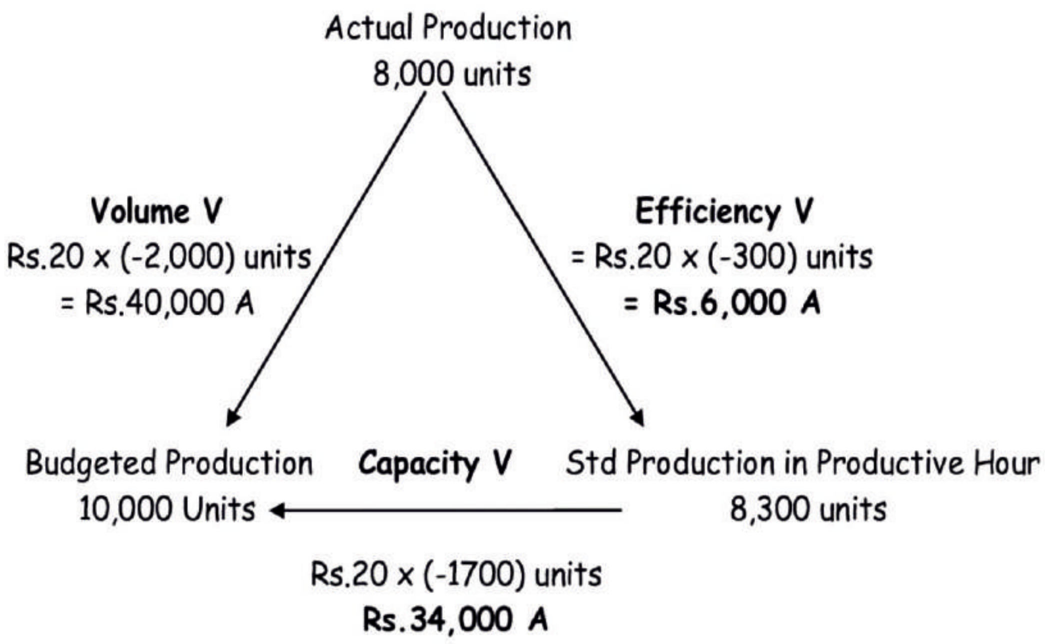


[Note : V.OH COST V = Exp. V + Efficiency V]

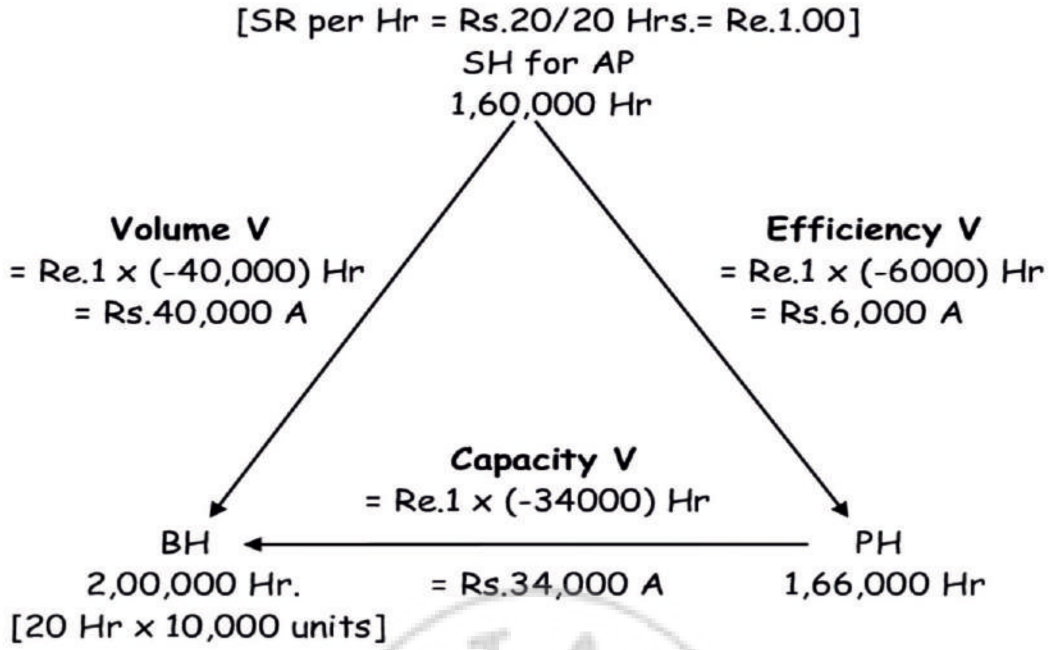
Working Note - 4



OUTPUT BASIS



HOUR BASIS



Note : Volume V = Efficiency V + Capacity V

SH for AP

	Unit	Hr
Std	1	20
	8,000	1,60,000

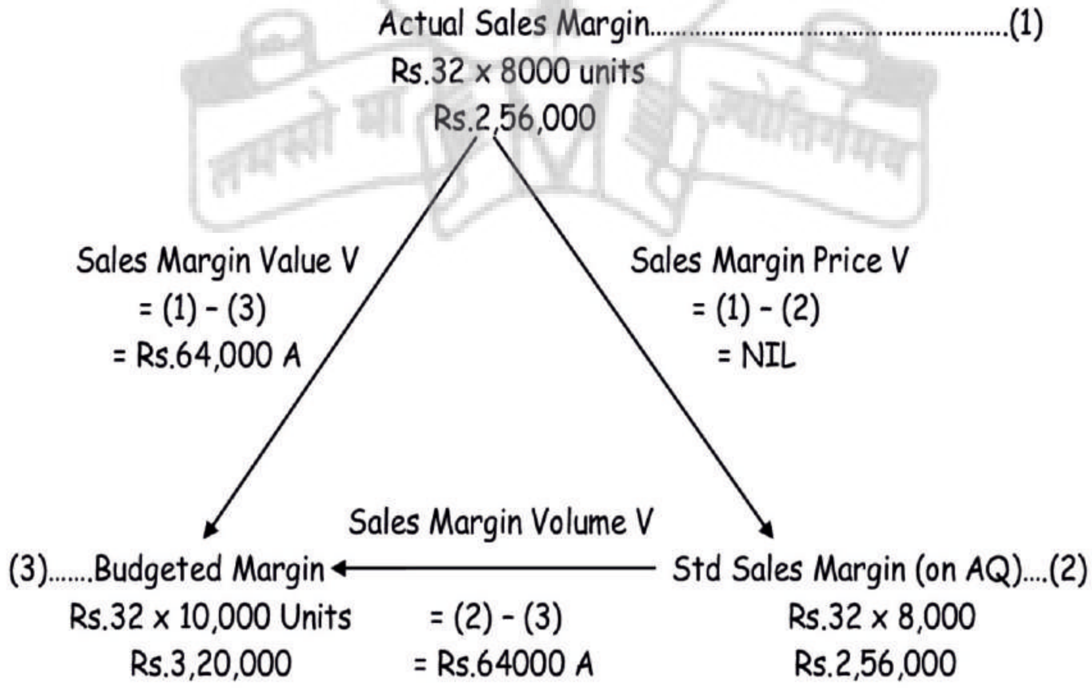
Note : F.OH Volume V = Efficiency V + Capacity V

Std Production in Productive Hours = 8,300

Hour	Prod. units
20	1
1,66,000	8,300

Working Note - 5

SALES MARGIN



Note : Sales Margin Value Variance = Sales Margin Price V + Sales Margin Volume V

RECONCILIATION

Reconciliation between Standard Profit and Actual Profit
tabled hereunder for understanding

				(Amount in Rupees)
W.N.	Budgeted Profit (10,000 units @ Rs.32)			3,20,000
5	Less : Sales Margin Volume Variance			(-) 64,000 A
	Standard Profit (8,000 units @ Rs.32)			2,56,000
	Cost Variance :			
1	Material		76,000 A	
	Price V	66,000 A		
	Usage V	10,000 A		
2	Labour		26,800 A	
	Wages Rate V	6,800 A		
	Efficiency V	12,000 A		
	Idle time V	8,000 A		
3	Variable Overhead V		4,000 F	
	Expenditure V	6,400 F		
	Efficiency V	2,400 A		
4	Fixed Overhead		24,000 A	
	Expenditure V	16,000 F		
	Efficiency V	6,000 A		
	Capacity V	34,000 A		
				1,22,800
				Rs. 1,33,200

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) Rs.52 – Rs.48 = (+) Rs.4 = Rs.4 Favourable Variance, shown as Rs.4 (F)
2) Rs.52 – Rs.61 = (-) Rs.9 = 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.

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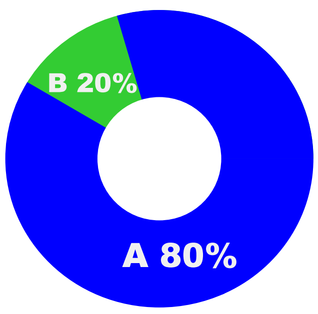
150 YEARS OF CELEBRATING THE MAHATMA

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

GROUP: II, PAPER:11

INDIRECT TAXATION (ITX)

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

GST.

Every person once registered is mandatorily required to file the return within the due date as prescribed under the Act whether on the monthly or quarterly basis. It is a document filed by the registered mentioning the details of purchase as well as sell for a specific period of time, to be more precise he shall fill all the details regarding sale, purchase and details of input. The return is required to be filed online. In case the return(s) is not filed within the specified due time lines otherwise it shall attract provisions with regard to late fees alongwith interest in subsequent month.

Filing of GST return

Regular registered dealer shall file prescribed returns within the due date as provided under the Act, GSTR 3B is a summary return in which details with regard to, sales, purchase and input tax as well as output tax can be shown. It is also mandatory to file GSTR 1 return before 11th of the subsequent month however for eligible person the same can be filed quarterly (if opted).

It is to be noted that if the return as required under the Act is not filed within the due date then late fees shall be filed with is 25 rupees per day each of state as well as centre, the same is required to be paid with cash only and the any input as available in books cannot be utilised toward payment of late fees.Here are the types of return as provided under the Act

1. GSTR-1 Return
Information with regard to outward supplies of goods and services shall be required to be reported under the aforesaid return, in simple words once can say that all sales transaction during the period whether monthly or quarterly is to be reported. Apart from this all credit as well as debit notes are also required to be reported under this return. GSTR-1 return is required to be filed by normal taxpayers monthly. However, normal taxpayers having turnover up to Rs.1.5 crores in the previous financial year, can file it on a quarterly basis.

2. GSTR-2A Return

GSTR-2A return is a auto-populated return which contains details of all inward supplies of goods and services (Purchases made from registered suppliers during a tax period). All data which is filled in GSTR 1 return will be automatically be arise in GSTR-2A return here you can tally the details to get the inputs for that specified period

3. GSTR-2 Return

GSTR-2 return is a return where we filed details with regard to inward supplies of goods and services i.e. the purchases made during a tax period. However, it is being blocked by the government as of now.

4. GSTR-3 Return

GSTR-3 return is also a monthly return for furnishing details of outward supplies. This return is also suspended by the government. Here the registered taxpayer shall fill all the net details and shall pay tax accordingly. The same shall be filed within due date and if not filled then taxpayer is required to pay late fees.
Logo For AMP
HomepageGoods and Services Tax

Praveen Singh
1 year ago
All about GST Return Filing

GST (Goods and service tax) return filing
Brief Background

Every person once registered is mandatorily required to file the return within the due date as prescribed under the Act whether on the monthly or quarterly basis. It is a document filed by the registered mentioning the details of purchase as well as sell for a specific period of time, to be more precise he shall fill all the details regarding sale, purchase and details of input. The return is required to be filed online. In case the return(s) is not filed within the specified due time lines otherwise it shall attract provisions with regard to late fees alongwith interest in subsequent month.

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Regular registered dealer shall file prescribed returns within the due date as provided under the Act, GSTR 3B is a summary return in which details with regard to, sales, purchase and input tax as well as output tax can be shown. It is also mandatory to file GSTR 1 return before 11th of the subsequent month however for eligible person the same can be filed quarterly (if opted).

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GST (Goods and service tax) return filing

Here are the types of return as provided under the Act

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4. GSTR-3 Return

GSTR-3 return is also a monthly return for furnishing details of outward supplies. This return is also suspended by the government. Here the registered taxpayer shall fill all the net details and shall pay tax accordingly. The same shall be filed within due date and if not filled then taxpayer is required to pay late fees.

5. GSTR-3B Return

In order to remove the hardship to all the taxpayer, GSTR -3B Return was introduced here a summary return is required to be filed by the registered taxpayer where information with regard to inward, outward supplies, input and tax liabilities. As of now the return shall be filed within due date and if not filled then taxpayer is required to pay late fees.

6. GSTR-4/CMP-08 return

GSTR-4 return is a return which is filed by registered taxpayers who have opted for the Composition Scheme as provided under GST Act. CMP-08 return has replaced the GSTR-4 return few months back. It shall be filed by the taxpayer who has opted for composition scheme. The return shall be filed quarterly. The form is very simple.

7. GSTR-5 return

GSTR-5 return is a return which shall be filed by the non-resident foreign taxpayers (NRF taxpayer), who are registered under GST Act and do business in India. The return shall be filed monthly where information with regard to outward supplies made, inward supplies received, credit/debit notes, tax liability and taxes paid shall be filed.

8. GSTR-6 return

GSTR-6 return is a monthly return which shall be filed by an Input Service Distributor (ISD). ISD shall fill details with regard to the input tax credit which is being received and distributed by them.

9. GSTR-7 return

GSTR-7 return is also a monthly return which shall be filed by TDS (Tax deducted at source) deductor under GST Act. Information with regard to TDS deducted, TDS liability payable and refund are require to be shown in this return.
10. GSTR-8 return

GSTR-8 return is a monthly return which shall be filed by E-Commerce Operators registered under the GST Act, they collect Tax at source (TCS). The return contains details with regard supplies made through the platform of E-commerce operator, and the TCS collected on the same. The GSTR-8 return is to be filed on a monthly basis.

11. GSTR-9 return

GSTR-9 return is an annual return which shall be filed by all taxpayers registered under GST. The information with regard to all outward supplies made, inward supplies pertaining to previous year is required to be filed. It can be said that the return is a consolidated return of all monthly or quarterly returns. It is to be filed by all the registered taxpayer except the taxpayer as provided under the Act.
12. GSTR-9A return

GSTR-9A return is an annual return for the taxpayer who opted for Composition Scheme under the GST Act in any financial year. It can be said that it is a consolidated return for all the monthly/quarterly returns filed during that financial year.
13. GSTR-9C return

GSTR-9C return is a reconciliation statement which is filed by the taxpayers registered under GST Act whose turnover exceeds the limited as provided under the Act in any financial year. It is mandatory to get the accounts audited through a Chartered/Cost Accountant.

14. GSTR-10 return

GSTR-10 return is a return which is filed by a taxable person whose registration has been cancelled or if he has surrendered it. It is also known as final return and the same has to be filed within a period of 3 month.

15. GSTR-11 return

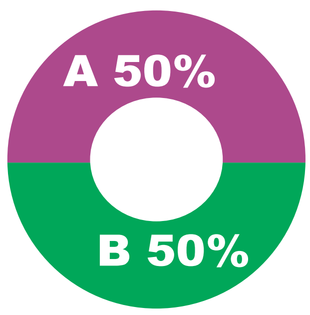
GSTR-11 return is a return which is to be filed by a registered person to whom a Unique Identity Number (UIN) has been issued, this is in order to get a refund under GST Act for the goods and services purchased by them in India.

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

GROUP: II, 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.

Company Accounts & Audit

1.What is the Routine Checking?
Answer:-Routine checking means checking of arithmetical accuracy of books of original entry and ledgers with a view to detect clerical error and frauds of very simple nature.

2 What are the main objects of routine checking?
Answer:- The main objects of routine checking of are- (i) to verify the arithmetical accuracy of the entry made in the books of accounts (ii) To verify that posting from journal to ledger have been made to the correct accounts and balance of these accounts have been correctly done.

3. State the main advantage of routine checking .
Answer:-Following are the main advantage of routine checking –(i) It helps in checking the arithmetical accuracy of books of original entry.(ii) It helps in detecting minor frauds and less complicated error.(iii)It helps in finding out whether all the posting have been made from journal to ledger.
(iv) it forms the basis for final and thorough checking of accounts and ensure reliability of final accounts.

4. Give three limitations of routine checking.
Answer:- Three limitations are-(i)The checking of casting and posting etc. is more or less of a mechanical nature. It may turn out to be monotonous for those who are entrusted with the job. (ii) It may revel only clerical error and frauds of a very simple nature . (iii) This job is usually allotted to the junior clerks .

5.What is Test Checking?
Answer:-The auditors makes use of the test checks, which implies limiting his examination of every transactions entered by his clients in the books to certain tests involves a more intensive checking of limited number of transactions selected on random basis from the total accounting data as against a detailed checking of all the transactions.

6. State the transactions not suitable for test checking.
Answer:-Following the transactions are not suitable for test checking –(i)Opening and closing entries (ii) bank reconciliation statement.(iii) Matters involving estimates as well as depreciation ,royalty (iv) presentation and disclosure of information in the profit and loss accounts and balance sheet.(v) Transaction which may be small in number but may be important.

7.State the salient advantage of test checking.
Answer:-Test checking offers following main advantages -(i) It helps auditors in completing the audit work in a short period.(ii) He is able to complete the audit of accounts of many concerns within stipulated time.(iii) it ensure the accuracy of books to a large extent. (iv) it save the time and energy of auditors for details audit.

8.Mention the limitations of test checking.
Answer:-Test checking having many limitations –(i) It may result into failure to detect errors and fraud. (ii)There is a possibility that the auditors may not be able to get the corrected position of financial state of affairs of the concern.(iii)It also increase the responsibility of an auditors to a great extent, as he may be held liable for negligence in case of subsequent detection of fraud.

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

02 Solve Excercises given in Study Note

03 Assess Yourself

04 Appear For Examination

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 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,

On the occasion of **New Year 2022**, we, from the Directorate of Studies of the Institute of Cost Accountants of India, wishing you all A Happy, Healthy & Prosperous New Year, 2022. We wish you a year filled with the blessings of God and may the new year also bring you peace, joy, and happiness.

On this New Year, may you change your direction, change your commitments, change your attitude, and bring about a change in your faith, your force, and your focus. May you live up to the promises you have made and may you create for you and your loved ones the happiest New Year ever.

The current coronavirus (COVID-19) pandemic is having a profound impact, not only on people's health, but also on how they learn, work and live. We request to all our students to be very careful because your carefulness may save others life, in the society as well.

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. If you sincerely follow those tips, we hope, you will be successful in your endeavour.

To celebrate 75 years of independence and commemorate it as **'Azadi Ka Amrut Mahotsav'**, India is celebrating, across the country and amid the coronavirus pandemic and also organizing various events. India's freedom fighters fought a long and hard struggle for the country's independence from the British and, for years, their words have inspired us. We hope that our students will also participate and pay their homage to the freedom fighters.

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!

The Institute is pleased to inform that the University Grants Commission (UGC) Ministry of Education, Govt. of India has announced that CMA qualification be Considered equivalent to PG Degree.

GOOD LUCK

Be Prepared and Get Success;

Few Snapshots

CMA P. Raju Iyer, President along with CMA Vijender Sharma, Vice President and CMA (Dr.) K Ch A V S N Murthy, Council Member of the Institute extending greetings to Shri Parmod Kumar Arora, Member (Actuary), Insurance Regulatory and Development Authority of India on 16th December, 2021.

CMA P. Raju Iyer, President along with CMA (Dr.) K Ch A V S N Murthy, Council Member of the Institute, CMA K Rajagopal, Chairman of SIRC, CMA S. Ramesh, Former Chairman of SIRC and CMA B.R. Prabhakar, Former Chairman of SIRC of the Institute extending greetings to Shri C.B. Ananthakrishnan, Director (Finance) & CFO of Hindustan Aeronautics Limited on 17th December, 2021.

CMA P. Raju Iyer, President of the Institute extending greetings to Shri Arjun Ram Meghwal, Hon'ble Union Minister of State for Culture and Parliamentary Affairs on 27th December, 2021 during a courtesy meeting and to extend an invitation of the Hon'ble MoS for the Skill Development Program to be organised by the Institute in the month of January 2022.

CMA Neeraj Joshi, Chairman, MAC, CMA Dr. D.P.Nandy,Sr Director, CMAChittaranjan Chattopadhyay,Chairman, BFSIB, Dr.Partha Ray, Director and Member Secretary, NIBM,Dr.Kaushik Mukherjee, Associate Professor, NIBM and Dr.Arindam Bandyopadhyay,Associate Professor (Finance)

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and CMA Debasish Mitra, Chairman, Board of Advanced Studies & Research of the Institute felicitating Dr. CKG Nair, Director, NISM alongwith other officials of the Institute and NISM.

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