

CMA
2018
November
VOL: 3, NO.: 11,

STUDENTS'

TOLL FREE 18003450092 / 1800110910

www.icmai.in

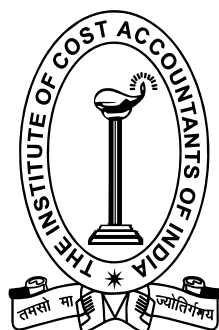


e Bulletin

INTERMEDIATE



FOLLOW US ON



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

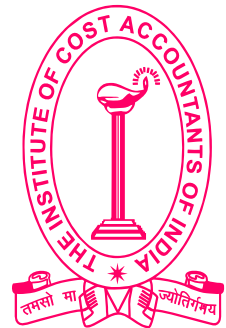
Headquarters: CMA Bhawan, 12, Sudder Street, Kolkata - 700 016

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

Behind every successful business decision, there is always a CMA



Message from The Chairman

CMA Manas Kumar Thakur

**Chairman,
Training & Education Facilities (T& EF) Committee**

CMA MANAS KUMAR THAKUR
Chairman, T & EF Committee
Directorate of Studies
President (2016-2017)



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
CMA BHAWAN, 12, SUDDER STREET, KOLKATA-700 016, India
Mobile : 79802 72019 / 98740 81422
E-mail : tmanasda@yahoo.com • Website : www.icmai.in

MESSAGE FROM THE CHAIRMAN

Dear Students,

Greetings,

"By education, I mean an all-round drawing of the best in child and man in body, mind and spirit" -M.K.Gandhi.

On the eve of commemorating 150 th birth anniversary of Mahatma Gandhi by the Government of India, let us try to believe in line of his thinking that there is someone or something higher than you. You don't need to believe in God, but believing that everyone is equal and you are no less or more than someone else. It is knowing your values, ethics and morals. Faith is not following others blindly especially when someone else is doing something that your heart says is not right.

Mohandas Karamchand Gandhi; father of the nation, lived in India during the '30s and '40s when he was following certain principles. We live in a society and amongst a generation that has a lot more technology, is more materialistic and we are not fighting for the same reasons (we have 'freedom' (opportunities to do what we want to do)).

I have full faith on you and I strongly believe that you can contribute to the development of 'Make in India'. I am very much thankful to the academicians and industry experts for engaging their valuable timing and to help in your preparation. Despite their individual other commitments, they are trying to provide you important tips and trying to help you to make your preparation better.

The Directorate of Studies is assisting in your preparation by providing you various kinds materials and supports in the forms of Revisionary Test Papers (RTPs), Mock Test Papers (MTPs), Work Book along with all the recent amendments in papers related to Direct and Indirect taxation, Laws, Accounting etc. and also have arranged for live Webinar session through which you may directly interact with the faculties and clear your doubts. Prior preparation is required to make the Webinar more live and vibrant and which in turn may help you to resolve your problems. Try to grab the opportunities and make yourself prepare to face the challenges, afterwards.

December, 2018 term of examination will be held soon. On my personal behalf I want to tell you that **stay positive, work hard and make it happen. Don't stress. Put your best and forget the rest at least for the time being.**

"Persistent questioning and healthy inquisitiveness are the first requisite for acquiring learning of any kind"-M. K. Gandhi.

Wishing you Good luck on your examination,

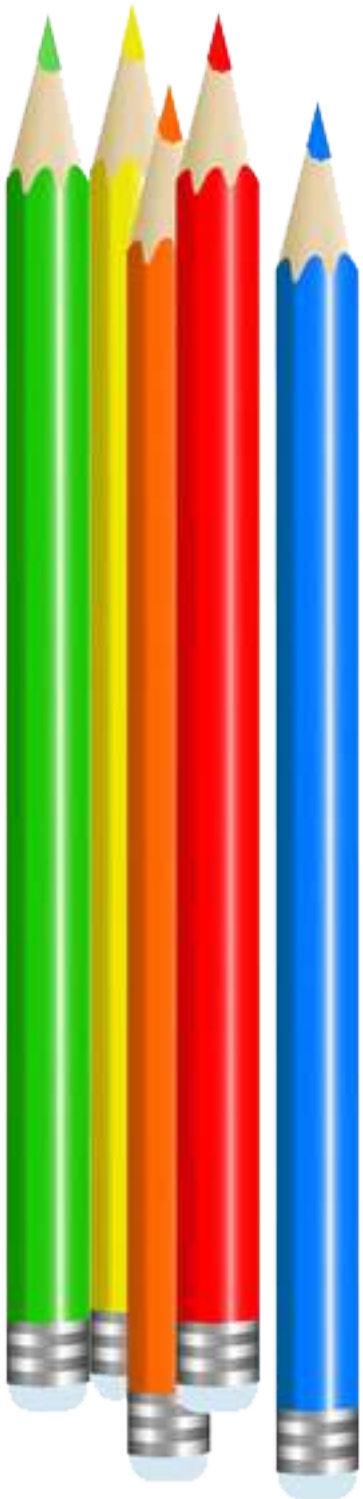
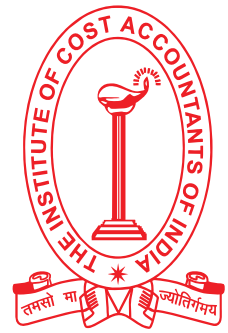
CMA Manas Kumar Thakur

Be a CMA, be a Proud Indian

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



CONTENTS



Message from the Chairman -	i
Knowledge Update -	1
Group : I Paper 5: Financial Accounting (FAC) -	2
Group: I Paper 6: Laws & Ethics (LNE) -	7
Group: I Paper 7: Direct Taxation (DTX) -	11
Group: I Paper 8: - Cost Accounting (CAC)-	16
Group: II Paper: 9, Part - i: Operations Management & Strategic Management Operations Management (OMSM)-	20
Group: II Paper: 9, Part - ii: Operations Management & Strategic Management Strategic Management (OMSM) -	26
Group: II Paper: 10: Cost & Management Accounting and Financial Management (CMFM) -	30
Group: II Paper 11: Indirect Taxation (ITX) -	33
Group: II Paper 12: Company Accounts & Audit (CAA) -	36
Introduction to Business Correspondence -	38
Examination Time Table -	42
Practical Advice -	43
Submissions -	44
Message from the Directorate of Studies -	45
Snapshots -	46

KNOWLEDGE Update



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



GROUP: 1, PAPER: 5

FINANCIAL ACCOUNTING (FAC)

CMA (Dr.) Nibir Goswami

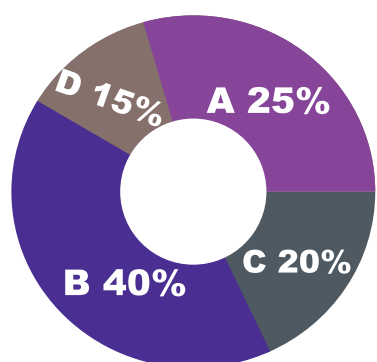
Associate Professor in Commerce

Vidyasagar Mahavidyalaya, W.B.

He can be reached at:

drnibirgoswami@gmail.com

Your Preparation Quick Takes



Syllabus Structure

A Accounting Basics 25%

B Preparation of Financial Statements 40%

C Self Balancing Ledger, Royalties, Hire Purchase & Installment System, Branch & Departmental Accounts 20%

D Accounting in Computerised Environment and Accounting Standards 15%

Learning Objective:

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

SECTION: A
ACCOUNTING BASICS: FUNDAMENTALS OF ACCOUNTING
RECTIFICATION OF ERRORS

INTRODUCTION:

Rectification of errors is a job of an expert. You can rectify an error only when you know the things very well. If you have gone through the discussions in the past issues I believe you are now eligible to go for rectifying errors. To err is human and so for an accountant. Unlike other subjects you cannot cut the mistake and instead paste the right answer in accountancy. Once a mistake is committed you cannot delete that. What you can do is to pass a reverse entry so that the mistake is nullified. Let us see how this can be done under various circumstances in this issue.

SAY A BOY HAS WRITTEN: "RAM IS A BOY". HE MISSED TO WRITE THE WORD 'GOOD'. TEACHER ADDS THE WORD 'GOOD' TO RECTIFY. AGAIN A BOY HAS WRITTEN: "RAM IS A BAD BOY". TEACHER DELETES THE WORD 'BAD' AND INSERTS THE CORRECT WORD 'GOOD'.

In the same way in accountancy error may occur at any time and as a teacher you have to rectify that. Before we proceed to know the process of rectifying let us first know the possible kinds of errors that may occur.

Error can be classified depending on the nature and depending on its occurrence. Nature wise it is classified as:

1. Error of omission:
When recording of an entry is missed or forgotten.
2. Error of commission:
When incorrect amount is recorded in an entry.
3. Compensating error:
When an error is set off by another error.
4. Error of principle:
When entry is made without following accounting principle or logic.
5. Error of misposting:
When entry is wrongly posted to ledger though journal is correct.

Depending on the time of occurrence it can be classified as:

1. Error before trial balance:
It is a single sided error since ledger is yet to be closed.
2. Error after trial balance:
It is a double sided error since ledger is already closed.
3. Error after final accounts:
Double sided error affecting the profit or loss of the business.

HOW TO RECTIFY ERRORS:

CASE 1. SINGLE SIDED ERROR.

Under such cases since the ledger remains open no complete journal entry is to be passed.

CASE 2. AFTER PREPARATION OF TRIAL BALANCE

If the errors are one sided the rectification entry will not attract Suspense A/C. However the double sided error will attract Suspense A/C.

CASE 3. AFTER PREPARATION OF FINAL ACCOUNTS

If the error affects the profit or loss of the firm the rectifying entry will include P/L adjustment A/C. If it does not affect the profit or loss of the firm the same entry may be passed as if the error occurred after preparation of Trial Balance.

STEPS TO BE FOLLOWED TO RECTIFY ERRORS:

1. First write the wrong entry i.e what is actually done.
2. Write the correct entry i.e what should have been done.
3. Compare the two and apply your expertise to pass the rectifying entry.

EXAMPLE:

We will take an example and solve the same with detail analysis. The same illustration will be solved under various situations. computer purchased for Rs. 100000 wrongly passed through the purchase account.

Before trial balance		
Wrong entry	Correct entry	Rectifying entry
Purchase ... dr. 100000 To bank 100000	Computer ... dr. 100000 To bank 100000	Computer ... dr. 100000 To purchase 100000

Note : 1. This is an error of Principle because an asset purchased has not been debited to asset account

1. This a double sided error and hence a complete journal entry is passed
2. Analyzing the first two columns we see that purchase is debited instead of computer. Therefore in rectifying entry computer is debited and purchase is credited.

After trial balance		
Wrong entry	Correct entry	Rectifying entry
Purchase ... dr. 100000 To bank 100000	Computer ... dr. 100000 To bank 100000	Computer ... dr. 100000 To purchase 100000

Note :

1. This is an error of Principle because an asset purchased has not been debited to asset account
2. This a double sided error and hence a complete journal entry is passed
3. Since an error of principle does not affect the equality of trial balance suspense account is not attracted and entry for rectification remain same as above.

Analyzing the first two columns we see that purchase is debited instead of computer. Therefore in rectifying entry computer is debited and purchase is credited.

After final accounts		
Wrong entry	Correct entry	Rectifying entry
Purchase ... dr. 100000 To bank 100000	Computer ... dr. 100000 To bank 100000	Computer ... dr. 100000 To P/L Adjustment 100000

Note :

1. This is an error of Principle because an asset purchased has not been debited to asset account
2. This a double sided error and hence a complete journal entry is passed
3. Since the error affects purchase account which is a part of cost of goods sold and plays a vital role in determining profit therefore P/L Adjustment account will be attracted. Due the wrong entry in purchase profit had been shown less as it should have been shown. So in rectifying entry p/l adjustment A/C is credited to increase the profit.

- a. Sales day book was undercast by Rs. 4000.

Before Trial Balance
It is a single sided error and ledger is open now. So only sales account may be credited by Rs.4000 to rectify the error at this level. A complete journal is not required.

Note :

1. This is a casting error.

After Trial Balance		
Wrong entry	Correct entry	Rectifying entry
Casting error of Rs.4000 less	Sales should be credited by Rs.4000	Suspense A/C.. dr 4000 To sales 4000

Note :

1. This is a casting error.
2. Since ledger is closed and this is a one sided error it affected the equality of the trial balance. Since sale is shown in credit side of trial balance this error will create a difference of Rs.4000 in the credit total. To equalize suspense of Rs. 4000 is put in

the credit side of the trial balance. Therefore to rectify suspense is debited and sales is credited.

After Final Accounts		
Wrong entry	Correct entry	Rectifying entry
Casting error of Rs.4000 less	Sales should be credited by Rs.4000	Suspense A/C.. dr 4000 To P/L Adjustment 4000

Note :

1. This is a casting error.
2. Since sales is most important deciding factor of profit this will attract P/L adjustment account. Showing less amount of sales means showing less amount of profit. Hence to rectify P/L Adjustment account is credited.

- a. A cheque of Rs. 5000 received from Mr. S Goswami wrongly credited to Mr. S Ghose.

Before Trial Balance		
Wrong entry	Correct entry	Rectifying entry
Bank a/c.... Dr 5000 To S Ghose 5000	Bank a/c Dr 5000 To S Goswami 5000	S Ghose Dr 5000 To S Goswami 5000

Note :

1. Since Account of S Ghose is wrongly credited, in rectifying entry it is debited and the account of Mr. S Goswami is correctly credited.
2. Since it is an error of misposting the trial balance had been tallied and suspense account did not appear. Therefore the same entry will be made if the error is rectified after Trial Balance.
3. Since the accounts affected are Debtors account the profit remains unaffected. Therefore the entry after final accounts will also be the same as above.

These are some sample examples. You can practice these kinds of problems from the books. Meanwhile let me give you one tip to pass rectifying entry after preparation of final accounts with the help of one more example.
 Wages paid Rs.1000 for installation of a machine wrongly entered to wages account.

Before Trial Balance		
Wrong entry	Correct entry	Rectifying entry
Wages Dr 1000 To Cash 1000	Machinery A/C... Dr 1000 To Cash 1000	Machinery Dr 1000 To Wages 1000

After Trial Balance		
Wrong entry	Correct entry	Rectifying entry
Wages Dr 1000 To Cash 1000	Machinery A/C... Dr 1000 To Cash 1000	Machinery Dr 1000 To Wages 1000

After Final Accounts		
Wrong entry	Correct entry	Rectifying entry
Wages Dr 1000 To Cash 1000	Machinery A/C... Dr 1000 To Cash 1000	Machinery Dr 1000 To P/L Adjustment 1000

Tip 1. If the suspense account is not attracted rectifying entry before trial balance and after trial balance will remain same.
 Tip 2. Find the revenue item in the entry after trial balance and substitute that by P/L Adjustment Account. See in the above example wages account is revenue account which is substituted by P/L Adjustment account. You try out with the logical explanation also.

Refer to page 88 of the study notes:

The difference in the trial balance shows Rs.296 being excess of debit side total.
 Sales day book was undercast by Rs.300
 An amount of Rs.55 received from Y was posted to his account as Rs.550.
 Purchase Return Book total on a folio was c/f as Rs.221 instead of Rs.112
 A car sale of Rs.1235 duly entered in the cash book but posted to sales a/c as Rs.235
 Salary a/c was overcast by Rs. 200.

Rectify the above errors. Open the suspense account
 Rectify the above errors if they are detected after preparation of final accounts.

Solution:
 After trial balance:

Sales To suspense	300	300
y To suspense	495	495
Returns outward To suspense	109	109
Suspense Sales To car	1000 235	1235
Suspense To salaries	200	200

SUSPENSE ACCOUNT

To Car	1000	By balance	296
To salaries	200	By Sales	300
		By y	495
		By Return Outward	109
	1200		1200

After final accounts:

P/L Adjustment a/c To suspense	300	300
y To suspense	495	495
P/L Adjustment a/c To suspense	109	109
Suspense P/L Adjustment a/c To car	1000 235	1235
Suspense To P/L Adjustment a/c	200	200

The rectification after final accounts is prepared simply by substituting the items which affect Profit and Loss account as discussed earlier.

Go through similar type of sums and practice the sums as many as possible to expertise.



GROUP: 1, PAPER: 6

LAWS & ETHICS

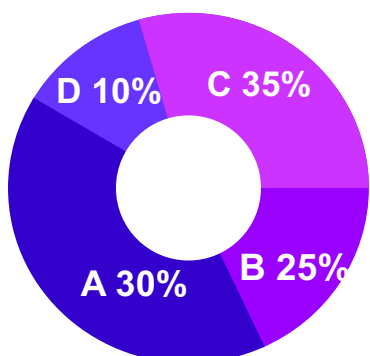
(LNE)

CA Partha Ray

He can be reached at:

prapray@rediffmail.com

Your Preparation Quick Takes



Syllabus Structure

A Commercial Laws 30%

B Industrial Laws 25%

C Corporate Law 35%

D Ethics 10%

Behind every successful business decision, there is always a CMA

Learning Objectives:

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

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

LAW & ETHICS

It is hoped that the students keep on reading and recapitulating all that they have read in the earlier issues . They must prepare a time-table with time allotted for each subject - to read, write and revise.

With Mission CMA in mind, the students are advised to study this paper with a practical approach, as if the points concern them and they are given to deal with it as a professional. As a CMA in the making whether you decide to get employed or be self-employed and employ people, you will have to deal with different statutes legally and establish Legal relationship for lawful consideration and perform your professional duties. Keeping that in mind, you have to study this subject seriously.

The first TIP is that you must start thinking like A Teacher. You must read the Bear Act and the Sections and start asking questions to yourself and find your own answers.

In the earlier issue we dealt with the Law relating to Limited Liability Partnership Act, 2008 . Now let us study about the **Procedures for Dissolution of a Limited Liability Partnership (LLP)**.

An LLP can be dissolved / closed in the following manner :

1. By declaring the LLP as Defunct ;
2. By Winding up the LLP - a) Voluntarily ; or b) Compulsorily.

An LLP will want to dissolve due to two reasons :

A) It is not carrying on any business for 1 year or more ;

or

B) the LLP wants to close down its business operations.

Now let us know the procedures :

1. The LLP has to apply to the Registrar to declare the LLP as defunct and remove the name of the LLP from the Register of LLPs.
2. The LLP has to file eForm 24 requesting that its name be struck-off.
3. The Registrar also has the power to strike-off any defunct LLP after satisfying himself that there is reasonable cause to strike-off the name from the Register of LLPs.
4. The Registrar has to give 1 months notice to the LLP and allow it to send their representation.
5. The Registrar shall publish the Notice / Application made by the LLP on its website for a period of 1 month

, for information of the general public.

6. If no reply is received , the Registrar can strike-off the name of the LLP.

Winding up of Limited Liability Partnership (LLP)

Please read Sections 63, 64 and 65 of the LLP Act, 2008 which governs the **process of winding-up of the LLP**.

During winding-up, the assets of the business are disposed-off and the proceeds are used to pay-off and meet the liabilities of the LLP.

The Surplus, if any, is then distributed among the LLP Owners - the partners.

In the case of Voluntary Winding-up, the partners may mutually decide to stop business and wind-up the operations of the LLP.

In the case of Compulsory Winding-up, the National Company Law Tribunal (Tribunal), constituted under the Companies Act may compulsorily wind-up the LLP , if the following factors prevail :

- a. If the LLP decides that the LLP be wound up by the Tribunal ;
- b. If the number of partners remain less than two for a period of 6 months or more ;
- c. If the LLP is not able to pay-off its debts ;
- d. If the LLP has acted against the interests and the integrity of India and against the security of India or the public ;
- e. If the LLP makes default in filing the Statement of Account and Solvency or the Annual Return with the Registrar for any 5 consequent financial years ;
- f. If the Tribunal feels that it is justified and equitable that the LLP be wound-up.

Now, let us deal with the **Factories Act, 1948**

In respect of such papers , the students are reminded that since they are taking an exam, they must first focus on securing marks. For that, they must study the relevant Sections of the Act , write what the question wants and then attempt to elaborate by analyzing and commenting on the interpretations of the Act.

The Factories Act, 1948 was enacted in order to regulate the working conditions in the factories. It takes care of several aspects of the workers viz. health, safety , welfare , protection and safeguarding the workers from exploitation and sufferings in the hands of the factory owners and the management.

Behind every successful business decision, there is always a CMA

Apart from the above, the Factories Act even covers aspects such as working conditions inside the factory premises, the safety measures adopted for the male and female workers, including children and adolescents, their annual leave entitlement, wages and other factors. All factories anywhere in India including Jammu & Kashmir and even factories belonging to Central and State Governments are covered under the Factories Act, 1948.

While studying the Factories Act, 1948, we must first know about certain **Important definitions** :

- 1) The Chief Inspector of Factories shall recognize one or more persons as **A Competent Person** for carrying out tests, examinations and inspections required to be enforced in a factory under the provisions of the Factories Act, depending on the qualifications and experience of such Competent Person and the facilities at the disposal of such person/s.
- 2) In order to cover the safety aspects in a factory, such as the raw materials used, the type of bye-products generated, the wastes and effluents produced and discharged and their impact on the health of the workers and persons engaged and its contribution to environmental pollution, the Act takes care of the **Hazardous Process** or activity in relation to an industry.
- 3) In light of the above, the Factories Act takes into consideration the **Manufacturing Process** in a factory generally includes making, constructing, altering, cleaning, demolishing, pumping of oil, distribution and disposal of water, sewage and effluents, generating and distributing power, which even covers work of repairing, conversion, refitting and finishing, printing process, oiling and cleaning process during manufacture, sale, handling and transportation, delivery or disposal. The may be appreciated that the Act encompasses manufacturing in a broader sense keeping Social Welfare in mind.
- 4) Every person whether employed directly, indirectly or contractual through any agency in a factory, whether for remuneration or otherwise, engaged for any manufacturing process of any kind, directly or incidentally involved with the manufacturing process is termed as **Worker**. A member of the armed forces of the Union is not a worker. A person working for a remuneration in a manufacturing process carried out by a Project is also a Worker under the Act.
- 5) Factory is defined as any premises where - 10 or more workers are engaged during the preceding 12 month period, in a manufacturing process, carried on with the aid of power; or 20 or more workers are engaged during the preceding 12 month period, in a manufacturing process, carried on without the aid of power, ordinarily, but does not include a mine, or a mobile unit of the armed forces, or a railway running shed or a hotel, restaurant or eating place. An Electronic Data Processing (EDP) Unit or a computer unit installed in any premises would not render a unit into a factory, provided there is no manufacturing process carried on in such premises or part thereof.
- 6) The person who has ultimate control over the affairs of the factory is called **Occupier** under Section 2(n) of the

Act. In case of a company, which owns a factory, it is only one of the directors of the company who can be notified as the Occupier of the factory for the purpose of the Act. In case of a Government Public Sector undertaking, it is the Government which is the Occupier operating under a corporate mask.

- 7) Whenever a new manager of a factory is appointed, the Occupier must send notice to the Inspector, at least 15 days before he begins to occupy or use any premises, a Notice in writing giving - the name and situation of the factory, the name and address of the occupier, the nature of manufacturing process, the details of workers etc. Copy to the **Notice by Occupier** must be sent to the Chief Inspector within 7 days from the date the new manager takes over charge.
- 8) The Occupier shall ensure reasonable health, safety and welfare, as far as practicable, of all workers while they are at work in the factory as general **Duty of the Occupier** as laid in Section 7A of the Factories Act.
- 9) **Inspector : Section 8** of the Act provides that the State Government may appoint an Inspector for the purpose of the Act. **Section 9** prescribes the power of the Inspector which are as follows :
 - I. To enter any place which is or is used as a factory;
 - II. To examine the premises, the plant and machinery etc.;
 - III. To institute an inquiry into any accident or dangerous occurrence which he (the Inspector) considers necessary;
 - IV. To demand production of any document relating to the factory;
 - V. To seize, take copies of any register, record and/or documents as he may consider necessary;
 - VI. To take possession of any article or substance or part thereof and detain it for necessary examination;
 - VII. To exercise such other powers as may be prescribed.
- 10) The Factories Act even provides for appointment of qualified medical practitioners; to take Welfare measures to take care of the health, working environment, safety, working hours, employment of young persons and take care of annual leave with wages of the workers;
- 11) Regarding **Health aspect of the workers**, the Act requires the occupier to take care of :
 - I. Cleanliness (please read Sec.11 of the Act);
 - II. Disposal of wastes and effluents (Please read Sec.12);
 - III. Temperature and adequate ventilation (please read Sec.13);
 - IV. Dust and fume (please read Sec.14);
 - V. Artificial humidification (please read Sec.15);
 - VI. Over-crowding (please read Sec.16);
 - VII. Lighting (please read Sec.17);
 - VIII. Drinking water (please read Sec.18);
 - IX. Urinals and latrines (please read Sec.19);
 - X. Spittoons (please read Sec.20)

12) Regarding **Safety aspect of the workers**, the Act requires the occupier to take care of :

- I. Fencing of machinery ;
- II. Prevent working near machinery in motion
- III. Employing young persons to work on dangerous machines, self-acting machines, casing of a new machine
- IV. Prevent women and children to be employed near cotton openers;
- V. Ensure safety measures in respect of working on lifting machines, chains, revolving machines, pits and sumps opening in floors, carrying excessive weights;
- VI. Take measures for protection of eyes, take precautions against dangerous fumes and gases, fire safety, safety on buildings and machinery (including maintenance of buildings, use of portable electric light, explosive inflammable gases,
- VII. Appointment of Safety Officers.
- VIII. Lay down detailed policy with respect to the health and safety of the workers
- IX. Draw up an onsite Emergency Plan and detailed Disaster Control Measures for the information of the workers and the general public
- X. Specify measures for the handling , usage, transportation ,storage and disposal of hazardous substances inside the factory premises for the knowledge of the workers and the general public living in the vicinity.

13) The Act also specifies the following **Welfare Measures** to be taken in the factory for the workmen employed in the factory :

- i. Washing facilities - please read Sec.42
- ii. Facilities for providing suitable facilities to the workers for keeping their clothes not worn during working hours - please read Sec.43
- iii. Provide sitting arrangements for those workers who have to work in standing position , so that they can sit to take rest - please read Sec.44
- iv. Provide First aid appliances having prescribed contents in boxes and cupboards under the charge of a reasonable person, holding a certificate in first aid treatment during working hours of the factory - please read Sec.45
- v. Provide canteen/s for the use of workers, whenever more than 250 workers are employed in a factory - please read Sec.46

- vi. Provide Shelter, rest rooms and lunch rooms for the use of workers, whenever more than 150 workers are employed in a factory . Such rooms should be cool, clean, sufficiently lighted and properly ventilated - please read Sec.47
- vii. Provide Creches for the use of children under the age of 6 years for female workers, whenever more than 30 female workers are employed in a factory. Such rooms should be cool, with clean sanitary conditions, sufficiently lighted and properly ventilated , under the charge of a women trained in the care of children and infants- please read Sec.48
- viii. Employ Welfare Officers , whenever more than 500 workers are employed in a factory - please read Sec.49

14) Working hours for adults

- i. No adult worker can either be asked to work or allowed to work in a factory for more than 9 hours in a day - Sec.54 or be asked to work or allowed to work in a factory for more 48 hours in a week - Please read Sec.51;
- ii. No adult worker can either be asked to work or allowed to work in a factory for more than 5 hours before taking a interval of at least 30 minutes for taking rest - Sec.55
- iii. No adult worker can either be asked to work or allowed to work in a factory for more than 10 and half hours in a day (including his intervals for rest - Sec.56

15) Weekly holidays

No adult worker can be allowed to work in a factory on the First day of the week, unless -

- i. He has availed a holiday for a Whole Day on one of the 3 days immediately before or after the said day unless the Manager of the factory had delivered a Notice at the Office of the Inspector, expressing his intention to require that worker to work on the said day and has substituted a whole day as holiday and displayed a notice to that effect in the factory. Please read Sec.52

16) Section 53 of the Act provides that if a worker is deprived of any of the weekly holidays, he shall be allowed , within the month in which the holidays were due to him, or within 2 months immediately following that month, **Compensatory Holidays** of equal number to the holidays so lost by that worker.



GROUP: 1, PAPER: 7

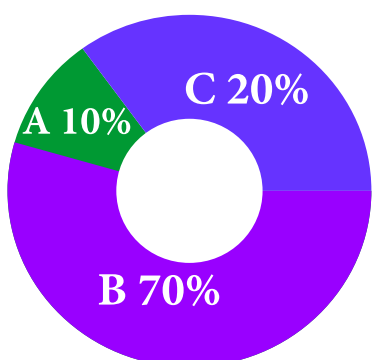
DIRECT TAXATION (DTX)

CA Vikash Mundhra

He can be reached at:

vikash@taxpointindia.com

Your Preparation Quick Takes



Syllabus Structure

A Income Tax Act Basics **10%**

B Heads of Income and Computation
of Total Income and Tax Liability **70%**

C Administrative Procedures and ICDS **20%**

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

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.

MULTIPLE CHOICE QUESTIONS

Choose the correct alternative

1. **Tax on agricultural income is covered under -**
(a) **State List (i.e. List II)**
(b) Union List (i.e. List I)
(c) Concurrent List (i.e. List III)
(d) None of the above as tax is not levied on an agricultural income
2. **Normal rates of income-tax are prescribed in the -**
(a) Income-tax Act, 1961
(b) Income-tax Rules, 1962
(c) **Finance Act of the current year**
(d) CBDT circulars
3. **_____ means to discharge an obligation (which is gratuitous or self-imposed) after such income reaches the assessee.**
(a) **Application of income**
(b) Diversion of income
(c) Exempted Income
(d) Deductible Income
4. **An individual, being foreign national, came to India first time during the previous year 2017-18 on 01-01-2018 for 200 days, his residential status for the previous year 2017-18 is -**
(a) **Non-resident**
(b) Resident but not ordinarily resident in India
(c) Resident & ordinarily resident in India
(d) Resident in India
5. **A foreign company means a company which is not a -**
(a) **Domestic company**
(b) Indian company
(c) Public company
(d) Private company
6. **The Residential status of an assessee is determined for the relevant -**
(a) **Previous Year**
(b) Calendar Year
(c) Assessment Year
(d) Base Year
7. **An individual is said to be resident in India if he satisfies -**
(a) **any one condition given in sec. 6(1)**
(b) all conditions given in sec. 6(1)
(c) any one condition given in sec. 6(6)
(d) all conditions given in sec. 6(6)

8. Interest on Gold Deposit Bonds issued under the Gold Deposit Scheme, 1999 is _____.
(a) exempt
(b) taxable
(c) exempt to the extent of ₹ 7,500
(d) none of these
9. Any allowance or perquisite, as may be notified by the Central Government in the Official Gazette in this behalf, paid to the Chairman or a retired Chairman or any other member or retired member of the Union Public Service Commission is exempt under section _____.
(a) 10(45)
(b) 10(48)
(c) 10(46)
(d) 10(47)
10. Receipts from TV serial shooting in farm house is -
(a) Agricultural income
(b) Non agricultural income
(c) Not an income
(d) None of the above
11. Agricultural income is exempt provided that the -
(a) Land is situated in India
(b) Land is situated in any rural area of India
(c) Land is situated whether in India or outside India
(d) Land is situated outside India
12. Employer's contribution to unrecognised provident fund, in the year of contribution, -
(a) is exempt from tax
(b) is exempt subject to maximum of 12% of salary
(c) is taxable if it exceeds 12% of salary of employee
(d) is fully taxable
13. Maximum deduction of Entertainment Allowance for a non-government employee is -
(a) 10% of salary
(b) ₹ 5,000
(c) Nil
(d) Actual expenses incurred
14. Exemption under section 10(10C) is allowed _____ in the life of an assessee.
(a) once
(b) twice
(c) any number of times subject to gap of 5 years
(d) none of these
15. Where an employee is transferred from one place to another and he is provided with an accommodation at new place also, the value of perquisite shall be taken for only one such house having lower value for a period not exceeding _____.
(a) 90 days
(b) 120 days
(c) 15 days
(d) 30 days
16. When house property is self occupied for part of the year and let out for part of the year, deduction allowed -
(a) cannot exceed annual value
(b) computation shall be made as if the house is fully let out during the year
(c) is limited to 15% of annual value
(d) none of the above

17. **In the context of computation under the head 'Income from House Property', which of the following statement is incorrect.**
- (a) It is not necessary that the same person who owns the building should also own the land
 - (b) Interest on loan taken for acquiring house property is not deductible from income from house property, if same is being paid to a person outside India without deducting TDS
 - (c) The arrears of rent received can be taxed in the year of its receipt
 - (d) **The rent for putting up hoarding/telephone tower on top of the building can be taxable under the head income from house property**
18. **Benefit of Sec.44AD can be availed by the following assessee:**
- (a) Limited Liability Partnership
 - (b) **Partnership Firm**
 - (c) Domestic Company
 - (d) Foreign Company
19. **Additional depreciation under section 32(1)(iia) of the Income Tax Ac, 1961 is available on -**
- (a) **Plant & Machinery**
 - (b) Plant & Machinery and Building
 - (c) Plant & Machinery and intangible assets
 - (d) All depreciable assets under the Income tax Act, 1961
20. **Any cash credit found in the books of the taxpayer which is charged to tax by virtue of section 68 is taxable at a flat rate of _____ (plus surcharge and cess as applicable).**
- (a) **60%**
 - (b) 20%
 - (c) 15%
 - (d) 10%
21. **Corporate assessee is eligible for availing deduction from capital gain under -**
- (a) **Sec. 54D**
 - (b) Sec. 54GB
 - (c) Sec. 54
 - (d) Sec. 54B
22. **Area upto _____ within the aerial distance from the local limits of municipality or cantonment board having population of more than _____ but not exceeding 10,00,000 is treated as non-rural area.**
- (a) **6 kilometres; 1,00,000**
 - (b) 2 kilometres; 10,000
 - (c) 4 kilometres; 1,00,000
 - (d) 4 kilometres; 10,000
23. **Which of the following is treated as transfer?**
- (a) Any transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the Central Government
 - (b) Any transfer of a capital asset, being share of a special purpose vehicle (referred to in sec. 10(23FC)) to a business trust in exchange of units allotted by that trust to the transferor.
 - (c) Any transfer of a membership right of a recognized stock exchange in India for acquisition of shares and trading or clearing rights in that recognized stock exchange in accordance with a scheme for demutualisation or corporatisation which is approved by SEBI
 - (d) **None of these**
24. **As per sec. _____, any income, which is not specifically exempted and not chargeable under any other heads of income specified u/s _____, shall be chargeable under the head "Income from Other Sources".**
- (a) **56(1); 14**
 - (b) 57(1); 14
 - (c) 56(1); 3
 - (d) 57(1); 3
25. **Where tax liability is evaded by transferring securities just before the due date of interest (interest includes dividend) to any person (like friend or relative who has low income) and reacquiring the same, after the interest is received by the**

transferee. With this practice, income, which should have been charged at higher rate, shall be charged at lower rate or nil rates. This is known as _____ .

- (a) **bond washing transaction**
- (b) bond trashing transaction
- (c) bond rejecting transaction
- (d) bond transferring transaction



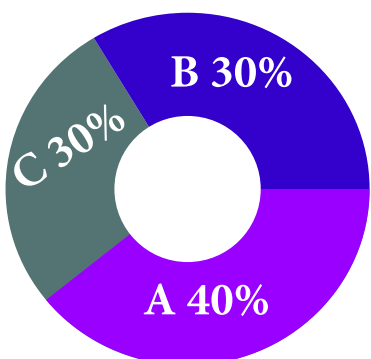


GROUP: 1, PAPER: 8

COST ACCOUNTING (CAC)

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

Your Preparation Quick Takes



Syllabus Structure

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

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

Learning Objectives:

Before taking the examination, it is necessary to read thoroughly the study material first.

After that select the suitable text book or reference books available in the market for your further study and follow them.

Next, follow the question papers of previous years and you will be able to get a general idea about the trend or pattern of questions generally set for this type of examination.

So, if you want to score high marks then along with practical problems you have to answer properly the theoretical part.

Due to lack of theoretical concepts they cannot score good marks not only in the theoretical part but also in tricky problems.

Prepare notes on the theoretical part to improve your performance in the examination.

Cost Accounting

An effective cost accounting system is an integral part of the management for efficient running of the business. In the present era the value and importance of cost accounting need hardly be overemphasized. Cost accounting, by exercising control over the entire business operations, enables management to eliminate wastages, leakages, increase efficiency and productivity, achieve economies and helps decision making by suitably fixing prices in case of competition, trade depression, and idle capacity with a view to maximizing the gains or minimizing the losses. This paper is a scoring paper out of the eight papers in the intermediate course of the Institute of Cost Accountants of India. It is observed from the past experience that 65% to 75% of the total questions are set from practical problems and the balance is theoretical part. Although only 25% questions are set from theoretical part, but a great emphasis should be given on theoretical part as most of the students are very much weak in theory. Hence, go through the theory very carefully for easy understanding the topic and then try to solve the exercise problems. Start from Chapter one and try to understand the other chapters serially as this will enable you to understand the succeeding chapters in a better way.

Please try to remember this is a professional examination. So, 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 some tips based on my personal experiences :-

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

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

The next chapter, Cost Book-Keeping, including integrated accounting system is not at all difficult. In this system, different accounts are to be opened, but it is not necessary to give much effort to complete its solution. It's a lengthy process. Here, separate ledgers are maintained by the cost sections.

This chapter relates to Contract Costing. Only Job/Batch/Contract Costing is very important for the Intermediate Examinations. Students often face difficulty in recommending the amount of profit to be taken into account for incomplete contract. You should make sure that you are familiar with various methods/formulae for different stages of completion and share of profit. Students are also advised to go through the topic "Profit on incomplete contracts based on SSAP - 9". Various problems on 'escalation clause' is used to be set at this level of examination also.

The next chapter is relates to Operating Costing. In 'Operating Costing' we have to find out operating cost per unit of output. This chapter also includes 'Transport Costing', 'Hospital Costing', 'Power House Costing', 'Hotel/ Hostel Costing' etc. Finding out the 'Composite Unit' is very important for finding the solution of these type problems.

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

The chapter 'Variance Analysis' deals with creating responsibilities and identifying the activities or areas of exceptions. Any problem on standard cost for working out different variances can be worked out by using a standard format applicable to all variance analysis. The students are afraid of this important chapter only because of different formulae for different analysis. Only a serious study and realization of the requirement in the problem can eliminate such difficulties. The main objective of this analysis is to improve the operation by effective utilization of resources for reducing its product cost.

The next chapter is related to 'Budget and budgetary control'. The term budget can be expressed as a pre-determined plan of action in details. Budgetary control requires preparation of 'Flexible Budget', 'Functional Budgets' and 'Cash Budget' for taking necessary actions. Both theoretical and practical problems may be set from this chapter. The students can easily understand the problems, if theory remains clear. The students are also suggested to go through the theoretical parts-like, concept of Zero based Budgeting, behavior and classification of Budgets etc. very carefully.

Now, we like to give an example, how Cost Books are kept under Cost Accounting system. Here transactions are entered into the basis of double entry book-keeping principles and every debit should have been an equal corresponding credit. It is generally the responsibility of the Cost-Accountant to record the transactions relating to cost.

Problem

In the absence of the Chief Accountant, you have been asked to prepare a month's Cost accounts for a company which operates a batch costing system fully integrated with the financial accounts. The following relevant information is provide to you :

Balance at the beginning of the month	Rs.
Stores Ledger Control Account	25000
Work in Progress Control Account	20000
Finished Goods Control Account	35000
Prepaid Production Overheads brought forward from previous month	3000
Transactions during the month	
Materials Purchased	75000
Materials Issued	Rs.
To Production	30000
To Factory Maintenance	4000
	34000
materials transferred between batches	
Total wages paid	Rs.
To Direct workers	25000
To Indirect workers	5000
	30000
Direct wages charged to batches	20000
Recorded non-productive time of direct workers	5000
Selling and distribution overheads incurred	6000
Other production overheads incurred	12000
Sales	100000
Cost of finished goods sold	80000
Cost of goods completed and transferred into finished goods during the month	65000
Physical value of work-in-progress at the end of the month	40000

The production overhead absorption rate is 150% of direct wages charged to work-in-progress
 Required :

Prepare the following accounts for the month

- | | |
|----------------------------------|---|
| (a) Store Ledger Control Account | (b) Work-in-Progress Control Account |
| (c) Finish Goods Control Account | (d) Production Overhead Control Account |
| (e) Profit and Loss Account | |

Solution :

Stores Ledger Control Account

To balance b/d	Rs. 25000	By W.I.P. A/c	Rs. 30000
Creditors	<u>75000</u>	„ Production Overhead	4000
	100000	„ Control A/c	<u>66000</u>
		„ Balance c/d	100000

(b) Work-in-progress Control Account

To balance b/d	Rs. 20000	By Finished Goods A/c	Rs. 65000
„ Stores L.C. A/c	30000	„ Balance c/d	40000
„ Wages Control A/c	20000		
„ Productive Overhead A/c	30000		
„ Profit and loss A/c *	<u>5000</u>		
	105000		105000

Balancing figure is abnormal gain to be credited to P & L.A. A/c

(c) Finished Goods Control Account

To balance b/d	Rs. 35000	By Cost of Sales A/c	Rs. 80000
„ W.I.P. A/c	65000	„ Balance b/d	20000
	100000		100000

Cost of Sales A/c

To Selling & Dist. Overhead A/c	Rs. 6000	By P & L.A. A/c	Rs. 86000
„ Finished Goods Control A/c	<u>80000</u>		
	86000		86000

(d) Production Overhead Control Account

To balance b/d	Rs. 3000	By W.I.P. A/c	Rs. 30000
„ Stores L.C. A/c	4000		
„ Wages Control A/c			
„ Direct workers	Rs. 5000		
„ Indirect workers	Rs. 5000		
	<u>10000</u>		
„ Bank	12000		
„ P & L A/c (over absorption)	1000		
	30000		30000

(e) Profit & Loss Account

To Cost of State A/c	Rs. 86000	By Sales A/c	Rs. 100000
„ Balance c/d	20000	„ W.I.P. A/c (Abnormal gain)	5000
	<u>106000</u>	„ Production Ohd. Control A/c	1000
			<u>106000</u>

Notes: - 1. Intra-batch transfer of material will not affect control accounts.

2. Nonproduction time of direct workers is production overhead

3. Production overhead incurred is Rs. 30000 i.e. 150% of direct Wages of Rs. 20000

4. Opening and closing W./I.P. balances are given ; balancing figure is treated as abnormal gain., which should be looked into. Since it is not ordinary item of cost, it has been credited to P/ L account.



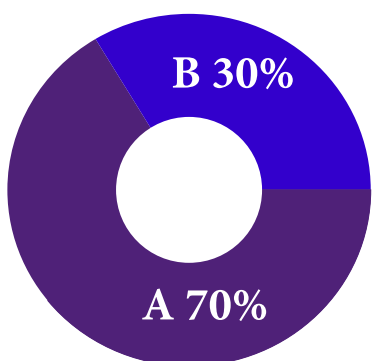
GROUP: 2, PAPER: 9, Part- i

OPERATIONS

MANAGEMENT & STRATEGIC MANAGEMENT (OMSM) Operation Management

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

Your Preparation Quick Takes



Syllabus Structure

A Operations Management 70%
B Strategic Management 30%

Learning Objectives:

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

Operations Management

In this issue let me extend our discussions on Production Planning and Control with Aggregate Planning.

Production planning in the intermediate range of time is termed as "Aggregate Planning" or "Aggregate Production Planning (APP)".

It determines the resource capacity a firm will need to meet its demand over an intermediate range of time---6 to 12 months in the future.

It bypasses the details of individual products and the detailed scheduling of facilities and personnel.

We use the term aggregate because the plans are developed for product lines or product families rather than individual products.

Aggregate plans require development of some logical overall unit for measuring aggregate output---e.g Maruti Udyog Ltd may plan for producing 10000 units of cars in the next 6 months without going into details of no of units for different varieties.

Under this planning resource capacity is also expressed in aggregate terms, typically as labour or machine hours---labour hours would not be specified by type of labours----Skilled, Unskilled etc.

Within this time frame of 6 to 12 months it is usually not feasible to increase capacity by building new facilities or purchasing new equipment. Because of this physical plant equipment capacity would be fixed over the planning horizon. This is a constraint and under this constraint---

to start with sales forecast of demand for the intermediate range (as done by Maruti Udyog Ltd above) is to be made.

And based on this sales forecast one has to develop the aggregate production plan in the following manner:

- Check as to whether the total requirements for the forecast period are within the combined equipment and manpower capacity of the plant;
- If the forecasted sales requirements cannot be met by existing plant capacity including any additional capacity that can be installed within the intermediate planning period we have the following different strategies in hand:
 1. Overtime and Under time;
 2. Hiring and layoff: Working single or multiple shifts;
 3. Carrying inventories to meet the peak demands;
 4. Having backlog of orders;
 5. Sub-contracting to other companies;
 6. Turning down some sales demands;

Each of these strategies has a cost factor associated with it.

Some of the cost items that may be relevant are:

Payroll costs;
Costs of overtime, second shifts, and subcontracting;
Costs of hiring and laying off workers;
Costs of excess inventory and backlog;
Costs of production rate changes;

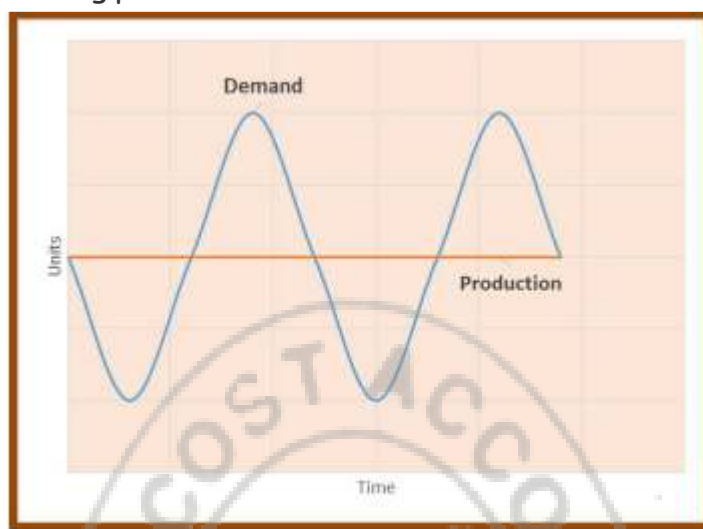
If demand for a company's products or services are stable over time or its resources are unlimited, then APP is trivial. APP becomes a

challenge when demand fluctuates over the planning horizon and resources are limited (Like fixed plant capacity, fixed manpower on payroll etc). With fluctuating demand-limited resources we could meet our challenges:

- Producing at a constant rate and using inventory to absorb fluctuations in demand (Level production);
- Hiring and firing workers to match demand(Chase demand);
- Increasing or decreasing working hours (Overtime and Under time);
- Providing the service or product at a later time period (Backordering); etc.

When one of these is selected, a company is said to have a Pure Strategy for meeting demand. When two or more are selected a company has a Mixed Strategy.

The level production strategy shown in the following figure sets production at a fixed rate (usually to meet average demand) and uses inventory to absorb variations in demand. During periods of



low demand, overproduction is stored as inventory, to be depleted in periods of high demand. The cost of this strategy is the cost of holding inventory, including the cost of obsolete or perishable items that may have to be discarded.

Illustration:

Using the data in the following table compare the total incremental costs involved in a level production plan. Normal plant capacity is 400 units per working day.

Months	Production Days	Production Requirements	Required Buffer stocks
Jan	22	3000	600
Feb	18	2500	500
Mar	22	4000	800
April	21	6000	1200
May	22	8000	1600
June	21	12000	2400
July	21	15000	3000
Aug	13	12000	2400
Sept	20	10000	2000
Oct	23	8000	1600
Nov	21	4000	800
Dec	20	3000	600
Total	244	87500	17500

Inventory carrying cost is Rs.30 per unit per year& Shortages cost Rs.15 per unit short. Beginning inventory is 600 units or must be determined for some plans.

Ans:

This is a problem with fluctuating demand requirements.

Refer the following Table: 1

It shows

- forecast of production requirements and buffer inventories;
- cumulative requirements;
- average buffer inventories;
- cumulative maximum production requirements;

The table shows the ratio of peak to valley in the requirement schedule is 15000 in July and 2500 in February or $\frac{15000}{2500} = 6$

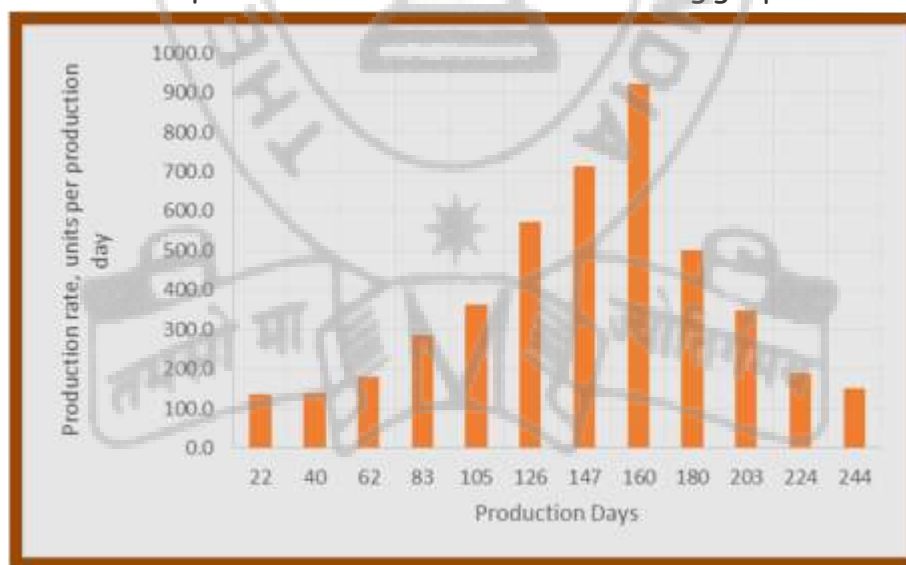
The no of working days per month, shown in column 2, varies considerably from 23 working days in October to only 13 days in August. Therefore the swing in production requirement per production day (seen in Col. 9) varies from 923.1 in August to 136.4 in

January, a ratio of $\frac{923.1}{136.4} = 6.77$

Month	Production Days	Cumulative Production Days	Expected Production Requirements	Cumulative Production Requirements	Required Buffer Inventories	Cumulative Maximum Production Requirements	Col 2 x Col 6	Production Requirements Per Production Day
Jan	22	22	3000	3000	600	3600	13200	136.4
Feb	18	40	2500	5500	500	6000	9000	138.9
March	22	62	4000	9500	800	10300	17600	181.8
April	21	83	6000	15500	1200	16700	25200	285.7
May	22	105	8000	23500	1600	25100	35200	363.6
June	21	126	12000	35500	2400	37900	50400	571.4
July	21	147	15000	50500	3000	53500	63000	714.3
Aug	13	160	12000	62500	2400	64900	31200	923.1
Sept	20	180	10000	72500	2000	74500	40000	500.0
Oct	23	203	8000	80500	1600	82100	36800	347.8
Nov	21	224	4000	84500	800	85300	16800	190.5
Dec	20	244	3000	87500	600	88100	12000	150.0
Total						Col 5 + Col 6	350400	Col 4 / Col 2

Table: 1

This substantial variance in daily production requirements is shown on the following graph:



Average buffer inventory = $\frac{350400}{244} = 1436.07$ units

Normal plant capacity is 400 units per working day.

Column 6 of Table 1 shows buffer inventories, which are the minimum stocks required. Their purpose is to provide for the possibility that market requirements could be greater than expected. When we add the buffer inventories for each month to the cumulative production requirements in column 5, we have the cumulative maximum requirements shown in column 7.

Level production is the simplest production plan which establishes an average output level that meets annual requirements.

The total annual requirements = 87500 units (last figure in column 5).

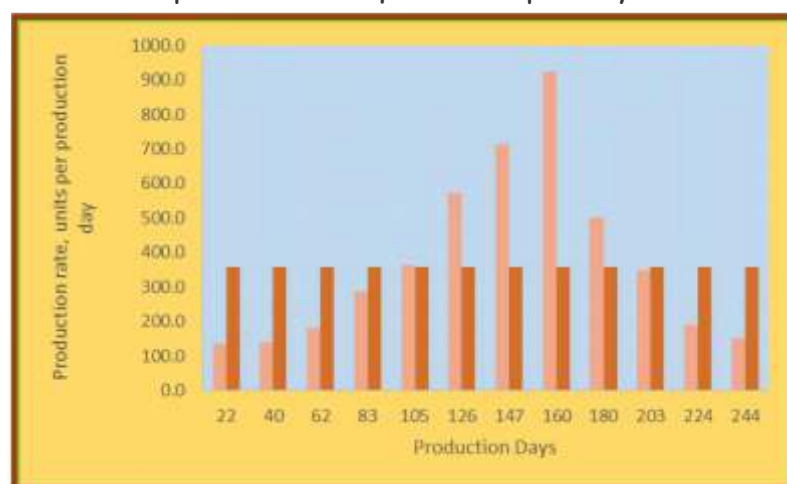
Total working days = 244 days.

$$\text{Average daily output} = \frac{87500}{244} = 358 \text{ units.}$$

The strategy is:

Accumulate seasonal inventory during the slack production requirement months for use during peak requirement months.

The level production plan is shown in relation to the production requirement per day in the following fig:



The inventory requirements for this plan are calculated in Table 2 below.

From the table 2 it is observed that the seasonal inventories for this plan in column 6 vary from a maximum of 13614 units in April to a minimum of -9460 in September.

The significance of the negative seasonal inventories is that the plan calls for dipping into buffer stocks.

In July we propose to use 274 units out of the planned buffer of 3000 units but in August we actually exceed the planned buffer by 7020 units and in September by 9460 units. In other words the negative figures indicate expected loss of sale. Total shortages for the year is 30236 units (274+7020+9460+8826+4508+148).

Production Days	Production Rate Units/Day	Production in Month, Units Col.1 x Col. 2	Cumulative units available Cumulative Production + Beginning Inventory (600)	Cumulative Maximum Requirements Col.7 of Table 1	Seasonal Inventory Col.4 - Col.5	Col. 1 x Col.6
22	358	7876	8476	3600	4876	107272
18	358	6444	14920	6000	8920	160560
22	358	7876	22796	10300	12496	274912
21	358	7518	30314	16700	13614	285894
22	358	7876	38190	25100	13090	287980
21	358	7518	45708	37900	7808	163968
21	358	7518	53226	53500	-274	-5754
13	358	4654	57880	64900	-7020	-91260
20	358	7160	65040	74500	-9460	-189200
23	358	8234	73274	82100	-8826	-202998
21	358	7518	80792	85300	-4508	-94668
20	358	7160	87952	88100	-148	-2960
						1280586

Table: 2

We can adjust the plan to take the negative seasonal inventories into account. This can be done by increasing the inventory by the most negative seasonal inventory balance of (-) 9460 units in September. As a result the Table 2 becomes Table 3 below with increase of column 4 figures by 9460. Then average seasonal inventories will also be increased 9460 units.

Production Days	Production Rate Units/Day	Production in Month, Units Col.,1 x Col.2	Cumulative units available Cumulative Production + Beginning Inventory (600+9460)	Cumulative Maximum Requirements Col. 7 of Table 1	Seasonal Inventory Col.4 - Col.5
22	358	7876	17936	3600	14336
18	358	6444	24380	6000	18380
22	358	7876	32256	10300	21956
21	358	7518	39774	16700	23074
22	358	7876	47650	25100	22550
21	358	7518	55168	37900	17268
21	358	7518	62686	53500	9186
13	358	4654	67340	64900	2440
20	358	7160	74500	74500	0
23	358	8234	82734	82100	634
21	358	7518	90252	85300	4952
20	358	7160	97412	88100	9312

Average seasonal inventories under Table 2 is = $\frac{1280586}{244} = 5248.3$ units weighted by production days, assuming that we use buffer stocks and record shortages as indicated in column 6 of Table 2.

If we revise the plan so that the buffer inventories are not used, the average seasonal inventory would be $5248.3 + 9460 = 14708.3$

Inventory holding costs Rs.30 per unit per year and that shortage costs are Rs.15per unit short.

If beginning inventories are only 600 units, the annual inventory costs are = $30 \times 5248.3 = \text{Rs. } 157449$ and the shortage costs are = $15 \times 30236 = \text{Rs. } 453540$. The total incremental costs are then Rs. 610989

By comparison if we decide not to use buffer inventory, the incremental costs are = $30 \times 14708.3 = \text{Rs. } 441249$.

It is obviously more economical to plan on large inventories. Different situations may arise if holding and shortage costs vary.

Level production strategy has several advantages:

- It does not require the hiring or layout of personnel;
- It provides stable employment for workforce;
- It is favoured by labour unions in organized sectors;
- Under this scheduling is simple—358 units per day;

It fails to consider, however, the effects of variation in labour force through overtime/under time for meeting seasonal demand. These factors will be discussed in next issue.

Suggestions:

The study notes, again I am reiterating, need to be read thoroughly. Proper understanding of what exactly aggregate production planning (APP) means is prerequisite to challenge different cases on choosing different plans. In this issue out of several aggregate planning only level production plan is studied. Other pure strategies/mixed strategies will be discussed in subsequent issues. Study note are required to be read thoroughly to have a proper understanding on APP problems faced by production manager. For supplementary readings one can refer Productions and Operations Management by S. N. Chary, Modern production/operations management by E.S. Buffa & Operations Management by R.S. Russell & B.W. Taylor. Attempts here are made to clearly explain preliminaries of APP before taking illustration on level production strategy.. From guide book on the paper 9- Operations Management & Strategic Management written and issued by Institute on Syllabus -16 idea on aggregate production planning on intermediate time horizon could be developed..



GROUP: 2, PAPER: 9, Part- ii

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM) Strategic Management

CMA (Dr.) Sumita Chakraborty

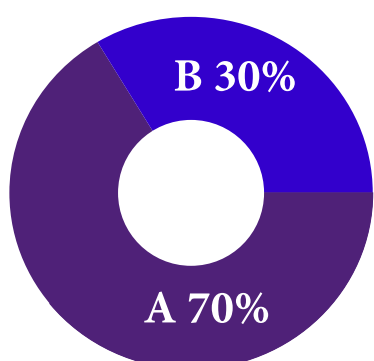
Additional Director,
Research & Studies

She can be reached at:

research.hod@icmai.in

studies.jd2@icmai.in

Your Preparation Quick Takes



Syllabus Structure

A Operations Management 70%

B Strategic Management 30%

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

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

Strategic Management Process:

Strategic management is a process or series of steps.
The basic steps of the strategic management process are :

- Identifying or defining business mission, purpose and objectives,
- Environmental (including global) analysis to identify present and future opportunities and threats,
- Organisational analysis to assess the strengths and weaknesses of the firm,
- Developing alternative strategies and choosing the best strategy,
- Strategy implementation, and
- Strategic evaluation and control.

Importance of Strategic Management:

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

Formulation of strategy:

- Develop and evaluate strategic alternatives
- select appropriate strategies for all levels in the organisation that provide relative advantage over competitors
- match organizational strengths to environmental opportunities
- correct weaknesses and guard against threats.

Implementation of strategy:

- effectively fitting organizational structure and activities to the environment
- the environment dictates the chosen strategy; effective strategy implementation requires an organisational structure matched to its requirements. evaluating results
- How effective have strategies been?
- What adjustments, if any, are necessary.

Formal strategies contain three elements:

- goals to be achieved.
 - policies that guide or limit action.
 - action sequences or programs that accomplish goal.
- Effective strategic revolve around the key concepts or thrust area such as customer satisfaction or customer focus.

Concept of Strategic intent:

Here intent refers to intension. a company exhibits strategic intent when it relentlessly (aggressively) pursues an ambitious strategic objective and concentrates it's full resources and competitive actions on achieving that objective. A company's strategic intent can helps in many ways to the company, like:
in becoming the dominant company in the industry;
unseating the existing industry leader;
delivering the best customer service in the industry (or the world);
turning new technology into products which capable of changing the way people work and live.
Innovations that make their production systems unexpectedly obsolete (technological).

As Peter Drucker suggests three fundamental questions would help to clearly define / redefine the business and formulate/reformulate the mission.

These questions are:

What is our business?

What will our business be?

What should our business be?

The question 'what is our business'?

It may lead to wonderful revelations and spectacular results. Peter Drucker points out that most managers ask their question when the company is in trouble - then it must of course, be asked; but the most important time to ask this seriously is when a company has been successful and not to have done so is the reason for the crisis of many organisations.

It is, thus, evident that as the business environment is very dynamic, sooner or later even the most successful answer to the question what is our business, becomes obsolete. Therefore, it is not sufficient that a company determines what it's business is but at the same time it should also ponder over what will it be? 'What changes in the environment are already discernible those are likely to have high impact on the characteristics, mission, and purpose of our business? And how do we now build these anticipations into our theory of business, into it's objectives,

strategies and work assignments?"

Strategic Levels in Organisation

There are primarily three levels of strategies in the organisation:

1. Corporate Level
2. Business Level
3. Functional Level.

Corporate level- The corporate level of management consists of the chief executive officer (CEO), other senior executives, the board of directors, and corporate staff. These individuals occupy the top-committee of decision making within the organisation.

Business level- The business unit is a self-contained division (with it's own functions-for example, finance, purchasing, production, and marketing departments) that provides a product or service for a particular market. the principal general manager at the business level, or the business-level manager, is the head of the division. The strategic role of these managers is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.

Functional level- Functional-level managers are responsible for the specific business functions or operations (human resources, purchasing, product development, customer service, and so on) that constitute a company or one of it's divisions. Thus, a functional manager's sphere of responsibility is generally confined to one organisational activity, whereas general managers oversee the operation of a whole company or division.

Objective type Questions:

1. Successful 'differential strategy' allows a company to
 - (a) gain buyer loyalty to its brands
 - (B) charge too high a price premium
 - (c) have product quality that exceeds buyers' needs
 - (D) depend only on intrinsic product attributes.
2. Strategic choice makes a statement about the corporate strategy as well as business strategy:
 - (a) they are one and the same;
 - (b) one is an external planning and another resource planning statement;
 - (c) corporate strategy is a general statement and business strategy defines how a SBU shall operate;
 - (d) both states certain course of action - one for the total unit and another for a particular business unit;
 - (e) one refers to the whole business and another helps in the formulation of marketing decision.
3. Strategic analysis is concerned with stating the position of the organisation in terms of:
 - (a) mission, choice of market segments, product selection, financial targets, external appraisal;
 - (b) mission, goals, corporate appraisal, position audit and gap analysis;
 - (c) mission goals, identification of key competitors, SWOT and environmental appraisal;
 - (d) mission, targeted roi, manpower planning, position audit;

- (e) mission, SWOT, competitive strategies, stakeholders position and institutional goal.

4. A strategic business unit (SUB) is defined as a division of an organisation:
 - (a) that help in the marketing operation;
 - (b) that enable managers to have better control over the resources;
 - (c) that help in the choice of technology;
 - (d) that help in the allocation of scarce resources;
 - (e) that help in identifying talents and potentials of people.
5. The essential ingredients of Business Process Re-engineering are:
 - (a) continuous improvements of products, processes and technologies.
 - (b) advanced planning in the areas of technologies, processes and strategic partnerships etc.
 - (c) Fundamental rethinking and radical redesign of business process to achieve dramatic results.
 - (d) Generation, comparison and evolution of many ideas to find out one worthy of development.
 - (e) Identification and selection of layouts most suited for products and processes.

Answer:

1. (a) gain buyer loyalty to its brands.
2. (a) Strategic choice makes a statement about the corporate strategy as well as business strategy : the former refers to the whole business while the latter helps in the formulation of marketing and other decisions.
3. (b) Strategic analysis is concerned with stating the position of the organization in terms of: mission, goals, corporate appraisal, position audit and gap analysis.
4. (b) A strategic business unit (SBU) is defined as a division of an organization: that enable managers to have better control over the resources.
5. The essential ingredients of Business Process Re-engineering are:
 - (c) Fundamental rethinking and radical redesign of business process to achieve dramatic results.

True / False:

1. "strategic management" is concerned with the formulation of possible courses of actions, their evaluation and the choice between them.
2. "Balanced Strategy" is about translating the version, communicating and linking, business planning, target setting, etc.
3. "Benchmarking" is the simulation of cost reduction schemes that help to build commitment and improvement of actions.
4. Business Process Re-engineering is an important ingredient of Reverse Engineering.
5. cash cows' are products in a high-growth market but where they have a low market share.

Answer:

1. False— the appropriate term is 'strategic choice', instead of 'strategic management'. Strategic management concern itself with corporate values, managerial capabilities and organizational responsibilities and systems in a way that links strategic and operational decision making leading to an effective strategy or

strategies. But the given statement is indicative of choice of strategy.

2. False— "Balanced Score Card" is about translating the vision, communicating and linking, business planning, target setting, etc
3. False— Benchmarking is the search for industries best practices that leads to superior performance.
4. False.
5. False— the appropriate term is 'question marks' instead of 'cash cows'. cash cows have high market share in low growth market. Hence the given statement is false.

"The essence of strategy is choosing what not to do" - Prof. Michael Porter.





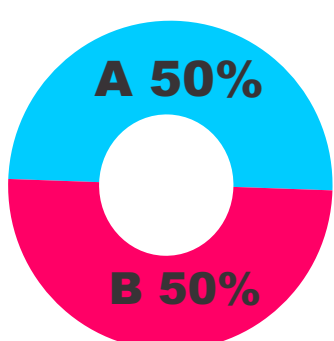
GROUP: 2, PAPER: 10

COST & MANAGEMENT

ACCOUNTING AND FINANCIAL MANAGEMENT(CMFM)

Dr. Swapan Sarkar,
Assistant Professor
Department of Commerce,
University of Calcutta
He can be reached at:
swapansarkar22@gmail.com

Your Preparation Quick Takes



Syllabus Structure

A Cost & Management Accounting 50%
B Financial Management 50%

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

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.

Cost & Management Accounting and Financial Management

Section B

Chapter 10: Cost of Capital:

Introduction:

The term 'capital' assumes different meaning in different context. For example, while in economics, 'capital' means 'produced means of production', in business literature 'capital' refers to financial resources. These financial resources i.e. capital can be procured either from a single source or from multiple sources, from own source or from external parties and for either short term or for long term purposes. Now, irrespective of the source or purpose, capital requires certain cost to be incurred for it which is payable to the person or entity from which such capital is procured. This cost, which may take different forms like dividend (for equity and preference shares) or interest (for debt capital), is known as the cost of capital.

Importance of Cost of Capital:

Cost of capital is the central idea in almost all the financial management decisions. Following examples will clarify the issue:



Different Concepts of Cost of Capital:

1. Explicit vs. Implicit Cost:

Explicit cost is the discount rate which equates the present value of cash inflows with the present value of cash outflows. It is the internal rate of return.

$$\text{Let } I_0 = \frac{C_1}{1+k} + \frac{C_2}{1+k^2} + \frac{C_s}{1+k^s} + \dots + \frac{C_n}{1+k^n} \text{ where, } C \text{ is the cash inflow and } I_0 \text{ cash outflow. Here } k \text{ is the discount rate}$$

which equates the present value of cash inflows with the present value of cash outflows. Thus k is the cost of capital. Basically it is an internal rate of return.

Implicit cost, on the other hand, is the opportunity cost. For example, cost of retained earnings is basically an implicit cost.

2. Future Cost and Historical Cost:

Future costs are the expected costs of funds for financing a particular project in future. These are very significant for the purpose of decision making.

Historical costs are those costs that have already been incurred. Historical costs are useful to project the future costs.

3. Specific Cost vs. Overall Cost:

Specific cost is the cost of an individual source of finance. Overall cost refers to the total cost of all sources of finance used in a project.

4. Average Cost vs. Marginal Cost:

Average cost is the weighted average cost of all sources actually employed. Overall cost of capital is generally a weighted average cost of capital.

Marginal cost is the additional cost (either specific or average in case of multiple sources) required to finance the additional capital.

Overall Cost of Capital:

Every source of capital has its own cost, be it explicit or implicit. However, when a project is financed by multiple sources, none of the individual cost of any source can be considered to represent the overall cost. Thus a weighted average of individual or specific cost using weights representing their relative importance in the capital structure is the only yardstick to be used to determine the overall cost of the project.

In short, overall cost of capital is nothing but the weighted average cost of all the individual costs of capital based on some suitable weights. It is generally denoted as K_0 .

Symbolically, $K_0 = \sum K_i W_i$

where, K_i = Cost of capital of source i and W_i = Weight of source i in the capital structure.

Thus, the steps in determining the Overall Cost of Capital (K_0) are as follows:

Step 1: Determine the specific cost of all sources of finance.

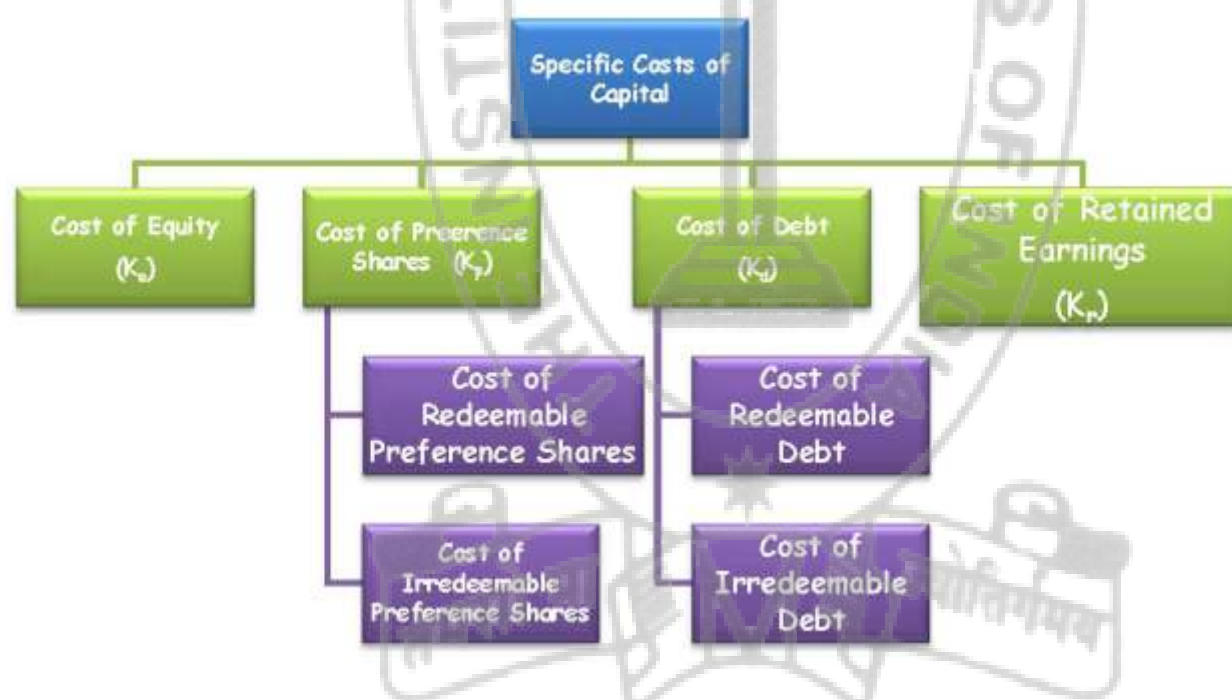
Step 2: Determine the weights of each individual source.

Step 3: Determine $K_0 = \sum K_i W_i$

These are discussed in detail as follows.

Determination of Individual/ Specific Cost of Capital:

Based on the alternative sources of capital, specific costs can be of the following types:



Let us discuss the above costs and their process of determination in detail.

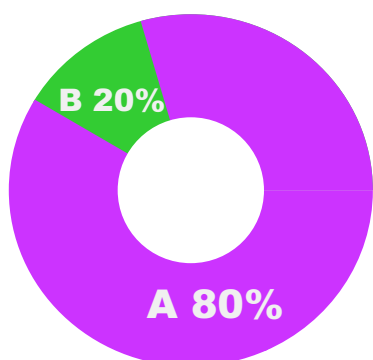


GROUP: 2, PAPER: 11

INDIRECT TAXATION (ITX)

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

Your Preparation Quick Takes



Syllabus Structure
A GST 80%
B Customs Laws 20%

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

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

TAXATION

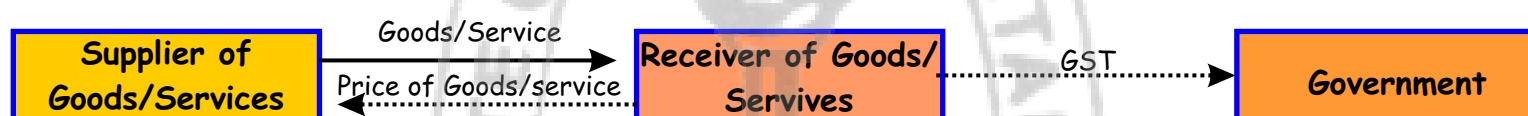
1. What is Reverse Charge?

Normally, the supplier of goods or services pays the tax on supply. In the case of Reverse Charge, the receiver becomes liable to pay the tax, i.e., the chargeability gets reversed.

NORMAL GST PAYMENT PROCESS



GST PAYMENT IN CASE OF REVERSE CHARGE



2. When is Reverse Charge Applicable?

A. Supply from an Unregistered dealer to a Registered dealer

If a vendor who is not registered under GST, supplies goods to a person who is registered under GST, then Reverse Charge would apply. This means that the GST will have to be paid directly by the receiver to the Government instead of the supplier.

The registered dealer who has to pay GST under reverse charge has to do self-invoicing for the purchases made.

For Inter-state purchases the buyer has to pay IGST. For Intra-state purchases CGST and SGST has to be paid under RCM by the purchaser.

B. Services through an e-commerce operator

If an e-commerce operator supplies services then reverse charge will be applicable to the e-commerce operator. He will be liable to pay GST.

For example, UrbanClap provides services of plumbers, electricians, teachers, beauticians etc. UrbanClap is liable to pay GST and collect it from the customers instead of the registered service providers.

If the e-commerce operator does not have a physical presence in the taxable territory, then a person representing such electronic commerce operator for any purpose will be liable to pay tax. If there is no representative, the operator will appoint a representative who will be held liable to pay GST.

For example, UrbanClap provides services of plumbers, electricians, teachers, beauticians etc. UrbanClap is liable to pay GST and collect it from the customers instead of the registered service providers.

If the e-commerce operator does not have a physical presence in the taxable territory, then a person representing such electronic commerce operator for any purpose will be liable to pay tax. If there is no representative, the operator will appoint a representative who will be held liable to pay GST.

C. Supply of certain goods and services specified by CBEC

CBEC has issued a list of goods and a list of services on which reverse charge is applicable.

3. Time of Supply under Reverse Charge

A. Time Of Supply in case of Goods

In case of reverse charge, the time of supply shall be the **earliest** of the following dates:

the date of **receipt** of goods

the date of **payment***

the date immediately after **30** days from the date of issue of an **invoice** by the supplier

If it is not possible to determine the time of supply, the time of supply shall be the **date of entry** in the books of account of the **recipient**.

Illustration:

1. Date of receipt of goods 15th May 2018
2. Date of invoice 1st June 2018
3. Date of entry in books of receiver 18th May 2018

The Time of supply of service, in this case, will be 15th May 2018

B. Time Of Supply in case of Services

In case of reverse charge, the time of supply shall be the **earliest** of the following dates:

The date of **payment**

The date immediately after **60** days from the date of issue of **invoice** by the supplier

If it is not possible to determine the time of supply, the time of supply shall be the **date of entry** in the books of account of the **recipient**.

Illustration:

1. Date of payment 15th July 2018
2. Date of invoice 15th May 2018
3. Date of entry in books of receiver 18th July 2018

The Time of supply of service, in this case, will be 15th May 2018

4. What is Self Invoicing?

Self-invoicing is to be done when you have purchased from an unregistered supplier AND such purchase of goods or services falls under reverse charge.

This is due to the fact that your supplier cannot issue a GST-compliant invoice to you, and thus you become liable to pay taxes on their behalf. Hence, self-invoicing, in this case, becomes necessary.



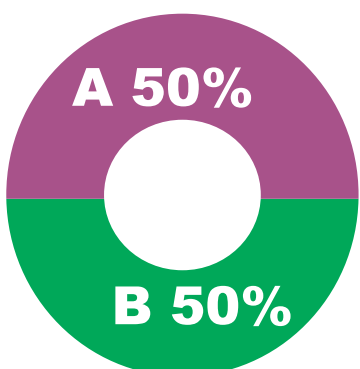
GROUP: 2, PAPER: 12

COMPANY

ACCOUNTS & AUDIT (CAA)

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

Your Preparation Quick Takes



Syllabus Structure

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

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

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.

Internal check, Internal control and Internal audit.

Internal check is an arrangement of staff duties where none is allowed to carry through and record every aspect of a transaction so that without collusion between a two or more person, fraud is prevented and possibilities of errors are reduced to the minimum.

Auditor's duty:

Where there is a good internal check system the auditor may presume the accuracy of the accounting. But he should not be negligent. He should apply test check. However the auditor is not relieved of his responsibility. The existence of good internal check system reduces the work of the auditor but does not reduce his responsibility.

Objects of Internal Check:

- i) Ensure that the accounting system produces reliable information.
- ii) Provide protection to the business against fraud, carelessness.
- iii) Facilitate control of business.

Features of Good Internal Check system:

- i) There should be proper division of responsibilities of the members of staffs.
- ii) The duties of each job should be stated in written form.
- iii) Receipts and payments of cash should be controlled very carefully.
- iv) Self balancing ledger should be used.

Advantages:

- i) It reduces fraudulent practice.
- ii) Irregularity can be detected.
- iii) Particular staff responsibility can be fixed.
- iv) Chances of error reduced.

Limitation:

- i) It cannot be applied economically in small concern.
- ii) Auditor may be misguided presuming internal check.

Internal Control:

Internal control is the whole system of control – financial and otherwise in order to carry on the business in an orderly manner.

Objects of Internal control:

- i) Transactions are executed in accordance with the management's authorisation.
- ii) Assets are safeguarded.
- iii) Assets are verified at reasonable intervals.

Limitation:

- i) It may not be cost effective
- ii) Management may override the controls.

Internal Audit:

Internal audit is an independent appraisal activity within the organization for the review of financial, accounting and other operations done as a basis of service to the management.

Features of Internal audit:

- i) It is an independent appraisal
- ii) Carried on by the staff or by an independent professional.
- iii) It includes analysis, appraisal and suggestions.

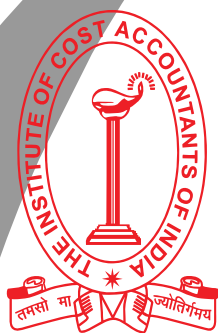
Objects of Internal audit:

- i) Review the reliability of financial information.
- ii) Review policies, plans, procedures.
- iii) Safeguarding assets.
- iv) Review operation.

Advantages:

- i) Appraises organisational structure.
- ii) Furnishes the deviations from policies.
- iii) Provides effective control.

Above discussion is outlined only. Students are to go on study from text and study materials as in every term they may expect questions of 10 to 12 marks. Puja days are over. They are to concentrate for appearing in December exam. Get flow on study.



Basics in Business Letter-Writing



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

01.00 Concept

The printed business letter is still the preferred way to convey important information. A carefully crafted letter presented on an attractive letterhead can be a powerful communication tool. To make sure you are writing the most professional and effective letter possible, follow these basics in business letter-writing.

02.00 Professional Letterhead

A letterhead is as important as a brand, in that it represents a company and can impart a first impression to its potential customers. It should, therefore, be a unique and distinct reflection of your business entity. Once the letterhead is researched and chosen, all of the stationery that the company uses must be customised to feature it. It is important that all company stationery matches, as this will do much to reinforce not only the corporate image, but also what your business stands for. So, **select a professional letterhead design that suits your business.**

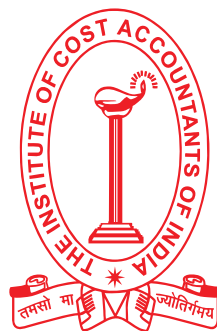
03.00 Standard Format

Use a standard business letter format and template. The most widely used format for business letters is "block style," where the text of the entire letter is justified left. The text is single spaced, except for double spaces between paragraphs. Typically margins are about 1 inch (25.4 mm) on all sides of the document, which is the default-setting for most of the word-processing programs.

Listed hereunder are standard business template fields:

- (i) Number & Date
- (ii) **Sender's Address**
- (iii) **Receiver's Address**
- (iv) Subject
- (v) Reference
- (vi) **Opening Salutation**
- (vii) **Body Text**
- (viii) **Call to Action**
- (ix) **Concluding Salutation**
- (x) **Signature Block**
- (xi) **Enclosures**
- (xii) **Carbon Copy**

A specimen response to credit recovery letter is enclosed hereto as appendix 1. The **templates are illustrated with the help of the specimen in appendix 2.**



04.00 Tone & Texture

- I. **Professional Tone: Use a professional tone.** Your printed business letter should be friendly but more professional at the same time. As a well known author on contemporary business communication suggests, "The business writer should strive for an overall tone that is confident, courteous, and sincere; that uses emphasis and subordination appropriately; that contains non-discriminatory language; that stresses the "you" attitude." That said, be sure to sound like yourself - you don't want your letter to read as if a machine wrote it.
- II. **Write clearly:** State your point clearly in your letter. To avoid any miscommunications, use straightforward, concise language. Skip the industry jargons. Instead choose lively, active words to hold your reader's attention.
- III. **Organise Information: Organize your information logically.** Group related information into separate paragraphs. In a long, information-packed letter, consider organizing information into sections with subheads.
- IV. **Colour Highlighters: Use colour highlighters to emphasize words in text.** It is easy to highlight a few words in colour to draw attention to them.
- V. **Be persuasive:** Establish a positive relationship with your reader right away. If you have a connection to the reader - you have met before or have a mutual colleague, for example - mention it in your introductory paragraph. Whether you think your reader will agree with the point of your letter or not, it is important to find common ground and build your case from there.
- VI. **Understand: Understand your reader** well enough to anticipate how he or she will react while reading your letter. Address his or her needs or wishes, or a specific problem, and then outline your solution. Provide proof by way of examples and/or expert opinions to back up your point. Make sure to maintain a friendly tone.
- VII. **Call to Action: Conclude your letter with a "call to action."** State clearly what your reader needs to do or believe to achieve the desired solution and then state what you, the writer, intend to do next to follow up.
- VIII. **Proofread: Proofread your letter without fail.** All your careful crafting and printing can't cover up spelling or punctuation errors, which leave a lasting negative impression.

05.00 Quick Take

Now that you've learned the secrets of writing an effective business letter, you're ready to start composing. Good luck!

Appendix 1

In this specimen 'response to credit recovery letter', Ramesh Jadav of Yojana Distributors responds to Dreamtime Movies with reference to their reminder about the overdue payment of Rs.2.50 crores.

Yojana Distributors Limited

54, Civil Lines, Nagpur - 440 001, Tel: (0712) 2234567, Email: info@ydl.co.in

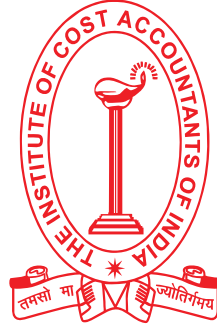
In reply please quote No. YDL/ Credit/ 2018-19/ 205

November 2, 2018

Dreamtime Movies Limited

69 Fort, Mumbai- 400 001

Tel: (022) 22345677



Subject: **Overdue amount of Rs.2.50 Crores**
Reference: **Your letter No. /Mktg/ 282 dated 4th October 2018**

Dear Mr. Krishnakant,

The payment of your invoice No. 1713 dated September 1, 2018, due for payment on 1st October 2018 was withheld **because of defective material**. The defective material having been replaced by you on 30th October, we have transferred the money through RTGS, vide UTR NO. xxxxxxxx of ABC Bank.

Kindly confirm the settlement of the account.

Yours faithfully

(Ramash Jadav)
Finance Manager

Encl: UTR Receipt
CC: Distribution Manager

Appendix 2

Illustration of the Templates with the help of the specimen

(i) Number & Date:

In reply please quote No. YDL/ Credit/ 2018-19/ 205

November 2, 2018

(ii) Sender's Address:

Vojana Distributors Limited
54, Civil Lines, Nagpur - 440 001
Tel: (0712) 2234567

Email: info@ydl.co.in

(This information is already incorporated into the letterhead)

(iii) Receiver's Address:

Dreamtime Movies Limited
69 Fort, Mumbai- 400 001
Tel: (022) 22345677

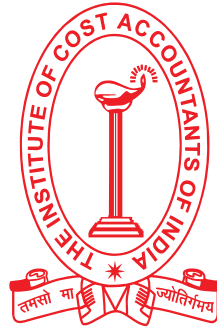
(iv) Subject:

Overdue amount of Rs.2.50 Crores

(v) Reference:

Your letter No. /Mktg/ 282 dated 4th October 2018

(vi) Opening Salutation:



Dear Mr. Krishnakant,

(vii) Body Text:

The payment of your invoice No. 1713 dated September 1, 2018, due for payment on 1st October 2018 was withheld **because of defective material**. The defective material having been replaced by you on 30th October, we have transferred the money through RTGS, vide UTR NO. xxxxxxxx of ABC Bank.

(viii) Call to Action:

Kindly confirm the settlement of the account.

(ix) **Concluding Salutation:**

Yours faithfully

(x) Signature Block:

(Ramesh Yadav)

Finance Manager

(xi) Enclosures:

Encl: UTR Receipt

(xii) Carbon Copy

CC: Distribution Manager



Examination TIME TABLE

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)

Day & Date	Intermediate Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
10th December, 2018 (Monday)	Financial Accounting (Paper 05) (Group - I)
11th December, 2018 (Tuesday)	Operations Management & Strategic Management (Paper 09) (Group - II)
12th December, 2018 (Wednesday)	Laws & Ethics (Paper 06) (Group - I)
13th December, 2018 (Thursday)	Cost & Management Accounting and Financial Management (Paper 10) (Group - II)
14th December, 2018 (Friday)	Direct Taxation (Paper 07) (Group - I)
15th December, 2018 (Saturday)	Indirect Taxation (Paper 11) (Group - II)
16th December, 2018 (Sunday)	Cost Accounting (Paper 08) (Group - I)
17th December, 2018 (Monday)	Company Accounts & Audit (Paper 12) (Group - II)



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
Live Webinar**

**Solve Exercises
given in Study Note**

02

03

Assess Yourself

Appear For Examination

04

FINISHED

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



SUBMISSION



Updation of E-Mail Address/Mobile:

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

Dear Students,

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

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

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

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
website: <http://www.icmai.in>



Message from Directorate of Studies

Dear Students,

We have stepped into November, 2018 and in the next month your December, 2018 term of examination will start. 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 Revisionary Test Papers (RTPs), Mock Test Papers (MTPs), Work book, and we are conducting Webinar sessions (live) and where your active participation is amazing. Before stepping in to the examination hall, please go through the PPTs on 'Achieve your GOAL'; uploaded by the Directorate of Studies and which will help you to know about certain Do's and Dont's in the examination.

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

"Learn as if you were to live forever".

Let us observe his memory by following his message.

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

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

Please refer the links mentioned below :

For Mock Test Papers (MTP) : http://icmai.in/studentswebsite/mtp2016_j18_fnd.php

For Revision Test Papers (RTP) : https://icmai.in/studentswebsite/rtp2016_d18.php

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

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

Live Webinar Link : <http://icmai.in/icmai/news/889.php>

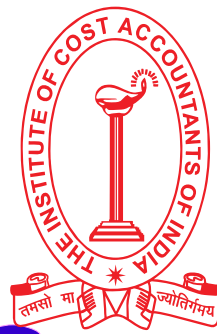
Ebulletin Link : <https://icmai.in/studentswebsite/E-Bulletin.php>

GOOD LUCK & We wish you all the best in your forthcoming examination.

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.



Few Snapshots



15th National Awards for Excellence in Cost Management-2017 on October 16, 2018 at New Delhi.



15th National Awards for Excellence in Cost Management-2017 on October 16, 2018 at New Delhi.



CMA Amit A Apte, President of the Institute lighting the lamp in the presence of Technical Committee Members and Invitees to start the two days meeting of the Technical Cell of the Institute Chaired by CMA (Dr.) Dhananjay V Joshi, Former President of the Institute on 24th October 2018 at Bengaluru Chapter.



Glimpses of Seminar on Redefining the Trends towards Business Sustainability through Cost Management Strategies on 23rd October 2018 at Bengaluru jointly hosted by the CASB and PD&CPD Committee in association with Bengaluru Chapter of the Institute



Shri Suresh Chandra, Secretary to the Govt. of India, Department of Legal Affairs, Ministry of Law & Justice releasing CATe Bulletin Vol 1 No 1 2018 on 31st October 2018.

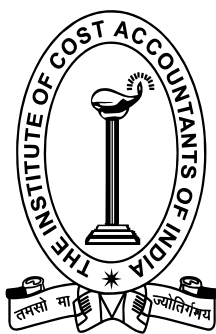
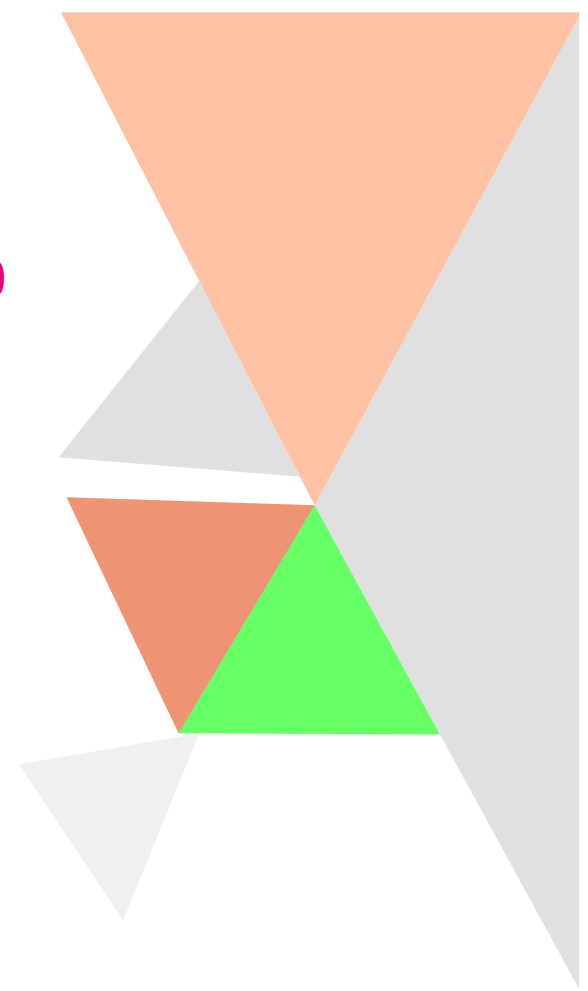
Behind every successful business decision, there is always a CMA

CMA
2018
November
VOL: 3, NO.: 11,

STUDENTS'

TOLL FREE 18003450092 / 1800110910

www.icmai.in



FOLLOW US ON



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

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