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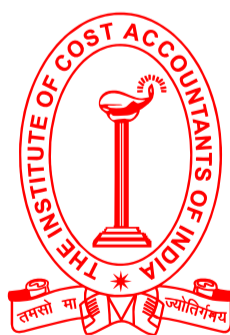
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# CMA Student E - Bulletin

# INTERMEDIATE

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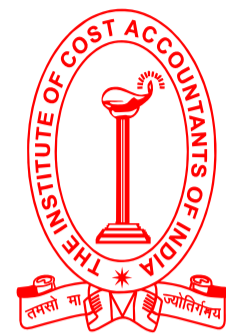
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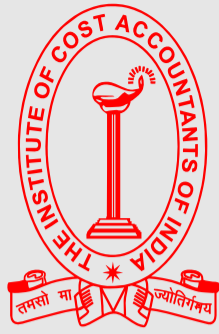
Behind every successful business decision, there is always a **CMA**



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# KNOWLEDGE Update



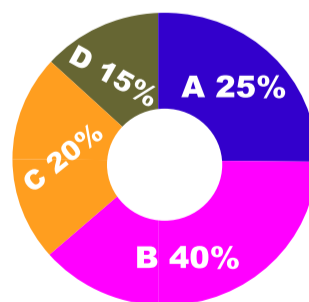
In this section of e-bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.



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

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# Your Preparation Quick Takes



### Syllabus Structure

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

**Learning Objective:**

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

**FINANCIAL ACCOUNTING**

*"A person who never made a mistake never tried anything new." – Albert Einstein*

Once a journalist asked with full confidence to famous scientist Thomas Alva Edison - "you must not have mistaken ever in your life"? Edison replied - "May be more than 10000 times and these were my lessons to open up new experiments. These helped me to open up new doors."

So, mistake is common to all. It does not matter who commits - but it really matters how you accept it. So, accept it positively and open up new opportunities.

Here are some practice materials once again: (never mind for mistakes)

- HO sends goods to branch at invoice price after adding 25% on cost price, so profit would be \_\_\_% of invoice price  
 (A) 33.33%  
 (B) 40%  
**(C) 20%**  
 (D) 25%
- Which of the following is correct?  
 (A) Dependent branch prepares complete set of books of accounts  
 (B) Dependent branch prepares its own balance sheet  
**(C) An independent branch maintains all books of accounts and prepares its final accounts**  
 (D) None of the above
- What does it mean if machinery closing amount is less than opening amount -  
**(A) Sale**  
 (B) Purchase  
 (C) Fraud  
 (D) Theft
- Why are accounting Standard important?  
 (A) For making financial statements  
 (B) For correct valuation of inventories  
 (C) For correct treatment of depreciation and lease and investment.  
**(D) All of above**
- Accounting for revenue recognition are related to -  
 (A) AS-8  
**(B) AS-9**  
 (C) AS-23  
 (D) AS-10
- Fees not received is not treated as income in case of Chartered Accountants because of -  
 (A) Concept of objectivity  
**(B) Realisation**  
 (C) Cost Concept  
 (D) All of the above
- Shibu consigned 3,000 litres of oil to Debu at the rate of Rs 50 per litre, and paid expenses of Rs 21,000. Due to evaporation there was a loss of 150 litres. Consignee sold 2550 litres at the rate of Rs 75 per litre. What will be the value of Closing stock?  
 (A) Rs 15000  
 (B) Rs 15600  
 (C) Rs 17100  
**(D) Rs 18000**

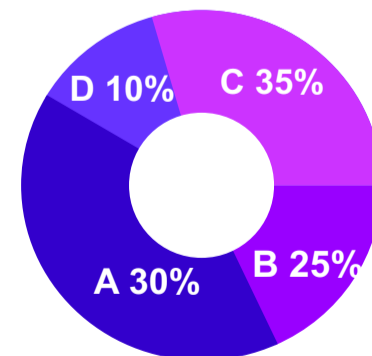
8. Which of the following accounts is not opened under Joint Venture accounts:-  
**(A) Stock Reserve Account**  
(B) Joint Bank Account  
(C) Other Partner's Account  
(D) Joint Venture Account
9. A and B entered into Joint Venture. A gives Rs.60,000 to B. To which account this transaction will be recorded in the books of A ?  
(A) Joint Venture Account  
**(B) B's Account**  
(C) Expense A/c  
(D) None of these
10. Which of the following branches, taking into consideration the scope of authority and responsibility, prepares its own independent final accounts?  
**(A) Independent Branch**  
(B) Foreign Branch  
(C) Dependent branch  
(D) Independent and Foreign branch both.
11. Which of the following is an asset?  
**(A) Prepaid expenses**  
(B) Advance rent received  
(C) Outstanding expenses  
(D) All of these
12. If the opening balance of debtors is Rs 16,000 and closing balance is Rs 80,000, cash received from debtors is Rs 35,000 and bad debts is Rs 1,000, then what will be the amount of credit sales?  
(A) Rs 95000  
(B) Rs 105000  
**(C) Rs 100000**  
(D) Rs 110000
13. Generally depreciation on fixed assets is calculated on which balance?  
**(A) Opening**  
(B) Closing  
(C) Only on additional  
(D) Amount realized on asset sold
14. Single entry system cannot be maintained by -  
**(A) Joint Stock Company**  
(B) Partnership A/c  
(C) Sole tradership A/c  
(D) All of these
15. Which of the following statement is correct:-  
**(A) A minor cannot be a co-venturer as he is incompetent to contract**  
(B) A minor can be a co-venturer as he is competent to contract  
(C) Both of the above  
(D) None of the above



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

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## Your Preparation Quick Takes



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

**Learning Objectives:**

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

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

**LAWS & ETHICS**

Since the next examination is just a few weeks away, here are a few **Tip For All of you.**

Start with a few hours of **SELF ANALYSIS** every day

**1. PLEASE REMEMBER that you should NEVER BE OVERCONFIDENT**

There are many topics, read and study all of them properly because you should never take it for granted otherwise ,while attempting questions related to those topics you would either go blank or get confused.

**REVISION IS THE KEY**, try to revise each and every topic as **FREQUENTLY** as possible.

**2. ALWAYS REMAIN 100% FOCUSED**

While glancing through a revisionary topic from a book, notebook or study material, never stray away by imagining things not related to that topic .

So, the best thing would be to Set Short Revision Targets which were quite difficult to achieve. For example , revise and repeat 5 topics of a **SUBJECT** within 30 minutes. This is only possible before exams.

That way you will be able to stay 100% focused towards studies.

**3. NEVER SKIP/LEAVE TOPICS BECAUSE THEY SEEM LESS IMPORTANT TO YOU IN THIS TERM**

This is one of the biggest mistakes that most of the students commit

**ALWAYS REMEMBER THAT YOU MUST COVER EACH AND EVERY TOPIC.**

Even if a topic seems less important , please have your concept clear so that you have a brief knowledge of that topic, so that you don't go blank if a question comes from that topic. **HAVE FAITH IN YOURSELF**

In this issue we shall continue to deal with Corporate Laws - Companies Act,2013 - **Charges** - Continued from where we left in the previous issue.

**Registration of Charges**

**Section 77: Duty to Register Charges, etc. :**

**1. It is the duty of the Company to create and register the charge under Section 77**

**2.** Every type of charges whether created within or outside India on property or assets of a company or any of its undertakings whether tangible or otherwise, and situated in or outside India must be registered.

**2. Procedure to register the charge :**

Every Company creating charge is required to **register** :

- ❖ The particulars of such charge
- ❖ It should be signed by the company and the charge-holder together with the instruments, if any,
- ❖ Register with the **Registrar within 30 days** of its creation in the following mentioned e-forms :

**Form CHG-1** - for other than Debentures

**Form CHG-9** - for Debentures

**3. If there is delay in registering within 30 days, the Registrar may, on an application by the company, allow such registration to be made:**

- In case a charge is created before the commencement of the Companies (Amendment) Ordinance, [2019] the charge should be registered within 300 days of its creation.
- In case the charge is created on or after the commencement of the Companies (Amendment) Ordinance, [2019] it shall be registered within 60 days and by paying additional fees.

In case , if registration is not made within the period specified :

The proviso to clause (a) states that if the charge created is not registered within 300 days, it shall be registered within 6 months from the commencement of the Companies (Amendment) Ordinance, [2019] by paying additional fees.

The proviso to clause (b) states on payment of additional fees the registrar may further extend period of 60 days.

**4. Procedure for Issue of certificate of registration:**

Registrar shall issue, to the company or to the person in whose favor the charge is created, a —

- ✓ certificate of registration of charge in **Form CHG-2 (Refer Section 77 and 78)**
- ✓ certificate of modification of charge in **Form CHG-3 (Refer Section 79)**  
Such Certificate shall be conclusive evidence that the requirements of Chapter VI of the Act and the rules made there under have been complied with.

**5. No charge created by a company shall be taken into account by the liquidator or any other creditor unless it is duly registered but shall not prejudice any contract or obligation for the repayment of the money secured by a charge.**



**Section 78: Application for registration of charge by the charge holder:****1. Option to register the charge by charge holder:**

What happens where a company fails to register the charge within 30 days? The answer is -

In that case, the person in whose favour the charge along with the instrument is created may apply to the Registrar for registration of the charge in the **Form CHG-1 or CHG-9** as the case may be **within a period of 14 days after giving notice to the company.**

2. However, it may be remembered that the company will **still be liable** in respect of any offence under this Chapter.
3. The charge holder shall be entitled to **recover from the company** the amount of any fees or additional fees paid by him to the Registrar for the purpose of registration of charge.

**Section 79 : Section 77 to Apply in Certain Matters:**

The provisions of section 77 relating to registration of charges shall, so far as may be, apply to—

1. A company acquiring any property subject to a charge within the meaning of that section; or
2. Any modification in the terms or conditions or the extent or operation of any charge registered under that section.

**Section 80: Date of Notice of Charge:**

Where any charge on any property or assets of a company or any of its undertakings is registered under section 77, any person acquiring such property, assets, undertakings or part thereof or any share or interest therein shall be deemed to have notice of the charge from the date of such registration.

**Section 81: Register of Charges to be kept by Registrar:**

1. The particulars of charges maintained on MCA shall be deemed to be the register of charges for the purposes of section 81 read with Rule 7 of the Companies (Registration of Charges) Rules 2014.
2. The register shall be open to inspection by any person on payment of fee.

**Section 82: Company to Report Satisfaction of Charge:**

1. Within 30 days from the date of payment or satisfaction in full of any registered charge, company shall give intimation to registrar in **Form CHG-4**. Provided the same can be filed within 300 (30+270) days with additional fees. **If company fails to file within 300 days then it shall file the form CHG-8 for condonation of delay.**

(It shall be noted that CHG-8 can be filed for condonation for the purpose of creation/modification/ satisfaction as the case may be)

2. Once the Registrar enters a memorandum of satisfaction of charge in full, he shall issue **Certificate of Registration of Satisfaction of Charge in Form No. CHG-5.**

**Section 83: Power of Registrar to Make Entries of Satisfaction and Release in Absence of Intimation from Company:**

In the absence of intimation from company and on being satisfied, Registrar has power to enter Memorandum of satisfaction in Register of Charge.

**Section 84: Intimation of Appointment of Receiver or Manager:**

1. If any person obtains an order for the appointment and/or

thereafter appoints a receiver or manager for managing the property as per the power given under instrument, , subject to a charge, of a company, then he shall give intimation of such appointment **to the company as well as to the Registrar in Form CHG-6** within a period of thirty days from the date of the passing of the order or of the making of the appointment.

2. It may be kept in mind that such intimation shall be given also at the time of cessation, as the case may be.

3. Registrar shall register the particulars of such receiver/manager.

**Section 85: Company's Register of Charges:**

Every company shall **keep the Register of Charges in form CHG-7** , at its registered office and the Register shall be open for inspection in business hours for **any member/s and creditor/s without payment** or **by any other person on payment of such fees** as may be prescribed.

**Section 86: Punishment for Contravention:**

1. If any company contravenes any provision of this Chapter: the company shall be punishable with fine of a minimum amount of Rs. 1 lakh and a maximum of Rs. 10 lakhs and every officer of the company who is in default shall be punishable with imprisonment — for a term which may extend to 6 months or with fine of a minimum amount of Rs. 25000 and a maximum amount of Rs. 1 lakh or with both
2. Section 86(2) states that if any person, wilfully furnishes any false or incorrect information or knowingly suppresses any material information, required to be registered in accordance with the provisions of section 77, he shall be liable for action under section 447.

**REGISTERS and Rules of Companies (Management and Administration) Rules, 2014****Register of Members - Section 88**

(1) Every company shall keep and maintain the following registers in prescribed manner :

- (a) **Register of members** showing each class of equity and preference shares held by each member residing in or outside India;

**Rule 3 of Companies (Management and Administration) Rules, 2014** requires maintenance of **Register of members**. and every company limited by shares shall, from the date of its registration, maintain a register of its members in **Form No. MGT.1:**

- (b) **Register of debenture-holders;** and
- (c) **Register of any other security holders.**

**Register of Debenture holders / Other Security holders**

**As per Rule 4 -Companies (Management and Administration) Rules, 2014** ,every company which issues or allots debentures or any other security shall maintain a separate Register for each class of debenture holders/security holders, as the case may be, in **Form No. MGT.2.**

**Index**

Sec.88(2) requires that every register maintained shall contain an index of the names

**Depositories**

Sec.88(3) provides that **The Register and Index of Beneficial Owners** maintained by a depository under section 11 of the Depositories Act, 1996, shall be deemed to be the corresponding register and index for the purposes of this Act.

**Foreign Register**

Sec.88(4) provides that a company may, if so authorised by its articles, keep in any country outside India, a part of the register, called "foreign register" containing the names and particulars of the members, debenture-holders, other security holders or beneficial owners residing outside India.

#### **Punishment**

Sec.88(5) says that if a company does not maintain a register of members or debenture-holders or other security holders or fails to maintain them in accordance with the provisions of section 88(1) or section 88(2), the company and every officer of the company who is in default shall be punishable with fine which shall not be less than Rs.50,000 but which may extend to Rupees 3,00,000 and where the failure is a continuing one, with a further fine which may extend to Rs.1,000 for every day, after the first during which the failure continues.

**As per Rule 7(2) of Companies (Management and Administration) Rules, 2014** the company shall, within 30 days from the date of the opening of any foreign register, file with the Registrar, notice of the situation of the office in **Form No. MGT.3** along with the fee where such register is kept; and in the event of any change in the situation of such office or of its discontinuance, shall, within thirty days from the date of such change or discontinuance, as the case may be, file notice in **Form No. MGT.3** with the Registrar of such change or discontinuance.

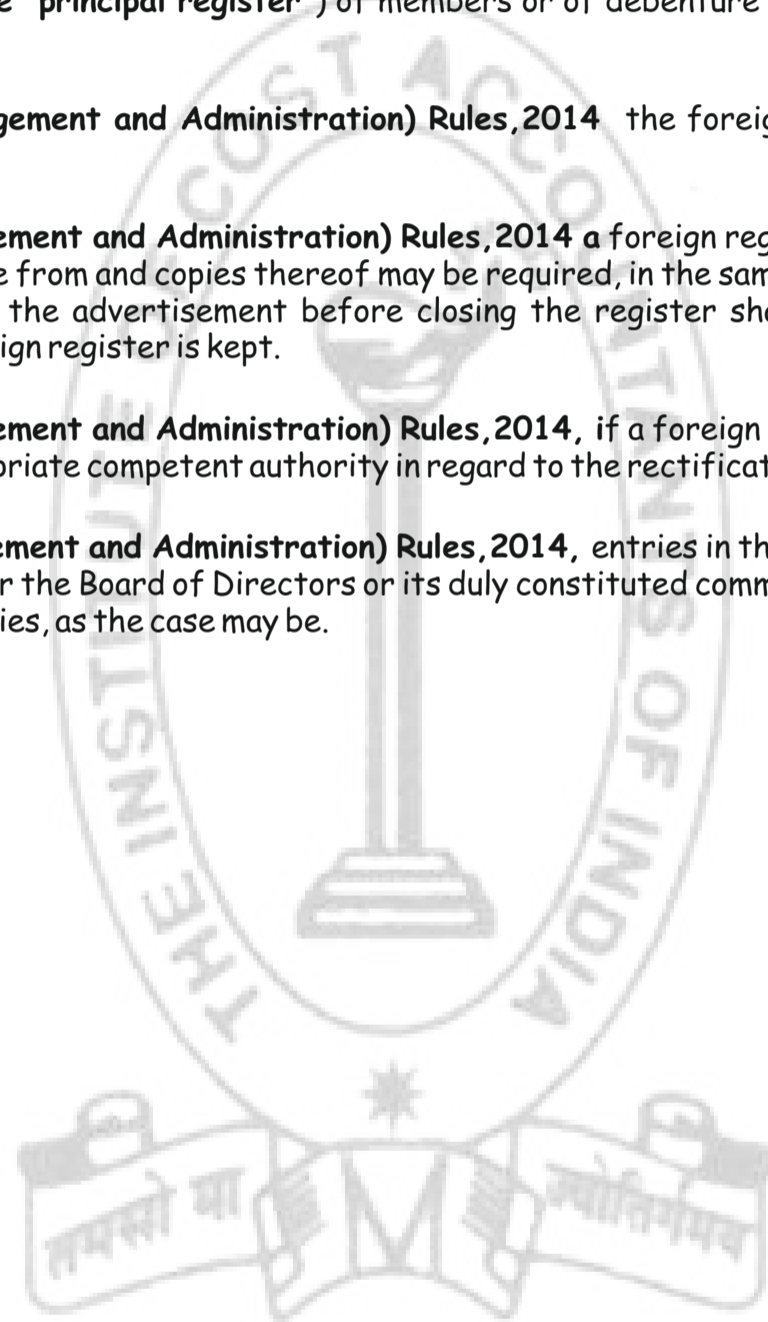
**As per Rule 7(3) of Companies (Management and Administration) Rules, 2014** A foreign register shall be deemed to be part of the company's register (referred to as the "principal register") of members or of debenture holders or of any other security holders or beneficial owners, as the case may be.

**As per Rule 7(4) of Companies (Management and Administration) Rules, 2014** the foreign register shall be maintained in the same format as the principal register.

**As per Rule 7(5) of Companies (Management and Administration) Rules, 2014** a foreign register shall be open to inspection and may be closed, and extracts may be taken there from and copies thereof may be required, in the same manner, *mutatis mutandis*, as is applicable to the principal register, except that the advertisement before closing the register shall be inserted in at least two newspapers circulating in the place wherein the foreign register is kept.

**As per Rule 7(6) of Companies (Management and Administration) Rules, 2014**, if a foreign register is kept by a company in any country outside India, the decision of the appropriate competent authority in regard to the rectification of the register shall be binding.

**As per Rule 7(7) of Companies (Management and Administration) Rules, 2014**, entries in the foreign register maintained under section 88(4) shall be made simultaneously after the Board of Directors or its duly constituted committee approves the allotment or transfer of shares, debentures or any other securities, as the case may be.



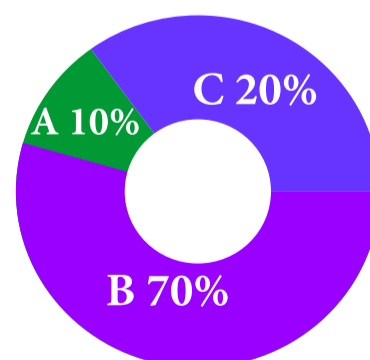


GROUP: I, PAPER: 7

# DIRECT TAXATION (DTX)

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## Your Preparation Quick Takes



### Syllabus Structure

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

**Learning Objectives:**

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

**Retirement Benefits****Gratuity [Sec. 10(10)]**

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

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

**Tax Treatments of Gratuity are as under:**

Gratuity received	Treatment
1. During service tenure	Fully taxable [Sec. 17(1)(iii)]
2. At the time of retirement to the employee of:	
a. Government	Fully exempted [Sec. 10(10)(i)]
b. Any other Employer	
i) Covered by Payment of Gratuity Act	Minimum of the following shall be exempted from tax u/s 10(10)(ii): 1. Actual Gratuity received; 2. ₹ 20,00,000; 3. 15 working days <sup>1</sup> salary <sup>2</sup> for every completed year of service <sup>3</sup> [ $\frac{15}{26} * \text{Completed year of service} * \text{Salary p.m.}$ ]
ii) Not covered by Payment of Gratuity Act	Minimum of the following shall be exempted from tax u/s 10(10)(iii) 1. Actual Gratuity received; 2. ₹ 20,00,000; $\frac{1}{2} * \text{Completed year of service}^4 * \text{Average Salary p.m.}^5$
1. Seven working days in case of employees of seasonal establishment 2. Salary means Basic + DA (forming part of retirement benefit), last drawn In case of piece-rated employees, salary shall be calculated by applying average of last three months wages immediately preceding his termination. 3. Completed year of service <u>includes</u> any fraction in excess of 6 months. 4. Completed year of service <u>ignores</u> any fraction of month. 5. Average Salary here means, Basic + DA (forming part of retirement benefit) + Commission (as a fixed percentage on turnover) being last 10 months average salary, immediately <b>preceding the month of retirement</b> .	

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

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

**Tax Treatment of leave encashment is as under**

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

b. Other Employer	<p>Minimum of the following shall be exempted from tax u/s 10(10AA)(ii):</p> <ol style="list-style-type: none"> <li>Actual amount received;</li> <li>₹ 3,00,000;</li> <li>10 months average salary<sup>1</sup></li> <li>Cash equivalent of 30 days average salary for every completed year of service<sup>2</sup> as reduced by actual leave availed or encashed during the tenure of service.</li> </ol> <p>The period of 30 days is the maximum ceiling. If employer allows leave for less than 30 days p.a. then such lesser days shall be considered.</p>
<ol style="list-style-type: none"> <li>Average salary means Basic + DA (forming part of retirement benefit) + Commission (as a fixed percentage on turnover) being last 10 months average salary <b>from the date of retirement</b>.</li> <li>While calculating completed year of service, <u>ignore</u> any fraction of the year.</li> </ol>	

**Pension [Sec. 10(10A)]**

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

Tax Treatment of pension is as under

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

**Illustration**

Mr. Narayan retired from service on 1/6/2020. As on that date, his monthly salary was Basic ₹ 5,000 p.m., Commission on turnover 5%. Total turnover achieved by him during last 10 months (occurred evenly) ₹ 5,00,000. On retirement, after 20 years 6 months of service, he received gratuity ₹ 5,00,000, leave salary ₹ 3,00,000. He is entitled to pension of ₹ 1,500 p.m. On 1/1/2021, he commuted 60% of his pension and received ₹ 90,000. Compute gross salary assuming he is covered by the Payment of Gratuity Act.

**Solution****Computation of Gross Salary of Mr. Narayan for the A.Y.2021-22**

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

Less: Minimum shall be exempted u/s 10(10AA)(ii)			
- Actual Amount Received	3,00,000		
- Statutory Amount	3,00,000		
- 10 x ₹ 7,500	75,000		
- 1 x 20 x ₹ 7,500	1,50,000	75,000	2,25,000
<u>Pension</u>			
Uncommuted Pension	(1500 x 7) + (600 x 3)		12,300
Commuted Pension Received		90,000	
Less: Exempted u/s 10(10A)(ii)	1/3 <sup>rd</sup> x 1,50,000	50,000	40,000
<b>Gross Taxable Salary</b>			<b>7,34,608</b>





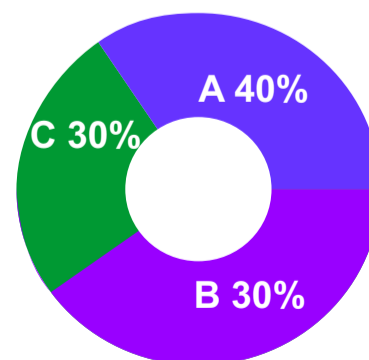
**GROUP: I, PAPER: 8**

# **COST ACCOUNTING**

**(CAC)**

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## Your Preparation Quick Takes



### Syllabus Structure

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

**Learning Objectives:**

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

**COST ACCOUNTING**

The world of Cost Accounting is vast and varied. The earth is now facing the problem of scarcity of resources. Optimum utilization of resources is the urgent need of the day. Cost Accountants play a vital role all over the world. The concept of Cost is so critical that truly speaking it covers every aspect of human life and business. Cost Accounting is a subject that provides knowledge to take effective and efficient decision for cost control, ascertainment of profitability and internal and external reporting. The main purpose of our study Paper - 8 (i.e. Cost Accounting) are -

- Understanding the concept of cost
- Determining the Cost of product or services.
- Understanding Standard Cost.
- Applying the concept of marginal Costing.
- Formulation of business strategy and operational planning.

As it's a professional examination the students should be careful on following aspects -

- Go through the theoretical part very carefully and try to relate the knowledge for solving different practical problems.
- In every examination one or more theoretical or problem oriented questions have been set from each chapter. The students should remain too much careful in solving the problems
- Make sure that you understand each term clearly and try to explain with suitable illustrations.
- There should be a problem containing number of short notes. Any student can secure more marks by answering this type of theoretical questions.
- Ambiguity in application of different formulae should be avoided.
- Reader should be clear about the distinction between - material control and inventory control; normal loss and abnormal loss. They should also study different elements of cost and ascertainment of costs very carefully.
- Controlling of labour cost is the most important function of administration. Regarding 'group bonus schemes' sometimes the students feel difficulty to find out the clue to solve the problem. In this situation lead should be given in the language of the problem.
- Overhead comprise those costs which the cost accountant is either unable or unwilling to allocate to a particular product, job or process. Difference between primary distribution and secondary distribution should be properly understood. The students should understand the clues given to them. At least one question either for overhead apportionment or for computation of M.H.R. is set.
- The students should also note the difference between Job/Batch/ Contract Costing. Readers should be very much careful in determining the profit of an incomplete contract. They should remember that for escalation clause both changed quantity and price is to be considered.
- In order to bring uniformity and consistency in classification, measurement and assignment of costs C A S - 1 to 24 should read carefully. Questions are generally set from any one or two standards.
- Students need to have a clear conception about the integrated and non-integrated system of accounts. CLC control A/Cs is prepared to make cost ledger self-balancing. Questions are sometimes set to journalize the transactions.
- Budget is a financial statements of income and expenditure of a certain period. You should first learn how to prepare functional budget then Master Budget, Flexible budgets etc. Almost every year a question is set from this chapter.
- In operating / Service Costing calculation of composite unit is very much important for solving the problem. Here suitable cost unit to be used for cost ascertainment purpose. Generally it is used by transport companies, Hospitals, lodges etc.
- In Marginal Costing the students should note that the BEP- Analysis is the most important area of study considering the effect on p/V Ratio is an important part of this chapter. As questions may set, you should know also in details about the Margin of safety and Angle of incidence.
- For solving any problem on Standard Costing, different variances, like material, labour, overhead, sales and sales margin should be worked out. Calculation of Mix-Variations is necessary only when there are more than one type of components that are needed for



producing an article.

Service costing is usually applied to transport services, utility service and distribution services. A problem relating to service costing can be solved in the following manner :-

A bus and coach company has decided to introduce an express service between a railway station and a nearby town. The distance between the railway station and the bus stand is 40 kms. The company purchased a old bus by Rs. 1,00,000 . it has been insured at 6% p.a. and the half yearly tax will amount to Rs. 1,000 . Garage rent is Rs. 2400 p.a. Annual repairing charges will be Rs. 2000 and the bus will be likely to last for 5 years. The driver's salary will be Rs. 2000 p.m. , conductors' salary will be Rs. 1500 p.m. in addition to 10 % taking as commission ( to be shared as per their salary ratio). Diesel and oil will be Rs. 10 Per liter. The bus can run 10 km per liter diesel.

The bus will make 3 round trips per day. The capacity of the bus to cary the passenger is 50. On an average 80% of its capacity is utilized. Assuming profit is 15% on takings.

Calculate the bus fare to be charged from each passenger.  
The bus will run on an average 25 days in a month.

### Solution

$$\begin{aligned} \text{Passenger Km} &= 40 \times 3 \times 2 \times 80/100 \times 50 \times 25 \\ &= 40 \times 6 \times 40 \times 25 = 2,40,000 \end{aligned}$$

Statement showing the fare to be charged for a passenger km

Particulars	Per Annum	Per Month
<b>Standing Charges</b>	Rs.	Rs.
Insurance	6000	
Tax	2000	
Garage rent	2400	
Driver's salary	24000	
Conductor's salary	18000	
	<u>52400</u>	4366.67
<b>Running charges</b>		
Depreciation (100000 ÷ 5)	20000	
Repairs	2000	1666.67
Diesel & Oil (Re. 1 × 40 × 3 × 2 × 25)		166.66
Total cost without commission		<u>6000.00</u>
Commission 10 %		12200.00
Profit 15%		1626.66
Total takings		<u>2440.00</u>
		<u>16266.66</u>

There for , Fare per passenger - km = Re. 0.067

Workings : Let total taking = a

There for, Commission = 10% of a = a/10

Profit = 15% Of a = 3a/20

Now we can write a = 12200 + a/10 + 3a/20

There for, a =  $\frac{244000 + 2a + 3a}{20}$

There for, a = 16266.66

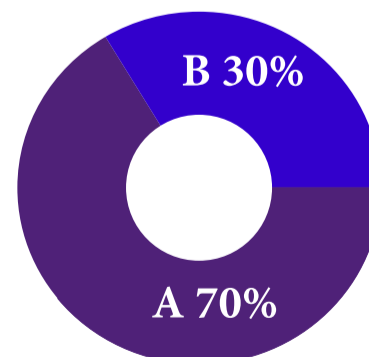
There for, 15a = 244000



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

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# Your Preparation Quick Takes



### Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

**Learning Objectives:**

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

**Operations Management**

In this issue let us do MCQs on Capacity Planning.

**Q1.** Which one of the following is correct?

- Capacity is the maximum amount of output a productive unit could produce within a stated limit
- Capacity is the maximum amount of output a productive unit could produce within a stated factor
- Capacity is the maximum amount of output a productive unit could produce within a stated time.
- Capacity is the maximum amount of output a productive unit could produce within a stated parameter.

**Q2.** If the production process consists of many sub processes, then the capacity of the productive unit is

- Governed by the capacity of the weakest link
- Governed by the capacity of all the links together
- Governed by the demand of the market as a whole
- Governed by the availability constraints of resources

**Q3.** Capacity planning is a

- Long term makeover decision that establishes a firm's overall level of resources
- Long term realignment decision that establishes a firm's overall level of resources
- Long term restructuring decision that establishes a firm's overall level of resources
- Long term strategic decision that establishes a firm's overall level of resources

**Q4.** Capacity in terms of machines actually installed is termed as

- Licensed Capacity
- Installed Capacity
- Rated Capacity
- Effective Capacity

**Q5.** This denotes the highest output established by the actual trial runs of the productive machines installed. This indicates

- Licensed Capacity
- Installed Capacity
- Rated Capacity
- Effective Capacity

**Q6.** Which one of the following is not affected by Capacity decisions?

- Product lead times
- Customer Responsiveness
- Operating Costs
- Resource optimisation

**Q7.** Capacity planning procedure does not involve which one of the following?

- Assess company situation and environment to analyse historical demand
- Translate future predictions of demand into physical capacity requirements
- Determine economic effects of alternative plans
- Recommend a course of action

**Q8.** Long-term capacity plans are concerned with

- Overtime budgets
- Investments in new facilities
- Work force size
- Inventories

**Q9.** Capacity decisions often involve

- Long term irrevocable commitment of resources
- Short term irrevocable commitment of resources
- Long term revocable commitment of resources
- (b) & (c) above

**Q10.** Capacity decisions are strategic because

- Capacity decisions affect financing costs
- Capacity decisions can affect facility location
- Capacity at appropriate level facilitates easier management of product life cycle
- Capacity decisions can affect competitiveness

**Q11.** Operations managers must examine three dimensions of capacity strategy before making capacity decisions. Which one of the following is not a dimension?

- (a) Timing and sizing expansion
- (b) Sizing market competitiveness
- (c) Sizing capacity cushions
- (d) Linking Capacity decisions with other operating decisions

**Q12.** The capacity cushion is

- (a) The amount of installed capacity a process uses to handle sudden increase in demand
- (b) The amount of licensed capacity a process uses to handle sudden increase in demand
- (c) The amount of declared capacity a process uses to handle sudden increase in demand
- (d) The amount of reserve capacity a process uses to handle sudden increase in demand

**Q13.** Which one of the following is correct?

- (a) Capacity Cushion =  $100\% - \text{Average utilization rate } (\%)$
- (b) Capacity Cushion =  $100\% / \text{Average utilization rate } (\%)$
- (c) Capacity Cushion =  $100\% \times \text{Average utilization rate } (\%)$
- (d) Capacity Cushion =  $\frac{1}{2} \times \text{Average utilization rate } (\%)$

**Q14.** Large capacity cushions are common in industries in which

- (a) Demand is constant
- (b) Customer service is not a priority
- (c) Resource flexibility is low
- (d) Competition is sluggish

**Q15.** Prompt customer service requires supermarkets to maintain

- (a) A licensed capacity large enough to handle seasonal demand
- (b) A capacity cushion large enough to handle peak demand
- (c) A capacity cushion large enough to handle asymmetrical demand
- (d) An installed capacity large enough to handle competitors

**Q16.** Which one of the following is not a feature of expansionist strategy?

- (a) It involves large infrequent jumps in capacity
- (b) It minimizes the chance of sales lost to insufficient capacity
- (c) It stays ahead of demand
- (d) It lags behind demand

**Q17.** Which one of the following is a feature of wait and see strategy?

- (a) It facilitates a firm to compete on price;
- (b) It guards against inaccurate assumptions regarding competition
- (c) It might increase the firm's market share
- (d) It results economies of scale

**Q18.** Economies of scale occurs when

- (a) Single facility is used for multiple purposes
- (b) Production or operating costs increase linearly with output levels
- (c) Quantity discounts are not available for material purchases;
- (d) Operating efficiency increases as workers gain experience

**Q19.** A manager, without building additional capacity, can access to a higher capacity by increasing the intensiveness of use of existing capacity with

- (a) Holiday work
- (b) One shift work
- (c) Curtailing overtime
- (d) New Labour recruitment

**Q20.** Which one of the following is not a feature output measure of capacity?

- (a) It is applicable when the firm provides a relatively small number of standardized services and products
- (b) It is used mainly in case of high volume processes such as car manufacturers
- (c) It is generally used for low volume, flexible processes such as furniture maker

(d) It is less applicable when the amount of customization and variety in the product mix increases

**Q21.** Which one of the following is a feature input measure of capacity?

- (a) It is less applicable when the amount of customization and variety in the product mix increases
- (b) It is used mainly in case of high volume processes such as car manufacturers
- (c) Capacity is usually expressed as number of workstations or number of workers
- (d) It is applicable when the firm provides a relatively small number of standardized services and products

**Q22.** Which one of the following is an output measure of Capacity?

- (a) Total capacity of AKC Motors in India is 300000 machine hours in a year
- (b) Total Capacity of Z steel plant is 720000labour hours in a year
- (c) The Aluminum giant XYZ produces 30mt in a day
- (d) The oil conglomerate ABC has 80000gallon refinery size

**Q23.** This capacity is the maximum rate of output achieved under ideal conditions. This is

- (a) Design capacity
- (b) Effective capacity
- (c) Installed capacity
- (d) Licensed capacity

**Q24.** If design capacity is reduced by allowances such as personal time and maintenance, the resultant capacity is

- (a) Design capacity
- (b) Effective capacity
- (c) Installed capacity
- (d) Licensed capacity

**Q25.** Need for periodic maintenance of equipment always makes

- (a) Licensed capacity > Installed capacity
- (b) Installed capacity < Effective capacity
- (c) Design capacity > Effective capacity
- (d) Licensed capacity = Effective capacity

**Q26.** Actual Output cannot exceed effective capacity because of

- (a) Problems of scheduling & balancing operations
- (b) Rejection due to quality problems
- (c) Need for periodic maintenance of equipment
- (d) Changing product mix

**Q27.** Capacity Utilisation is

- (a) The ratio of actual output to installed capacity
- (b) The ratio of actual output to effective output
- (c) The ratio of effective capacity to licensed capacity
- (d) The ratio of actual output to designed (maximum) capacity

**Q28.** Capacity Utilisation is

- (a) The degree to which a resource such as equipment, space or the workforce is currently being used
- (b) The degree to which a resource such as equipment, space or the workforce is currently being held as reserve
- (c) The degree to which a resource such as equipment, space or the workforce is currently being used for achieving installed capacity
- (d) The degree to which a resource such as equipment, space or the workforce is currently being used for achieving optimisation

**Q29.** Which one of the following is not a key question in Capacity planning?

- (a) What kind of capacity is needed?
- (b) What kind of facilities are needed?
- (c) How much is needed to match demand?
- (d) When & where is it needed?

**Q30.** This denotes the highest output established by the actual trial runs of the productive machines installed. This is

- (a) Design capacity
- (b) Rated capacity
- (c) Effective capacity
- (d) Licensed capacity

Answer:

Q1	c
Q2	a
Q3	d
Q4	b
Q5	c
Q6	d
Q7	a
Q8	b
Q9	a
Q10	d
Q11	b
Q12	d
Q13	a
Q14	c
Q15	b
Q16	d
Q17	b
Q18	d
Q19	a
Q20	c
Q21	c
Q22	c
Q23	a
Q24	b
Q25	c
Q26	b
Q27	d
Q28	a
Q29	b
Q30	b

Suggestions:

*The study notes, again I am reiterating, need to be read thoroughly. Proper understanding of what exactly capacity planning means is prerequisite to challenge MCQs. For supplementary readings one can refer Modern Production/Operations Management by Buffa and Sarin, Operations Management by R.S Russell & BW Taylor, Operations Management by Lee J Krajewski, Comprehensive productions and Operations management by Dr KC Arora. From guide book on the paper 9- Operations Management & Strategic Management written and issued by Institute on Syllabus -16, item 2.2 idea on capacity planning could be developed. Students should also attempt to gain further knowledge from the referred books with their own efforts.*

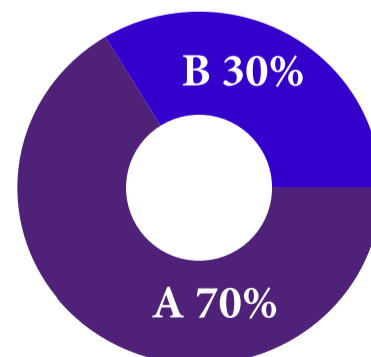
*Best Wishes*



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

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# Your Preparation Quick Takes



### Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

**Learning Objectives:**

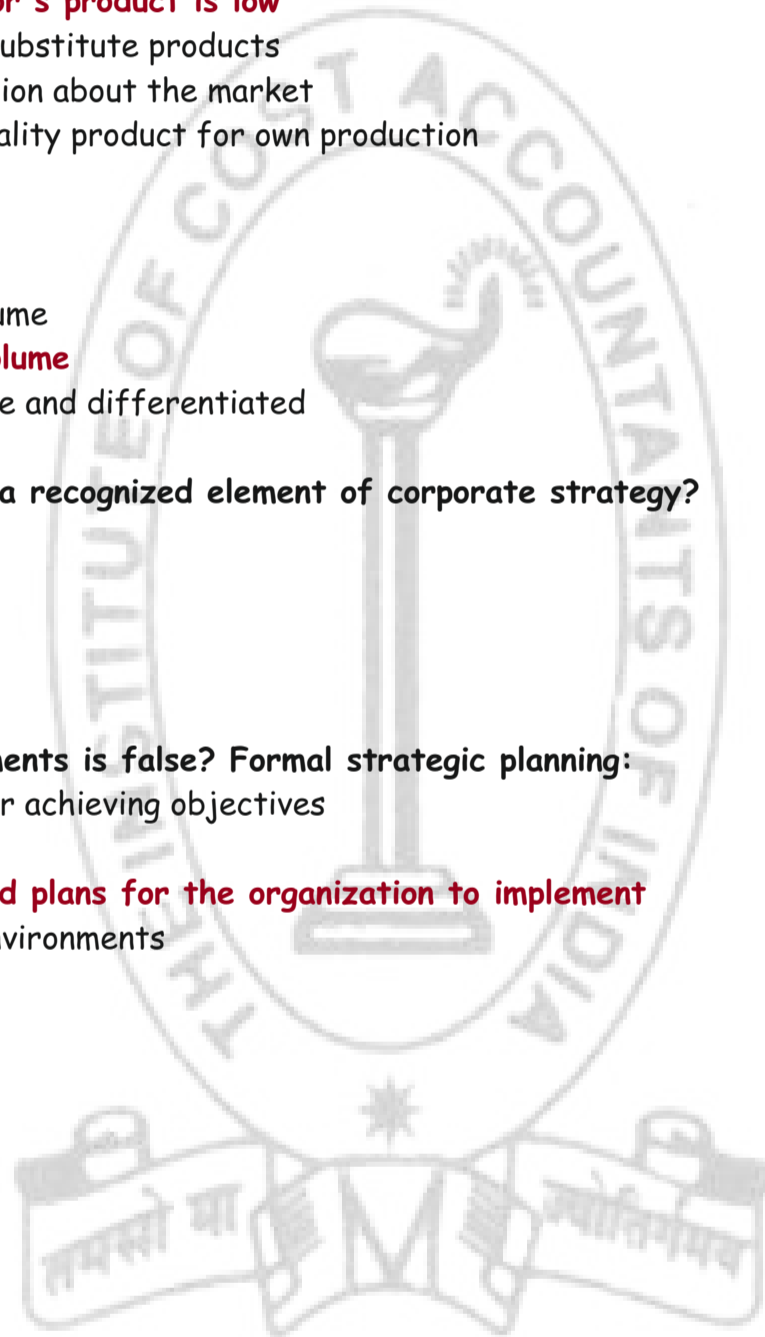
- The course will follow in general terms the strategy development process from audit to formulation of strategic plans, their implementation and evaluation.
- Students will be introduced to strategic management in a way so that their understanding can be better.
- The ultimate aim of the course is to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

**STRATEGIC MANAGEMENT**

1. Stability strategy is a----- strategy  
A. corporate level  
B. business level  
C. functional level  
D. strategic level
2. What are the means by which long term objectives will be achieved?  
A. Strategies  
B. Policies  
C. Strength  
D. Opportunities
3. When an industry relies heavily on government contracts, which forecasts can be the most important part of an external audit?  
A. Economic  
B. Competitive  
C. Political  
D. Multinational
4. The word tactics is most likely to be associated with  
A. Business strategy  
B. Corporate strategy  
C. Operational strategy  
D. All of the above
5. How many cells are there in a SWOT matrix?  
A. 9  
B. 6  
C. 3  
D. 2
6. The reasons for diversification is:  
A. to reduce competition  
B. to increase organizational capabilities  
C. to get tax advantage  
D. to get quick entry into a business
7. Strategic management handles:  
A. external issues  
B. management issues  
C. internal issues  
D. administrative issues
8. What is the purpose of an activity map?  
A. A system to facilitate better time-planning  
B. It is used in business process reengineering to show how the different activities of an organisation are linked together  
C. It is used to identify and understand strategic capability by mapping how the different activities of an organisation are linked together  
D. A list of activities undertaken by an organisation
9. When does horizontal integration occur?  
A. When a firm acquires or merges with a major competitor



- B. When a firm acquires or merges with an unrelated business  
C. When a firm acquires or merges with a distributor  
D. When a firm acquires or merges with a supplier firm
10. Divestment is what kind of strategy?  
**A. An asset-reduction strategy**  
B. A weakness-reduction strategy  
C. A product-reduction strategy  
D. A cost-reduction strategy
11. All the following are key opportunities and threats in external environment because of political, government and legal forces except:  
A. Tax rate  
**B. Social security program**  
C. Cross boarder relationship  
D. Patent law
12. Bargaining power of customers is high if:  
**A. Differentiation of competitor's product is low**  
B. Switching costs are low for substitute products  
C. The buyer has little information about the market  
D. The buyer requires a high quality product for own production
13. Buyers' market exists when:  
A. few suppliers in the market  
B. buyers purchase in small volume  
**C. buyers purchase in large volume**  
D. product of suppliers is unique and differentiated
14. Which of the following is not a recognized element of corporate strategy?  
**A. Competitive advantage**  
B. Closure  
C. Acquisition  
D. Divestment
15. Which of the following statements is false? Formal strategic planning:  
A. implies determined actions for achieving objectives  
B. is a time consuming process,  
**C. should develop clear and rigid plans for the organization to implement**  
D. is most applicable in stable environments





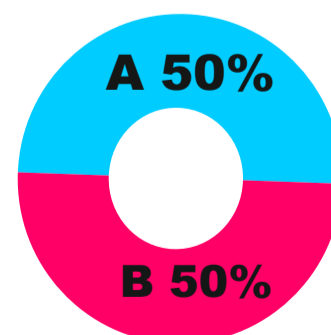
GROUP: II, PAPER:10

## COST & MANAGEMENT

ACCOUNTING AND FINANCIAL  
MANAGEMENT(CMFM)

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# Your Preparation Quick Takes



### Syllabus Structure

A Cost & Management Accounting 50%

B Financial Management 50%

**Learning Objectives:**

The paper Cost & Management Accounting and Financial Management (Group II; Paper 10) is a unique blend of theoretical elaborations and practical illustrations. The aim of this paper is to equip the students with a working level knowledge regarding the two disciplines and prepare a ground for a few advanced level papers like Strategic Financial Management (Final Group 3: Paper 14), Strategic Cost Management decision Making (Final Group 3: Paper 15) and Strategic Performance Management and Business Valuation (Final Group 4: Paper 20) in the CMA Final Course. The entire syllabus of the paper is segregated into two segments namely Cost & Management Accounting (Section A: Full Marks 50) and Financial Management (Section B: Full Marks 50). Each of the individual sections has further been divided into five chapters each highlighting a specific aspect of the subject concerned. In this section of e- bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.

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

The standard cost of certain chemical mixture is :

35% Material A at Rs.25 per kg

65% Material B at Rs.36 per kg

A standard loss of 5% is expected in production.

During a period there is used :

125 kgs. of Material A at Rs.27 per kg. and 275 kgs. of

Material B at Rs.34 per kg.

The actual output was 365 kgs.

What shall be the :-

- i) Standard Rate per Kg of Input : (a) Rs.32.15 (b) Rs.32.50 (c) Rs.32.60 (d) Rs.32.80
- ii) Standard Rate per Kg of Output : (a) Rs.33.54 (b) Rs.33.70 (c) Rs.33.84 (d) Rs.33.90
- iii) Standard Input (Kg) for Actual Production : (a) 384.00 Kg (b) 384.21 Kg (c) 384.45 Kg (d) 384.60 Kg
- iv) Standard Yield (Output) from Actual Input Mix : (a) 350 Kg (b) 360 Kg (c) 370 Kg (d) 380 Kg
- v) Price Variance : (a) Rs.300 A (b) Rs.300 F (c) Rs.350 A (d) Rs.350 F
- vi) Usage Variance : (a) Rs.673 A (b) Rs.3673 F (c) Rs.683 A (d) Rs.683 F
- vii) Mix Variance : (a) Rs.160 F (b) Rs.160 A (c) Rs.165 F (d) Rs.165 A
- viii) Yield Variance : (a) Rs.500 A (b) Rs.500 F (c) Rs.508 A (d) Rs.508 F

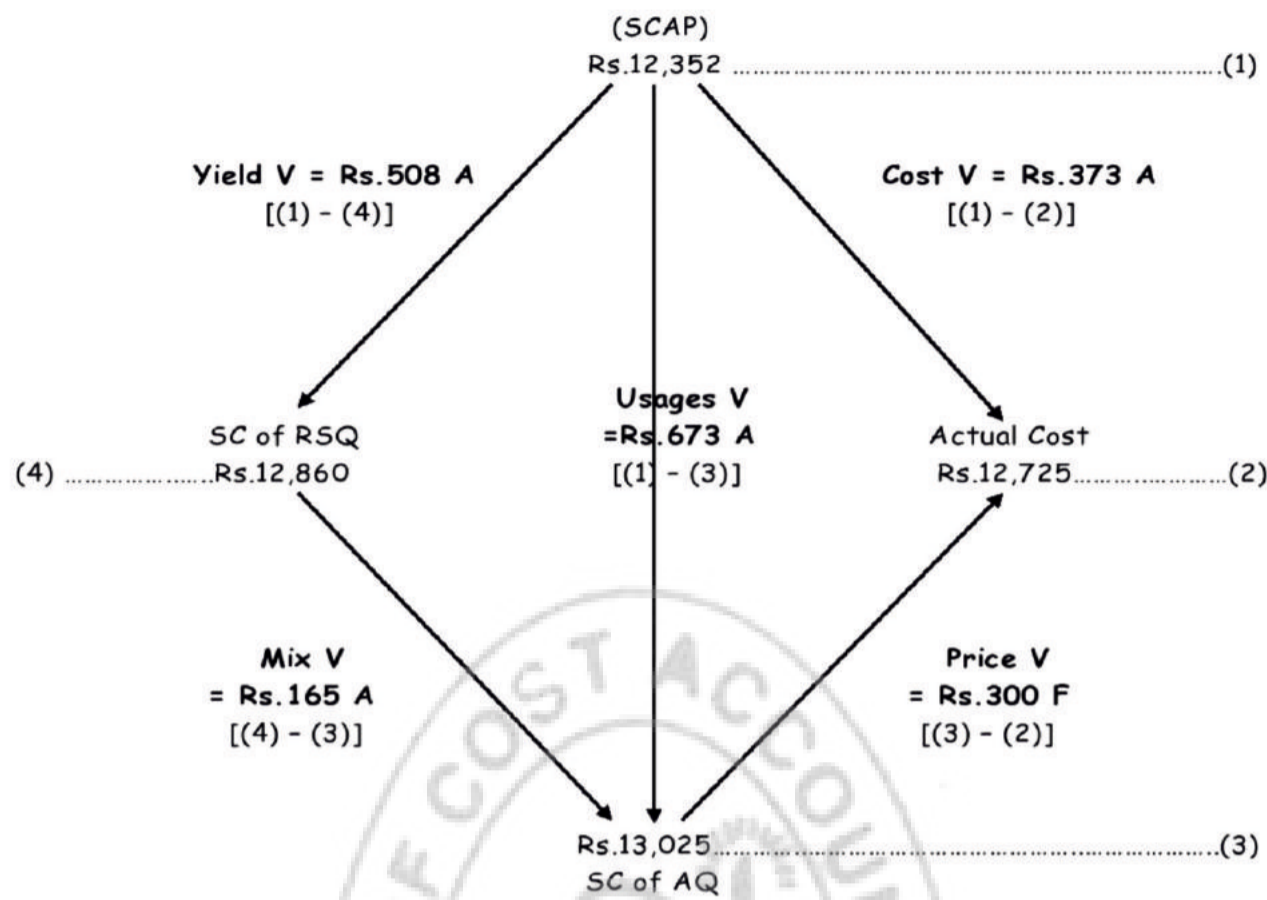
**Answer :**

- |                   |                    |                    |
|-------------------|--------------------|--------------------|
| i) (a) Rs.32.15   | ii) (c) Rs.33.84   | iii) (b) Rs.384.21 |
| iv) (d) 380 Kg    | v) (b) Rs.300 F    | vi) (a) Rs.673 A   |
| vii) (d) Rs.165 A | viii) (c) Rs.508 A |                    |

**Steps for Solution (both for Question 1 and 2) :**

- 1) Draw separate diagrams for each items (i.e. Material, F.OH, V.OH and Variance Ratios) as shown below.
- 2) Put the data given as well as derived through working Notes / Tables, in the appropriate places of the diagrams as specified.
- 3) Start connecting the same as embodied therein.
- 4) In case of any difficulty please have a look to the **Solution through diagram** at the end of this e-bulletin.

Solution : Basic data : Actual Production (AP) = 365 Kg.



**Working Notes :**

Actual Cost			
Material	Qty (Kg.)	Rate (Rs.)	Amount (Rs.)
A	125	27	3375
B	275	34	9550
Input	400		12725
Loss	35		
Output	365		

Standard Input for AP = 384.21 Kg

	Output(Kg)	Input(Kg)
Std	95	100
	365	384.21

Standard Loss = 5% of Input  
SCAP = Standard Cost of Actual Production

SCAP				
Material	Qty (Kg.)	Rate (Rs.)	Amount (Rs.)	Std Rate per Kg(Rs.)
A-35%	134.47	25	3361.75	
B-65%	249.74	36	8990.64	
Input	384.21		12352.39	<b>Rs.32.15</b>
Loss	19.21		r/off 12352	
Output	365		Rs.	<b>33.84</b>

Standard Cost of AQ used			
Material	Qty (Kg.)	SR (Rs.)	Amount (Rs.)
A	125	25	3125
B	275	36	9900
	400		13025

SC of RSQ				
Material	AQ in Std Proportion	RSQ (Kg.)	SR (Rs.)	Amount (Rs.)
A	400 x 35% i.e.	140	25	3500
B	400 x 65% i.e.	260	36	9360
		400		12860

Check : Rs.32.15 x 400 kg = Rs.12,860 [SC of RSQ]

Check : Yield V

= SR per kg of Yield (Actual Yield - Std yield)

= Rs.33.84 (365 - 380) kg

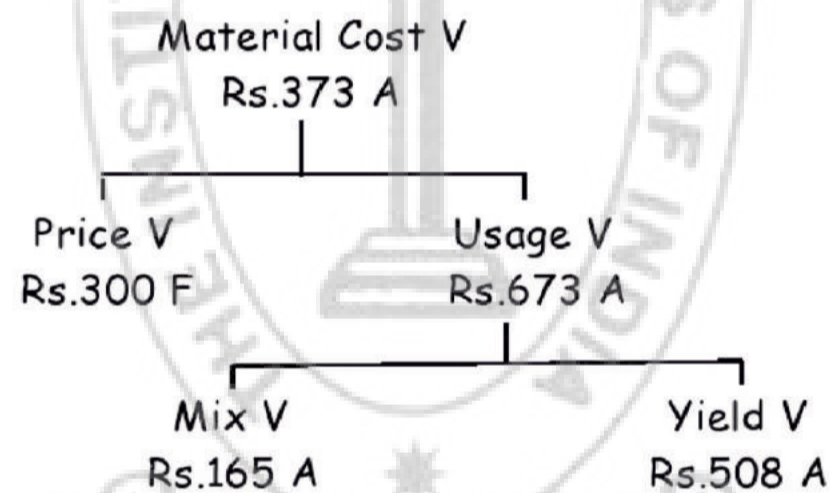
= Rs.33.84 x (-15) Kg = Rs.507.60 A

(r/off) Rs.508 A

Std Yield from Actual Input Mix = 380 kg

	Input (Kg)	Output(Kg)
Std	100	95
	400	380

Reconciliation :



Question No. - 2 (OVERHEADS along with VARIANCE RATIOS)

A company is engaged in manufacturing of several products. The following data have been obtained from the record of a machine shop for an average month.

Budgeted	
No. of working days	24
Working hour per day	8
No. of direct workers	150

Efficiency : one standard hour per clock hour

Down time	10%
Overheads	
Fixed	Rs.75400
Variable	Rs.90720

The actual data for the month of April 2021 are as follows:

	Overheads	
	Fixed	Rs.78800
	Variable	Rs.70870
Net operating hours worked		20500
Standard hours produced		22550

There was a special holiday in April 2021

What shall be the :-

- Budgeted Hours : (a) 28800 Hr. (b) 25920 Hr. (c) 26000 Hr. (d) 26500 Hr.
- Revised Budgeted Hours in Actual Days : (a) 24820 Hrs. (b) 24830 Hrs. (c) 24840 Hrs. (d) 24850 Hrs.
- Standard Fixed Overhead (F.OH) Rate per Hour : (a) Rs.2.89085 (b) Rs.2.90895 (c) Rs.2.40895 (d) Rs.2.98085
- Standard Variable Overhead (V.OH) Rate per Hour : (a) Rs.3.20 (b) Rs.3.30 (c) Rs.3.40 (d) Rs.3.50
- F.OH Expenditure Variance : (a) Rs.3400 A (b) Rs.3400 F (c) Rs.3500 F (d) Rs.3500 A
- F.OH Volume Variance : (a) Rs.9803 F (b) Rs.9803 A (c) Rs.9853 A (d) Rs.9853 F
- F.OH Efficiency Variance : (a) Rs.5983 F (b) Rs.5983 A (c) Rs.5963 A (d) Rs.5963 F
- F.OH Capacity Variance : (a) Rs.12725 F (b) Rs.12725 A (c) Rs.12625 A (d) Rs.12625 F
- F.OH Calender Variance : (a) Rs.3141 A (b) Rs.3141 F (c) Rs.3041 A (d) Rs.3041 F
- F.OH Cost Variance : (a) Rs.13203 F (b) Rs.13203 A (c) Rs.13103 A (d) Rs.13103 F
- Variable Overheads (V.OH) Expenditure Variance : (a) Rs.850 A (b) Rs.850 F (c) Rs.880 A (d) Rs.880 F
- V.OH Efficiency Variance : (a) Rs.7100 F (b) Rs.7100 A (c) Rs.7175 F (d) Rs.7175 A
- V.OH Cost Variance : (a) Rs.8055 F (b) Rs.8055 A (c) Rs.8000 A (d) Rs.8000 F
- Maximum Possible Hour : (a) 25920 Hrs. (b) 28800 Hrs. (c) 30000 Hrs. (d) 28820 Hrs.
- Activity Ratio : (a) 80% (b) 84% (c) 87% (d) 90%
- Efficiency Ratio : (a) 110% (b) 105% (c) 108% (d) 115%
- Capacity Ratio : (a) 65% (b) 70% (c) 73% (d) 79%
- Actual Capacity Usage Ratio : (a) 65% (b) 71% (c) 74% (d) 78%
- Standard Capacity Usage Ratio : (a) 90% (b) 93% (c) 95% (d) 97%
- Calender Ratio : (a) 92% (b) 94% (c) 96% (d) 98%

**Answer :**

- |                   |                   |                   |
|-------------------|-------------------|-------------------|
| 1. (b) 25920 Hrs. | 2. (c) 24840 Hrs. | 3. (b) Rs.2.90895 |
| 4. (d) Rs.3.50    | 5. (a) Rs.3400 A  | 6. (b) Rs.9803 A  |
| 7. (d) Rs.5963 F  | 8. (c) Rs.12625 A | 9. (a) Rs.3141 A  |

- |                    |                    |                   |
|--------------------|--------------------|-------------------|
| 10. (b) Rs.13203 A | 11. (d) Rs.880 F   | 12. (c) Rs.7175 F |
| 13. (a) Rs.8055 F  | 14. (b) 28800 Hrs. | 15. (c) 87%       |
| 16. (a) 110%       | 17. (d) 79%        | 18. (b) 71%       |
| 19. (a) 90%        | 20. (c) 96%        |                   |

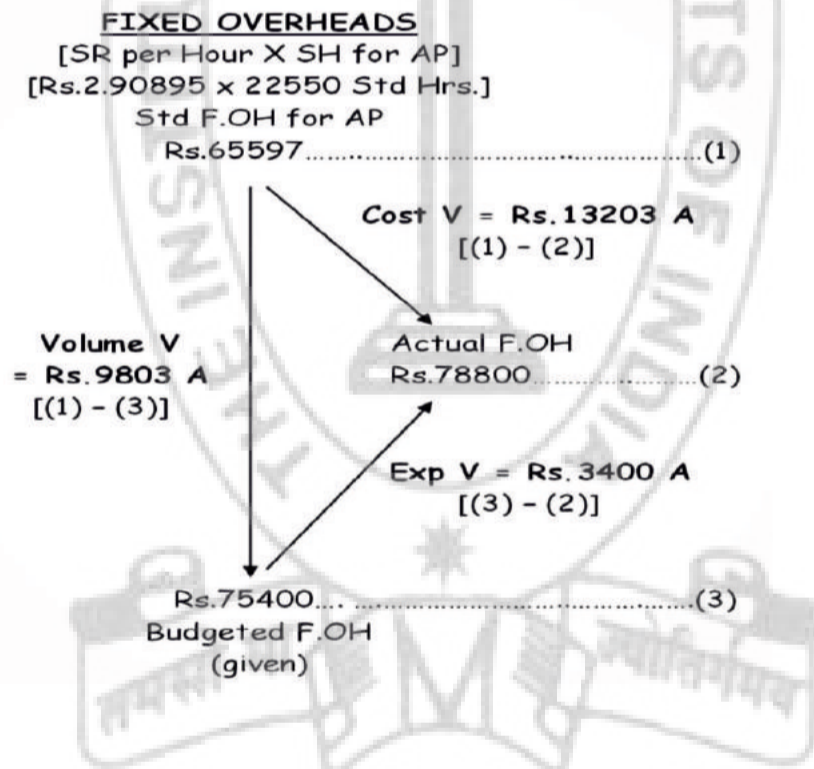
**Working Notes :**

Budgeted Hours = (24 days x 8 Hrs. x 150 Workers) - 10% downtime  
 = 28800 - 2880 = 25920 Hrs.  
 Standard Hours (given) = 22550 Hrs.  
 Actual hours (given) = 20500 Hrs.  
 Revised Budgeted Hours in Actual days = 24840 Hrs.\*

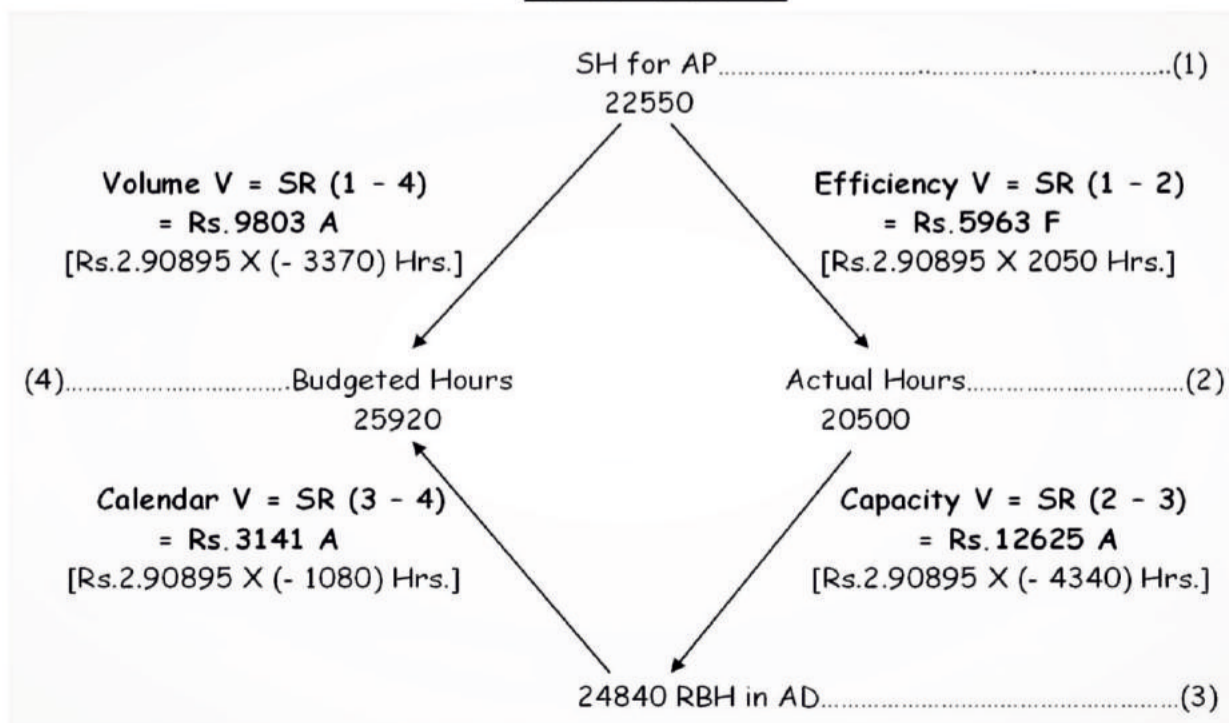
**No. of Working Days - a Special Holiday**  
 Or 24 - 1 = 23 days  
 25920 Hrs x 23/24 days = 24840 Hrs.

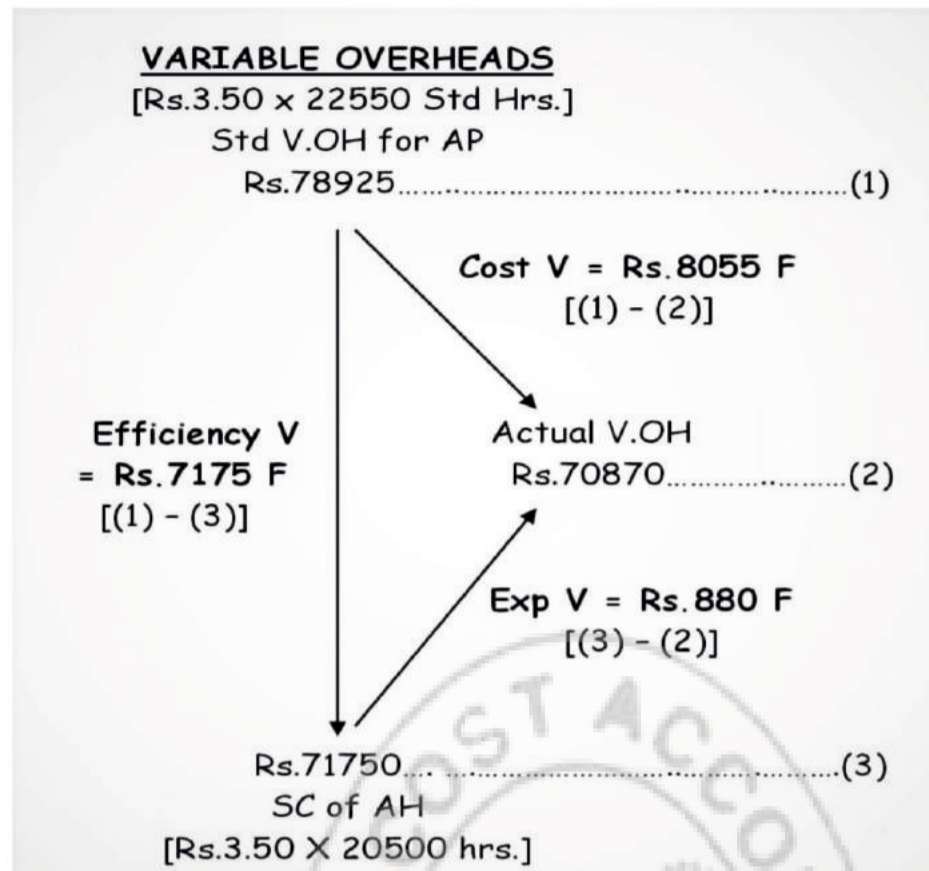
**Maximum Possible Hours = 28800**

Std F.OH Rate per Hour = **Rs.2.90895**  
 [Rs.75400 / 25920 Hrs.]  
 Std V.OH Rate per Hour = **Rs.3.50**  
 [Rs.90720 / 25920 Hrs.]

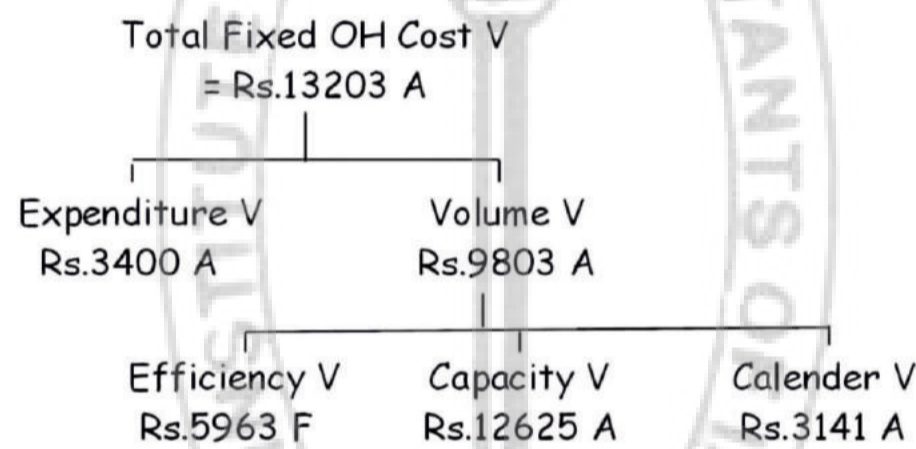


**HOUR BASIS**

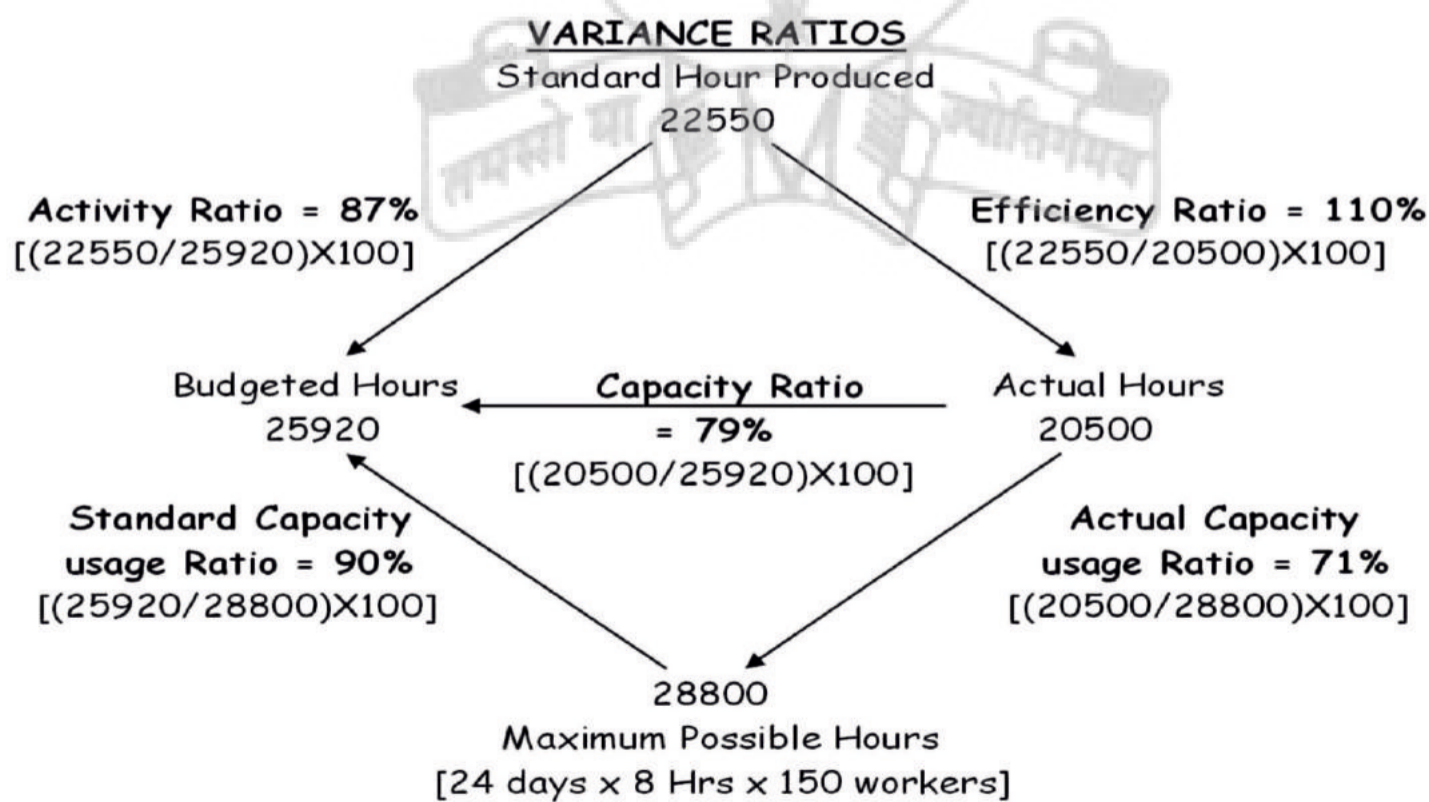




**RECONCILIATION :**



In case of Variance Ratios, mode of computation differs significantly from others which may kindly be noticed, and kept in mind.



Calender Ratio =  $\frac{\text{Actual working days}}{\text{No. of working days in budget period}}$   
=  $(23/24) \times 100 = 96\%$



Note : Efficiency Ratio X Capacity Ratio = Activity Ratio  
 $110 \times 79\% = 87\%$

### Solution through diagrams

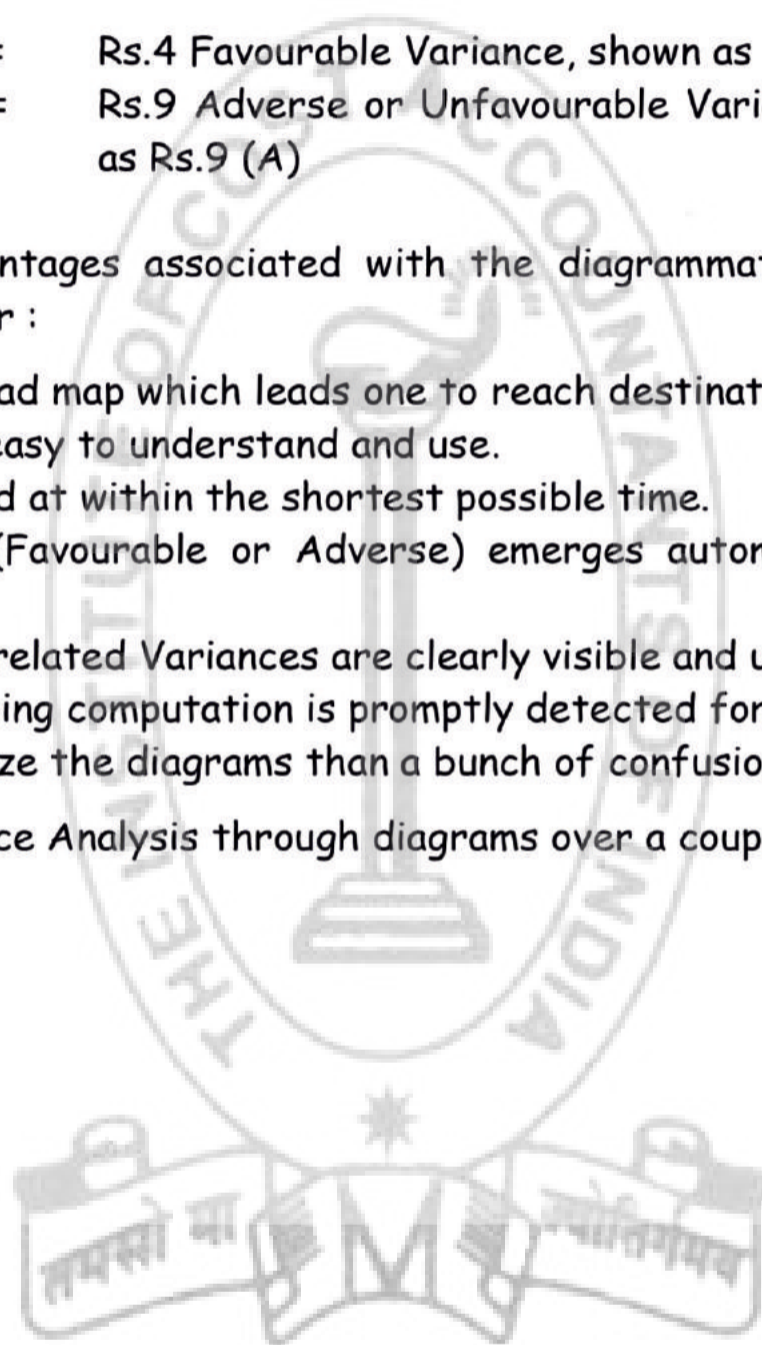
A diagrammatic solution is characterized by arrows having spearhead in one side. The basic principle is that the amount standing at the spearhead side should always be deducted from that of the bottom side of the same. The resulting balance, if positive, signifies a Favourable Variance whereas a negative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

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



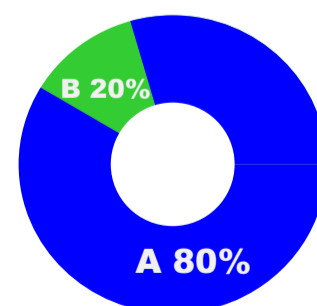


GROUP: II, PAPER:11

# INDIRECT TAXATION (ITX)

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

## Your Preparation Quick Takes



### Syllabus Structure

A Canons of Taxations -  
Indirect Tax GST **80%**  
B Customs Laws **20%**

**Learning objectives:**

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

**Goods and Services Tax**

- 1) **Compensation to states under GST (Compensation to GST) , 2017 is paid by**
  - a) Central Government from consolidated fund of India
  - b) Central Government from GST compensation fund of India
  - c) Central Government directly from the collection of compensation cess
  - d) GST Council under Constitution of India.
- 2) **While computing compensation to states, tax revenue of this tax/ these taxes is excluded**
  - a) petroleum crude, diesel, petrol, ATF and natural gas
  - b) Alcohol for human consumption
  - c) entertainment tax collected by local authorities
  - d) All of the above
- 3) **Input tax credit on compensation cess paid under GST(Compensation to States ) Act , 2017**
  - a) is not available
  - b) is available
  - c) is available but not fully
  - d) is available after one year
- 4) **Input tax credit under GST(Compensation to States ) Act , 2017 includes GST Compensation Cess charged on any supply of**
  - a) goods and/or services,
  - b) Goods imported
  - c) GST Compensation Cess payable on reverse charge basis;
  - d) All of the above
- 5) **Maximum rate of CGST prescribed by law for intrastate supply made is----**
  - a) 18%
  - b) 20%
  - c) 40%
  - d) 28%+cess
- 6) **Input tax credit on Compensation cess paid under GST (Compensation to States) Act, 2017 is available for payment of**
  - a) IGST only
  - b) IGST and CGST only
  - c) compensation under GST (Compensation to States) Act
  - d) None of the above
- 7) **IGST is payable when the supply is ---**
  - a) Interstate
  - b) Intra-state
  - c) Intra- UT
  - d) All of the above

- 8) Zero rated supply includes supplies made-
- By SEZ unit in India
  - to SEZ unit in India
  - Both (a & (b above
  - None of the above
- 9) With the introduction of GST, imports will be—
- more expensive
  - cheaper
  - neutral with no change
  - None of the above
- 10) The first committee to design GST model was headed by
- Vijay Kelkar
  - Asim Das Gupta
  - Dr. Chidambaram
  - None of the above
- 11) First discussion paper (FDP) which formed the basis for GST in 2009 was released by
- Union Finance Ministry
  - Dr. Manmohan Singh
  - GST Council
  - Empowered Committee
- 12) Roll out of GST requires constitutional amendment because—
- existing laws were cascading
  - the powers of levy were exclusive
  - there are separate laws for goods and services
  - All of the above
- 13) Works contract under GST is goods used in work relating to-
- Immovable property
  - Both movable and immovable property
  - Immovable property treated as supply of service
  - Immovable property treated as supply of goods
- 14) IGST deals with
- Composition scheme
  - Time of supply
  - Service tax on imported services
  - All of the above
- 15) The turnover limit of Rs. 50 Lakh for composition scheme is not applicable to the state of
- Himachal Pradesh
  - Assam
  - Uttarakhand
  - None of the above
- 16) A supplier is liable to get registered under GST if his aggregate turnover in a financial year crosses Rs. 20 lakh in a state or UT other than special category states if he is-
- an interstate supplier

- b) an intra-state supplier
- c) Electronic commerce operator
- d) Person liable to pay GST under reverse charge

17) Registration under GST is not compulsory to-

- a) Casual taxable person
- b) Input service distributor
- c) Non-resident taxable person
- d) None of the above

18) One of the following states does not fall under special category given under Art. 279A of the Constitution

- a) Himachal Pradesh
- b) Uttarakhand
- c) Chhattisgarh
- d) Jammu & Kashmir

19) Exemption from registration is available to

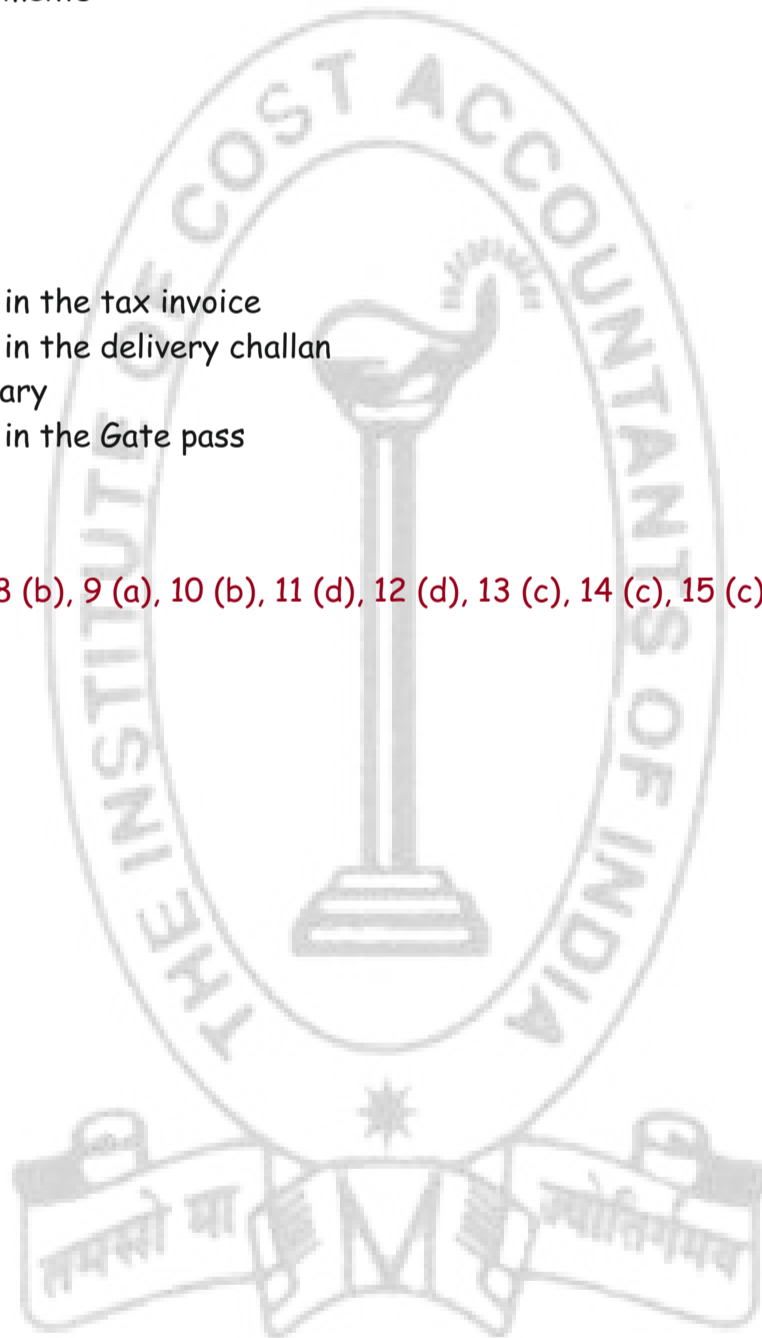
- a) Central & State Govt. Departments
- b) Agriculturists
- c) a) & b) above
- d) None of the above

20) Address for delivery

- a) Recipient address mentioned in the tax invoice
- b) Recipient address mentioned in the delivery challan
- c) Recipient address not necessary
- d) Recipient address mentioned in the Gate pass

**Answers:**

1 (b), 2 (d), 3 (b), 4 (d), 5 (b), 6 (c), 7 (a), 8 (b), 9 (a), 10 (b), 11 (d), 12 (d), 13 (c), 14 (c), 15 (c), 16 (b), 17 (d), 18 (c), 19 (b), 20 (a),

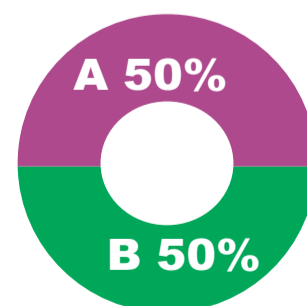




GROUP: II, PAPER:12  
**COMPANY**  
ACCOUNTS & AUDIT (CAA)

Dr. Malay Kr. Nayak  
Associate Professor,  
Dept. Of Commerce,  
M.B.B.College, Tripura  
He can be reached at:  
[malay\\_nayak@ymail.com](mailto:malay_nayak@ymail.com)

# Your Preparation Quick Takes



## Syllabus Structure

A Accounts of Joint Stock Companies 50%  
B Auditing 50%

**Learning Objectives:**

- Apply appropriate judgment derived from knowledge of accounting theory, to financial analysis and decision making
- Effectively define the needs of the various users of accounting data and demonstrate the ability to communicate such data effectively, as well as the ability to provide knowledgeable recommendations.
- Prepare financial statements in accordance with Generally Accepted Accounting Principles.
- Demonstrate an understanding of current auditing standards and acceptable practices, as well as the impact of audit risk on the engagement.

**Company Accounts & Audit**

Students the days are gloomy, we all are to pass very bad patch of life. But we know that one day everything will be cleared. Again we will get good promising days. For that we should continue our study. We believe that our profession remains worthwhile in coming days.

Today we are to discuss about provisions of presenting FINANCIAL STATEMENTS as per COMPANIES ACT 2013.

Sec 129 of the companies act 2013 provides for presentation of Financial Statements.

The Financial Statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under Sec 133 and shall be in the form or forms as may be provided for different class or classes of companies in schedule 111

Sec 2(40) provides to include balance sheet, profit and loss account cash flow statement, statement of changes in equity and explanatory notes.

Sec 129 comes in place of earlier Sec 210 to provide financial statement to depict true and fair view of the state of affairs of the company and shall comply with accounting standards notified under Sec 133.

Financial statements shall be prepared as per new schedule 111 of companies act 2013, which are on the same line of earlier schedule v1.

In the new schedule 111 detailed instructions have been given for preparation of consolidated financial statements as now mandatory under sec 219.

Notes to accounts shall contain information in addition to that presented in Financial Statements.

Depending upon the turnover of the company, the figures appearing in the Financial Statements may be rounded off like for turnover less than one hundred crore rupees is to round off to the nearest hundreds, thousands, lakhs or millions.

General instructions for preparation of Balance Sheet issued like-----

To classify asset as current it is expected to be realized or is intended for sale of consumption in the company's normal operating cycle or it is held primarily for the purpose of being traded. Or it is expected to be realized within 12 months after the reporting date or it is cash or cash equivalent.

Asset other than current asset shall be classified as noncurrent.

Time between the acquisition of assets for processing and their realization in cash or cash equivalents is to regard as operating cycle. Where the normal operating cycle cannot be identified, it is assumed to have duration of 12 months.

Financial Statements should reflect true and fair view.

True and fair view in means that the financial statements are free from material misstatements and faithfully represent the financial performance and position of the entity. Although the expression of true and fair view is not strictly defined in the accounting literature, we may derive the following general conclusions as to its meaning:

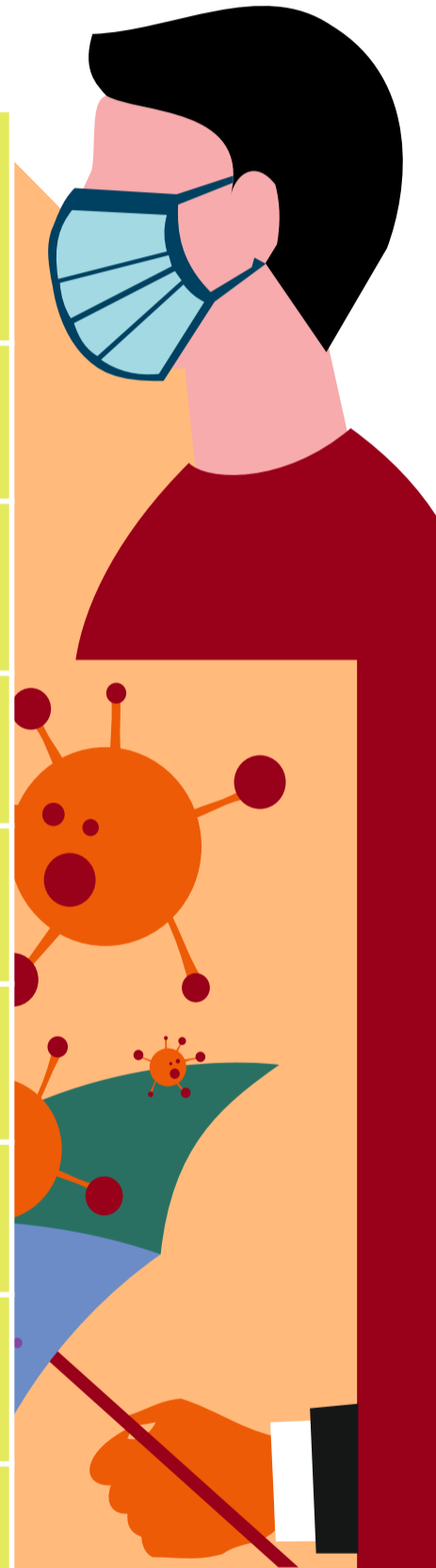
True suggests that the financial statements are factually correct and have been prepared according to applicable reporting framework such as the AS, Ind AS, IFRS and they do not contain any material misstatements that may mislead the users. Misstatements may result from material errors or omissions of transactions and balances in the financial statements.

Fair implies that the financial statements present the information faithfully without any element of bias and they reflect the economic substance of transactions rather than just their legal form. We should honour substance over Forms.



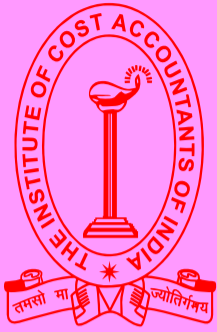
# Examination TIME TABLE

Day & Date	Intermediate Examination Syllabus-2016 Time 10.00 a.m. to 1.00 p.m.
26 th July, 2021 (Monday)	Financial Accounting (Paper 05) (Group - I)
27 th July, 2021 (Tuesday)	Operations Management & Strategic Management (Paper 09) (Group - II)
28 th July, 2021 (Wednesday)	Laws & Ethics (Paper 06) (Group - I)
29 th July, 2021 (Thursday)	Cost & Management Accounting and Financial Management (Paper 10) (Group - II)
30 th July, 2021 (Friday)	Direct Taxation (Paper 07) (Group - I)
31 st July, 2021 (Saturday)	Indirect Taxation (Paper 11) (Group -II)
1 st August, 2021 (Sunday)	Cost Accounting (Paper 08) (Group - I)
2 nd August, 2021 (Monday)	Company Accounts & Audit (Paper 12) (Group - II)



**STAY HOME STAY SAFE**





# PRACTICAL Advice

## ABOUT YOUR STUDIES - INTERMEDIATE COURSE

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

START

01

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

**Solve Exercises  
given in Study Note**

02

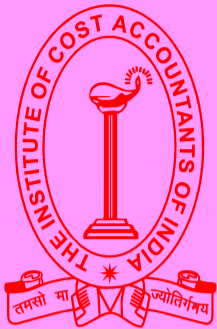
03

**Assess Yourself**

**Appear For Examination**

04

FINISHED



# SUBMISSIONS



## Updation of E-Mail Address/Mobile:

Students are advised to update their E-Mail id and Mobile Numbers timely so that important communications are not missed as the same are sent through bulk mail/SMS nowadays. Student may update their E-Mail id/ Mobile Number instantly after logging into their account at [www.icmai.in](http://www.icmai.in) at request option.

Dear Students,

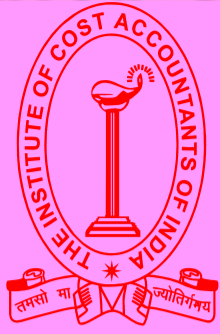
We are very much delighted to receive responses from all of you; for whom our effort is!

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

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

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

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



## Message from Directorate of Studies

Dear Students,

Passing the exam is a happy event. Congratulations on all that you have accomplished! There is no secret of success. It is the result of preparation, hard work and learning from failure. Well done! It is clear that the future holds great opportunities for you.

Those who could not pass, failing in an exam does not mean failing in life. All of us face failure at one time or another. Try to focus your attention on the importance of perseverance and mind it that dedication and determination plays the lead role in shaping a person's life.

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

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

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

Let us observe his memory by following his message.

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

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

**Please refer the link mentioned below :**

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

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

**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;**

**Disclaimer:**

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



ज्ञान-विज्ञान विमुक्तये  
डॉ. सुरेन्द्र सिंह  
संयुक्त सचिव

Dr. Surender Singh  
Joint Secretary



सत्यमेव जयते

विश्वविद्यालय अनुदान आयोग  
**University Grants Commission**

(शिक्षा मंत्रालय, भारत सरकार)  
(Ministry of Education, Govt. of India)

बहादुरशाह जफर मार्ग, नई दिल्ली-110002  
Bahadur Shah Zafar Marg, New Delhi-110002

दूरभाष Phone : कार्यालय Off : 011-23238865

ई-मेल E-mail : ssingh.ugc@nic.in

D.O.No.9-35/2016 (CPP-II)

March, 2021

15 MAR 2021

**Sub: To consider CA/CS/ICWA qualification equivalent to PG Degree for appearing in UGC-Net**

Sir/ Madam,

UGC had received requests from the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and the Institute of Cost Accountants of India to consider the qualification being awarded by them, i.e., Chartered Accountant (CA), Company Secretary (CS) and Cost and Works Accountants (ICWA) respectively, equivalent to Post Graduation Degree.

To consider this, a Committee was constituted by the UGC. The Commission, in its 550<sup>th</sup> meeting held on 18<sup>th</sup> February, 2021 considered the recommendation of the Expert Committee and resolved as under:

***“CA/CS/ICWA qualification be considered equivalent to PG Degree.”***

This is for your kind information.

With kind regards,

Yours sincerely,

(Dr. Surender Singh)  
Joint Secretary

The President  
The Institute of Cost Accountants of India  
3, Institutional Area  
Lodhi Road  
New Delhi- 110 003



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

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



## Headquarters:

CMA Bhawan, 12 Sudder Street, Kolkata - 700016

## Delhi Office:

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

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

# CMA LEADS

**Last Date for Admission**  
June Exam  
31<sup>st</sup> January  
of the same Calendar Year

December Exam  
31<sup>st</sup> July  
of the same Calendar Year

5,00,000<sup>+</sup>  
Students

75,000<sup>+</sup>  
Members

4 Regional  
Councils

98  
Chapters

9  
Overseas  
Centres

Largest  
CMA body  
in Asia

2nd  
Largest  
CMA body  
in the  
Globe

The Institute of Cost Accountants of India is a premier professional Institute and a statutory body constituted under an Act of Parliament under the administrative control of **Ministry of Corporate Affairs (MCA), Govt. of India** to regulate and develop the profession of Cost and Management Accountancy (CMA) in the country. The Institute established in **1944** is now celebrating the **Platinum Jubilee year** of its glorious presence.

## ADMISSIONS OPEN 2020-2021

✉ [studies@icmai.in](mailto:studies@icmai.in)

☎ **1800 345 0092/1800 110 910**

**For Online Admission**

<http://cmaicmai.in/students/Home.aspx>

### Cultivating and Enhancing Skills of Success

- CMA Course Curriculum is designed to meet Industry requirements and challenges in Global Economic Scenario
- Hands on Computer and Soft skills training
- Industry oriented practical training programme
- Six Skill Sets - Knowledge, Comprehension, Application, Analysis, Synthesis and Evaluation
- Four Knowledge Pillars - Management, Strategy, Regulatory Function and Financial Reporting
- Our Motto - Student friendly Syllabus and Industry friendly Students

Excellent Campus Placement Record  
in renowned Public and Private Sector Companies

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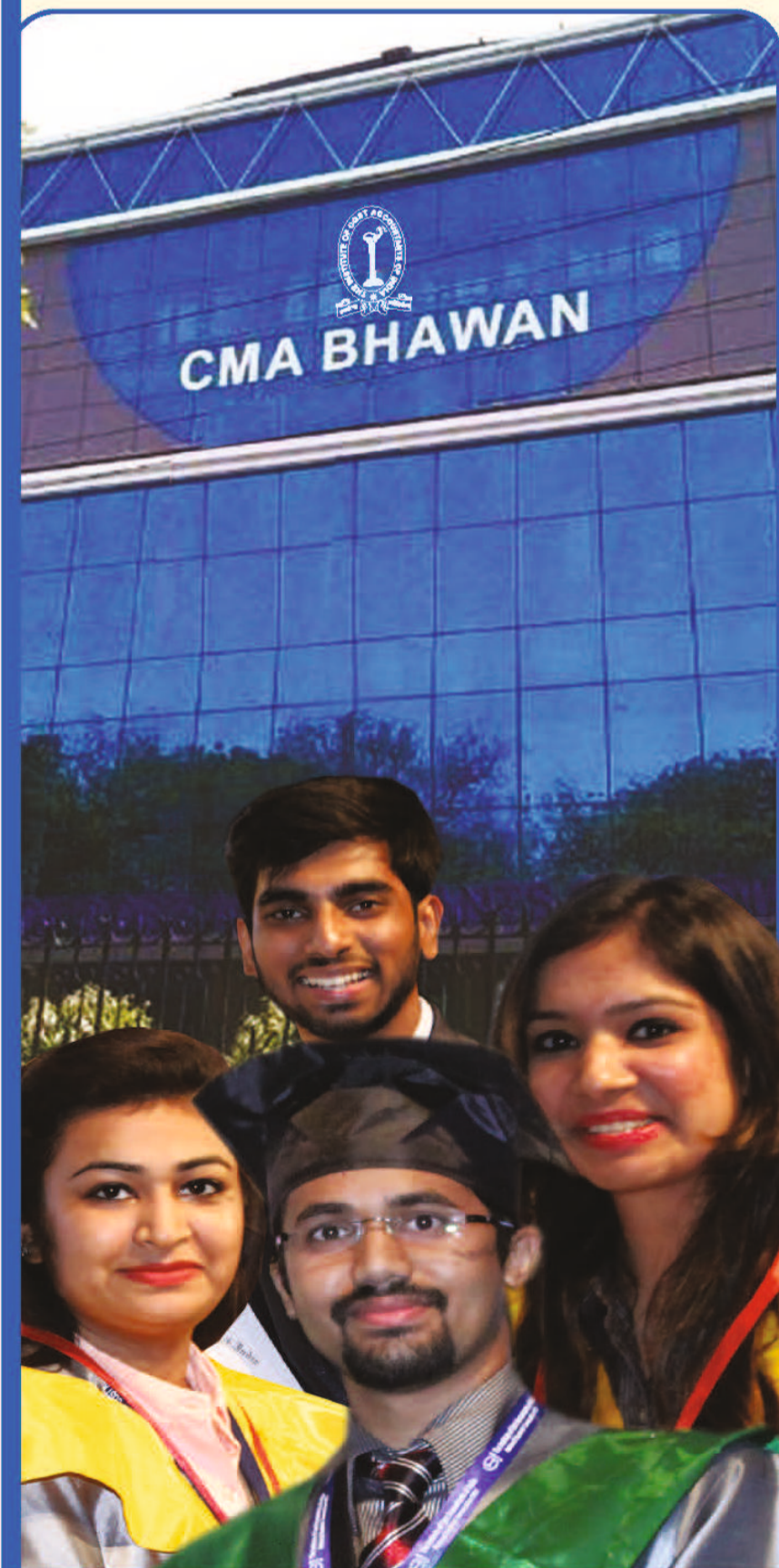
### Few of Our Proud Recruiters



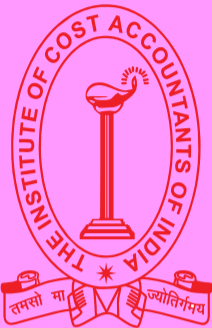
✉ [placement@icmai.in](mailto:placement@icmai.in) / [cpt@icmai.in](mailto:cpt@icmai.in)

☎ **+ 91 33 40364770**

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



# Few Snapshots



Dignitaries sharing the screen with Shri Arjun Ram Meghwal Hon'ble Union Minister of State for Parliamentary Affairs and Heavy Industries & Public Enterprises during National Corporate Laws Summit. Left to Right CMA Neeraj D. Joshi, CCM; CMA Mahesh Shah, Past President; Shri Debarshi Duttgupta, MD, East India Pharmaceuticals Works Limited; Shri Arjun Ram Meghwal, Hon'ble Union Minister, CMA Dr. Ashish P. Thatte, Chairman, Corporate Laws Committee; CMA Biswarup Basu, President; CMA Chittaranjan Chattopadhyay, CCM; CMA Amal Kumar Das, Past President; CMA Vijender Sharma, CCM



Shri Arjun Ram Meghwal Hon'ble Union Minister of State for Parliamentary Affairs and Heavy Industries & Public Enterprises is giving his live online speech on occasion of inauguration of National Corporate Laws Summit.



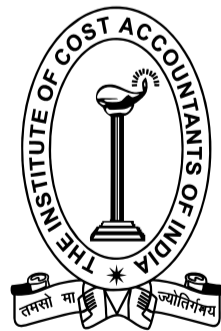
CMA Biswarup Basu, President facilitating Shri Debarshi Duttgupta, MD, East India Pharmaceuticals Works Limited on the occasion of National Corporate Laws Summit organised at Kolkata on 26th February 2021. Sharing the dias is CMA Dr. Ashish P. Thatte, Chairman Corporate Laws Committee and CMA Neeraj D. Joshi, Central Council Member.



From Left to Right CMA Balwinder Singh, Immediate Past President and Council Member, Shri S.K. Kaushik, CAO (AR), Indian Railways, Shri Naresh Salecha, Member (Finance) Railway Board, CMA Biswarup Basu, President, CMA P. Raju Iyer, Vice-President, CMA Chandra Wadhwa, Past President, CMA B.B. Goyal, Advisor ICWAI MARF, CMA J.K. Budhiraja, CEO ICWAI MARF, Ms. Tripti Guraha, Executive Director, (S & E), Indian Railways, Sh. Abhishek Kumar, CPM (AR), Indian Railways



Presentation of Final Report on Performance Costing System in Indian Railways at Rail Bhawan, New Delhi on 19th February, 2021 by CMA Biswarup Basu, President, ICAI to Shri Naresh Salecha, Member (Finance), Railway Board.  
From Left to Right CMA Balwinder Singh, Immediate Past President and Council Member, Shri S.K. Kaushik, CAO (AR), Indian Railways, Shri Naresh Salecha, Member (Finance) Railway Board, CMA Biswarup Basu, President, CMA P. Raju Iyer, Vice-President, CMA Chandra Wadhwa, Past President, CMA B.B. Goyal, Advisor ICWAI MARF, CMA J.K. Budhiraja, CEO ICWAI MARF.



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