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INTERMEDIATE

e Bulletin

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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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)

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MESSAGE FROM THE CHAIRMAN

Dear Students,

"Education is our passport to the future, for tomorrow belongs to the people who prepare for it today".

Always desire to learn something useful. Learn as much as you can while you are young, since life becomes too busy later. Focus on making yourself better not on thinking that you are better. Hard work doesn't guarantee success but improves its chances. If you are willing to learn, no one can help you but if you are determined to learn, no one can stop you. Learning is not child's play; we cannot learn without pain. ***"Success consists of going from failure to failure without loss of enthusiasm".***

I believe that one mark of a good educator is the ability to lead. Just believe in yourself. Even if you don't, pretend that you do and at some point you will. Learning is the eye of the mind. Never stop learning because life never stops teaching.

The Directorate of Studies is providing all round necessary support to you for your educational achievement. You should take your necessary help from the publications of D.O.S. like Revised Study Materials, Revisionary Test Papers (RTPs), Work Book, Mock Test Papers (MTPs), and E-bulletin where both academicians and industry experts are contributing towards your growth. I am really thankful to them.

"Education is the best friend. An educated person is respected everywhere. Education beats the beauty and the youth". A man without education is like a building without foundation. So, education is not a problem, it is soul crafting and it is an opportunity.

Best of luck for all your future endeavour,

CMA Manas Kumar Thakur

Be a CMA, be a Proud Indian

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

CONTENTS

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.

Your Preparation Quick Takes

GROUP: 1, PAPER: 5

FINANCIAL ACCOUNTING (FAC)

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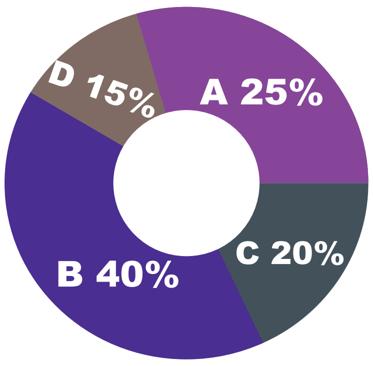

Syllabus Structure

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

Learning Objective:

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

FINANCIAL ACCOUNTING

SECTION: B
4. PARTNERSHIP ACCOUNTS-DISSOLUTION

INTRODUCTION

In the last issue we discussed about the basic idea of dissolution of partnership. In this issue we will discuss the cases with insolvency of partners with special reference to "Garner vs Murray". The basic idea behind the insolvency is an example of solidarity. That is if a partner is insolvent the other solvent partners will take care of his debt.

THE CASE OF GARNER VS MURRAY

Garner, Murray and Wilkins were equal partners with unequal capitals. The assets of the firm on dissolution, after satisfying all the liabilities to the creditors and advance (by Murray) from partners were insufficient to repay the capitals in full. There was a deficiency of 635 pounds and the capital account of Wilkins was showing a debit balance of 263 pounds. Nothing could be recovered from Wilkins owing to insolvency. The decision was given by Mr justice Joyee in 1904. His decision was as under:

The solvent partners are liable to make good their share of the deficiency, and that the remaining assets should be divided among them in proportion to their capitals.

In effect, the decision in Garner vs Murray boiled down this"

1. The solvent partners should contribute to the deficiency of capital(caused by loss on realisation) in cash their share only and not the insolvent partners share
2. The net effect of what has been stated above is that the deficiency of capital of the insolvent partner gets distributed among the solvent partners in the ratio of their last agreed capitals.

In simple terms the solvent partners will bring cash equivalent to their loss on realization and will bear the deficiency of the insolvent partner in their capital ratio last agreed.

ILLUSTRATION:

A, B, C and D are partners in a firm sharing profits and losses in the ratio of 3:3:2:2. The following is their balance sheet as on 30.06.2018.

BALANCE SHEET

LIABILITIES	RS	ASSETS	RS
CAPITAL: A	20000	FIXTURES	4000
B	15000	TRADE MARK	7000
C		STOCK	10000
D		DEBTORS	15500
A's Loan	10000	CASH	2000
CREDITORS	15500	CAPITAL: C	16000
		D	6000
	60500		**60500**

The firm was dissolved as on the above date. B being appointed to realize the assets and pay off liabilities, he is entitled to receive 5 % as his remuneration on the amounts finally paid to other partners towards their capital. The expenses of realization were to be borne by B.

The assets realized as follows :

Debtors Rs.11000, stock Rs.8000, fixture Rs.1000, trade marks Rs.4000.
Creditors were paid off in full including a contingent liability of 2500 in respect of bills discounted materialized.
Expenses of realization amounting to Rs.500 were paid by the firm. As C was insolvent, Rs.3700 would be recovered from his private estate.
Close the books of the firm applying the rule of Garner Vs Murray.

SOLUTION:

REALISATION ACCOUNT

TO SUNDRY ASSETS:		BY SUNDRY LIABILITIES: CREDITORS	15500
TRADE MARK	7000	(TRANSFER AT BOOK VALUES)	
FIXTURES	4000	BY BANK : REALISED VALUE OF ASSETS(11000+8000+1000+4000)	24000
STOCK	10000	BY CAPITAL A/C : LOSS ON REALISATION	
DEBTORS	15500	A	4500
TO CASH: CONTINGENT LIABILITY	2500	B	4500
TO CASH : PAID TO CREDITORS	15500	C	3000
		D	3000
	54500		**54500**

PARTNERS CAPITAL ACCOUNT

	A	B	C	D		A	B	C	D
BY BALANCE B/D (TRANSFER)			16000	6000	BY BALANCE B/D (TRANSFER)	20000	15000		
TO CASH :		500			BY BANK A/C: TRANSFER	4500	4500		3000
TO REALISATION A/C: TRANSFER	4500	4500	3000	3000	BY BANK A/C: CASH BROUGHT IN			3700	6000
TO B'S CAPITAL	536				BY A & B A/C: DEFICIENCY			15300	
TO C'S CAPITAL	8743	6557			BY A'S CAPITAL		536		
TO CASH A/C: FINAL PAYMENT	10721	8479							
	24500	**20036**	**19000**	**9000**		**24500**	**20036**	**19000**	**9000**

CASH ACCOUNT

TO BALANCE B/D	2000	BY REALISATION A/C : TRANSFER	18000
TO REALISATION A/C : ASSET RELISED	24000	()	
TO CAPITAL A/C: A	4500	BY A'S LOAN A/C	10000
B	4500	BY B'S CAPITAL A/C	500
D	3000		
TO CAPITAL A/C : C	3700	BY CAPITAL A/C : FINAL PAYMENT	19200
D	6000	(10721+8479)	
	47700		**47700**

WORKING NOTES:

D is a solvent partner and therefore he brings Rs.9000. (Rs.3000 as a share of his loss on realization and Rs.6000 as to meet the debit balance of his capital account).
Deficit of C (19000-3700)=15300 is distributed between A and B in their capital ratio of 4:3. Rs.8743 and Rs. 6557
Commission of B:
Final payment to A before charging up commission = 20000-8743=11257/-
So, commission to B will be = 11257x5/105 =536.

Please practice similar types of problems from the study material and other reference books.

Your Preparation Quick Takes

GROUP: 1, PAPER: 6

LAWS & ETHICS
(LNE)

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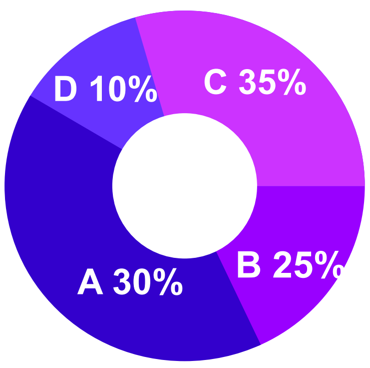

Syllabus Structure
A Commercial Laws **30%**
B Industrial Laws **25%**
C Corporate Law **35%**
D Ethics **10%**

Learning Objectives:

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

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

LAW & ETHICS

It is hoped that 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 this issue, let us deal with something more about the Law relating to Sale of Goods

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.

Conditions and Warranties :
To start with, let us **explain the difference between a Condition and a Warranty .**

Sec.12 of the Sale of Goods Act defines conditions and warranties. In a Contract of Sale, the terms or the stipulations laid , with reference to purchase and sale of goods, can be conditions or warranties.

We must understand that, a **Condition** is a stipulation which is **Essential** to the main objective/purpose of the contract. Any breach/violation of such condition/s may call for repudiation of the contract.

On the other hand, a **Warranty** is also a stipulation but such stipulation is **Collateral** to the main objective/purpose of the contract. Any breach/violation of such warranty may call for **Claim for damages,** but the contract can neither be repudiated nor can the goods be rejected.

So, we understand that both Condition and Warranty are terms/stipulations laid in a Contract of Sale, but whether the terms/stipulations are conditions or stipulations, depends on how the terms are laid, meant and construed to be understood in the contract. In many cases it is seen that a term in a contract is called as warranty but is actually a condition laid and such interpretations are left for the courts to decide.

Sec.11 of the Sale of Goods Act , lays that a stipulation as to time of payment, must not be deemed as conditions unless the terms of contract throws some indication to such intentions. Both conditions and warranties can be indicated in writing or may be implied on case to case basis, depending on the terms of the contract.

Suppose a contract of sale specifies a condition that goods sold shall be repaired at the premises of the buyer . This condition can be waived by the buyer who decides to carry the goods to the repair shop himself for repairs. In such a case the condition can be treated as a warranty. A buyer may even decide to treat a breach of condition as a breach of warranty and in such cases the buyer cannot repudiate or reject the goods but can accept the goods and sue for damages suffered .

That takes us to the question – **what are the implied conditions and warranties in a contract of sale of goods ?**

Please read Sections 14 to 17 of the Sale of Goods Act. **The implied conditions and warranties in a contract of sale of goods** are as follows :

Implied Conditions -

1. Title – that the seller has the right to sell the goods and that he shall have the right to sell the goods at the time when the property in the goods is to pass.
2. Description – that the goods shall correspond to the description – physical characteristics, mention of trade mark, brand, etc. under which the sale agreement was made or those goods are normally sold.It is expected that the goods will be same as the goods described.
3. Sample – that goods shall be supplied as per the sample shown and agreed upon .That the buyer will get the opportunity of comparing the goods supplied with the earlier sample shown and the quality of the goods supplied matches with the quality of the sample shown and that the defects , if any, cannot be detected apparently on reasonable examination and inspection.
4. Sample and Description – where goods are sold by sample as well as by description, it is expected that the goods will correspond both - with the sample and the description.
5. Fitness or Quality – Where the buyer tells the seller about the purpose for which the goods are required, and relies on the seller's skill or judgment , it is implied that the seller agrees to the implied condition of fitness and description of the goods. Where the supplier deals in goods of such description laid by the buyer, it is implied that the goods shall be of desired quality and fit for sale – whether manufactured or traded by the supplier .However, if the goods are bought after inspection by the buyer, it will be implied that the inspection of the goods bought ought to have detected and revealed the defects.

Implied Warranties -

1. That the buyer shall have quiet possession of the goods, that is, the vendor has the right to transfer the goods ,
2. That the goods are free from any charge or

encumbrances in favour of any third party , not known to the buyer or not revealed to the buyer at the time of the contract.

3. That a warranty as to fitness for a particular purpose may be annexed to a contract of sale by normal practice in trade or a custom or usage.

Rights of Unpaid Vendor :

Now, we must ask ourselves a question – **Who is an unpaid vendor/seller of goods** ? The answer must be thought logically .

A seller is considered unpaid if –

1. If the entire price of the goods sold has not been paid or remitted ; or
2. If a Bill of Exchange or Negotiable Instrument has been received from the buyer by the seller as a conditional payment but that instrument has been dishonoured or the conditions on which it was issued has not been fulfilled. Please refer Sec.45(1)

That obviously raises a question – **What shall be the Unpaid Seller's / Vendor's Right** . *It has may be remembered that the Vendor can exercise his rights even where the property in the goods has passed to the buyer.* **The following are the Rights of the Unpaid Vendor/Seller :-**

1. **Vendor's Lien :**
The unpaid Vendor, who still holds possession of the goods, is entitled to retain possession of the goods (***this is called exercising the right of lien, for non-payment of the price but not for any other charges*** .For example, the godown charges, if any, paid by the seller for storing the undelivered goods cannot be a reason for exercising lien) until the payment is made or remitted provided –

   a) The goods were sold without any stipulation as to credit '
   b) The goods were sold on credit, but the terms of credit has expired *(it may be noted that the seller cannot refuse to hand over possession of the goods unless the terms of credit has expired)* ; or
   c) The buyer has become insolvent.
   A question may come to mind – what happens if the seller has made part delivery of the goods ? in such a case, the seller can exercise lien on the balance of the goods not yet delivered provided the part delivery was not made with an intention to waive the lien.

2. **The Right of Stoppage in Transit .**

Suppose the goods were dispatched to the buyer, but before the goods were delivered or before the seller got payment of the price, the buyer became insolvent, in such a case, the seller can resume possession of the goods from the carrier. **This is called the right of stoppage in transit. Please note the following points :**

   a. Goods are in transit from the time they are delivered to the carrier, till the time they are delivered to the buyer or his agent.
   b. The right to stoppage in transit comes to an end as soon as the goods are delivered to the buyer or his agent. However, if the after arrival of the goods at the destination, the carrier intimates to the buyer that the goods are being held by him (the carrier) on behalf of the buyer, the seller's right to take back possession comes to an end.
   c. If the carrier wrongfully refuses to deliver the goods to the buyer, the transit of the goods comes to an end and the seller's right to stop transit too ceases.
   d. Where the seller made part delivery of the goods, in such a case, the seller can only stop the goods in transit, provided it can be proved that the part delivery was not made with an intention to waive the lien.
   e. The buyer need not be declared insolvent in the court of law. Insolvency here, denotes that the buyer has become financially embarrassed.
   f. The vendor/seller can exercise right of stoppage, by either taking actual possession of the goods or by directing the carrier to send back the goods to him or his agent and the expense of such return delivery shall be borne by the seller.

3. **The Right to Resale**

The unpaid seller/vendor who has retained possession of the goods by exercising his lien or has taken back possession from the carrier upon insolvency of the buyer **can resell the goods ,** under the following circumstances :

   a) If the goods are perishable, those can be sold off without notice to the buyer; otherwise
   b) By first giving notice to the buyer and allowing him reasonable opportunity and time to pay/ remit the price, and then resell only if the buyer fails to pay ;
   Here too, if the seller , upon resale, gets more value for the goods, he can retain the excess amount, but , if the sale value is less than what was due from the buyer, the seller can sue the buyer for the balance. The buyer remains liable to compensate the seller for damages, if any, suffered by the seller. The next buyer gets good title of the goods .

4. **Suit for Price :**
   a) Under a contract of sale, where the property in the goods has passed on to the buyer, and the buyer does not act as per term s of the contract and fails to pay or neglects to pay , the seller can sue the buyer for the price of the goods ;
   b) If under the terms of a contract, the buyer is to pay the price on a certain day irrespective of the actual delivery of the goods and the buyer fails to pay or neglects to pay , the seller can sue the buyer for the price even though the property in the goods has not passed to the buyer.

Auction Sales :

In an auction sale, there is an Auctioneer who is appointed by the owner of a property to sell property by inviting bids publicly and the property is sold to the highest bidder. However, the Auctioneer warrants the following :-

1. That the auctioneer has authority to sell
2. That the auctioneer has no knowledge that property under sale on behalf of his principal has any defects as to title ; and
3. The buyer shall get quiet title to the possession of the property against payment of a price.

The question arises, what could be the **Rules regarding Sales by auction ?**

Section 64 of the Sale of Goods Acts lays the rules which are as follows :

1. Where the goods are put to sale in lots, each lot is deemed to be subject to separate contract of sale;
2. The sale is complete only after the customary fall of the hammer when the auctioneer repeats the final offer **three times and** announces the completion of the sale. Until the fall of the hammer the bidder may retract his/her bid. The fall of the hammer amounts to acceptance of the offer.
3. The Seller may expressly reserve his right to bid in the auction. Such a sale has to be notified in advance. If such a right is expressly reserved, seller or any other person on his behalf may, bid at the auction. It may be kept in mind that without any express reservation and advance

notification, the seller or any person on his behalf, cannot bid at an auction as it shall not be lawful and considered as fraudulent by the buyer acting on behalf of the seller.

4. The sale may be notified to be subject to a Reserved Price , that is, a price below which the goods/property will not be sold. The Reserve Price can be kept secret.
5. Where the seller resorts to pretended bidding, just to raise the price, the sale becomes voidable at the opinion of the buyer.

Your Preparation Quick Takes

GROUP: 1, PAPER: 7

DIRECT TAXATION
(DTX)

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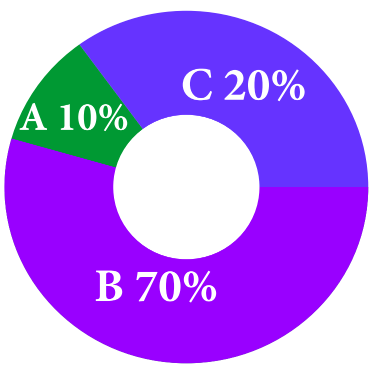

Syllabus Structure

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

Learning Objectives:

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

Tax Deducted at Source

Sec.	Nature of payment	Person responsible to deduct tax	Recipient	Time of deduction	Rate of TDS	Maximum payment up to which tax shall not be deducted
192	Salary	Employer	Employee	At the time of payment	Average rate of tax	Basic Exemption Limit
192A	Accumulated balance of PF	Trustees or other authorized person	Employee	At the time of payment	10%	50,000
193	Interest on securities	Payer of interest on securities	Resident person	At the time of payment or crediting the payee, whichever is earlier	10%	5,000 (Subject to certain conditions)
194	Dividend u/s 2(22)(e)	Domestic Company	Resident person	At the time of payment	10%	2,500 (Subject to certain conditions)
194A	Interest other than interest on securities	Any person other than individual and HUF whose accounts are not required to be audited during immediately preceding previous year	Resident person	At the time of payment or crediting the payee, whichever is earlier	10%	5,000 (Subject to certain conditions) (10,000 in case of Bank Interest)
194B	Winning from lotteries, etc.	Any person paying such income	Any person	At the time of payment	30%	10,000
194BB	Winning from horse races	Any person paying such income	Any person	At the time of payment	30%	10,000
194C	Contract	Any specified person *including* individual and HUF whose accounts are required to be audited during immediately preceding previous year	Resident person	At the time of payment or crediting the payee, whichever is earlier	Payee is Individual or HUF: 1% Other payee: 2%	a. 30,000 (provided aggregate amour paid during the financial year does not excee 1,00,000) b. Payment to transport operato (owning 10 or less goods carriage) if they provides PAN
194D	Insurance Commission	Any person			Payee is domestic co.: 10% Other resident Payee: 5%	15,000
194DA	Payment of Life Insurance policy	Any person	Resident	At the time of payment	1%	Less than 1,00,000

	(including bonus)					
194E	Sports person Or entertainer	Any person paying specified income	Non-resident foreign citizen sportsman or sports association or entertainer	At the time of payment or crediting the payee, whichever is earlier	20%	Nil
194EE	Deposit in NSS	Post office	Any person	At the time of payment	10%	2,500
194F	Units of Mutual fund/UTI	Mutual fund or UTI	Unit holder u/s 80CCB	At the time of payment	20%	Nil
194G	Commission on sale of lottery tickets	Any person paying commission on sale of lottery tickets	Any person	At the time of payment or crediting the payee, whichever is earlier	5%	15,000
194H	Other commission	Any person other than individual and HUF whose accounts are not required to be audited during immediately preceding P.Y.	Resident person	At the time of payment or crediting the payee, whichever is earlier	5%	15,000
194-I	Rent	Any person other than individual and HUF whose accounts are not required to be audited during immediately preceding P.Y.	Resident person	At the time of payment or crediting the payee, whichever is earlier	Plant & Mach: 2% Other Asset: 10%	1,80,000
194-IA	Acquisition of immovable property other than rural agro land	Any person who is acquiring such property	Resident	At the time of payment or crediting the payee, whichever is earlier	1%	50,00,000
194-IB	Rent	Individual or HUF not covered u/s 194-I	Resident person	At the time of credit of rent for the last month of the previous year (or last month of tenancy) or payment thereof, whichever is earlier	5%	50,000 p.m.
194-IC	Joint Development Agreement	Any person	Resident	At the time of payment or crediting the payee,	10%	-

				whichever is earlier		
194J	Professional or technical service or director fees (not covered u/s 192)	Any person other than individual and HUF whose accounts are not required to be audited during immediately preceding P.Y.	Resident person	At the time of payment or crediting the payee, whichever is earlier	10% (2% in case payee is engaged only in the business of operation of call centre)	30,000 No threshold limit for director fees
194LA	Compensation for compulsory acquisition of immovable property (other than agro land)	Any person responsible for such payment	Resident	At the time of payment in cash or by cheque or draft or by other mode, whichever is earlier.	10%	2,50,000 No TDS, if such award or agreement is exempted from levy of income-tax u/s 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013
194LB	Interest on infrastructure debt fund	Any person responsible for such payment	Non-resident	At the time of payment or crediting the payee, whichever is earlier	5%	Nil
194LB A	Distribution of income referred to in sec. 115UA [of the nature covered u/s 10(23FC) or (23FCA)]	Business Trust	Any person		<u>Income u/s 10(23FC)</u> If payee is resident: 10% Otherwise: 5% <u>Income u/s 10(23FCA)</u> If payee is resident: 10% Otherwise: applicable rate	Nil
194LB B	Distribution of income referred to in cl. a of exp. 1 to sec. 115UB [of the nature covered u/s 10(23FBB)]	Any person responsible for such payment	Any person		Payee is Resident: 10% Foreign Co: 40%* Other: 30%* *subject to DTAA	Nil Where the payee is a non-resident or a foreign company, no deduction shall be made for any income which is not chargeable to tax
194LB C	Income on investment in securitisation trust referred	Any person responsible for such payment	Any person	At the time of payment or crediting the payee,	Resident Individual & HUF: 25% Other	Nil

	to in sec. 115TCA			whichever is earlier	Resident: 30% Foreign Co. Or non-resident: Rates in force	
194LC	Interest on approved loan	Indian Company or a business trust	Non-resident		5%	Nil
194LD	Interest on Rupee denominated bond or Govt Securities	Any person responsible for such payment	FII or Qualified Foreign Investor		5%	Nil
195	Any sum	Any person paying sum chargeable under this Act	Non-resident		Normal rate	Nil
196B	Units income	Any person responsible for payment referred in sec.115AB	An Offshore fund	At the time of payment or crediting the payee, whichever is earlier	10%	Nil
196C	Foreign currency bonds or GDR	Any person responsible for payment referred in sec.115AC	Non-resident		10%	Nil
196D	Any income	Any person responsible for payment referred in sec. 115AD(1)(a)	Foreign Institutional Investor		20%	Nil

Note: Lump sum lease premium or one-time upfront lease charges, which are not adjustable against periodic rent, paid or payable for acquisition of long-term leasehold rights over land or any other property are not rent within the meaning of sec. 194-I. Therefore, such payments are not liable for TDS u/s 194-I. [Circular 35/2016]

Applicability of surcharge and education cess while computing TDS

On Salary (paid to resident or non-resident)	Surcharge, Education cess & SHEC shall be considered.
Any other payment to resident	No surcharge, education cess & SHEC shall be considered
Any other payment to non-resident	
- Where amount of such payment exceeds 10 crore	Surcharge, education cess & SHEC shall be considered.
- Where amount of such payment exceeds 1 crore but does not exceed 10 crore	Surcharge, education cess & SHEC shall be considered.
- Where amount of such payment does not exceed 1 crore	Education cess & SHEC shall be considered.

Your Preparation Quick Takes

GROUP: 1, PAPER: 8

COST ACCOUNTING
(CAC)

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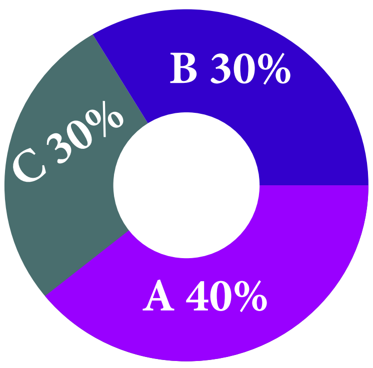

Syllabus Structure

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

Learning Objectives:

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

World is now facing the problem of scarcity of natural resources. For this reason optimum utilization of resources is very much essential to meet need of the day. In this context Cost Accountant can play P-votal role all over the world. Hence, theory as well as solving the practical problems are very much essential for securing good marks in the exam. You please go through the theoretical part first for easy understanding the topic and then try to solve the problems that are in exercise. Start from Chapter one and try to complete the other chapters serially as this will enable you to understand better the succeeding chapters. Always try to remember that in professional examinations, emphasis is given on testing comprehension, self expression, understanding and ability to apply knowledge in divergent situation. Success of these examinations considerably depends on style of preparation which should have perseverance, regularity of efforts, detailed practice, vision and objectivity.

Some tips based on experience are suggested here:

1. A plane should be developed for completing the syllabus within specified time.
2. Try to go through your Study Note and know the syllabus properly.
3. Analyze the trends of setting questions.
4. This paper is based on mainly solving the practical problems.
5. Clarity of concepts and self expression is essential for successful result.
6. Try to improve your speed by practice and revision for able to attempt all questions in limited time.
7. Finally, try to develop a habit of reading the questions well, underlining and understanding the specific requirements.

Here the entire syllabus is divided into **six main chapters**. In first chapter the basic concept of cost accounting are discussed, beside its other two branches viz, financial accounting and management accounting. The second chapter described the Elements of cost in details. The three major elements of costs are – Material, Labour and Overheads. Here the major elements of costs are discussed elaborately and analyzed element-wise with sufficient number of examples. Material consists of the major part of total cost of a product, hence it is necessary to control this cost. You should read the scope and objectives of different Cost Accounting Standards in details. It will help to grasp the concept of cost accounting easily. Try to solve the problems on earnings of workers under different schemes. Cost allocation, Cost apportionment and cost absorption should be understood very clearly.

The next chapter is associated with 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.

The chapter contract costing is important for this type of examination. Students often experience difficulty in recommending the amount of profit to be taken into account during a period for long-term contract. There are some standard norms for completion and recognition of profit/ Loss of incomplete contract. Make sure that you are familiar with various methods/formulas for different stage of completion and share of profit. Students are also advised to go through the topic "Profit on incomplete contracts based on SSAP-9". Problems on escalation clause are also very important for this paper.

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. The finding out the 'Composite Unit' is very important for finding the solution of these type problems.

The chapter Marginal Costing aims to find out cost-volume-profit relationships. And it is very important form the students perceptive. It aims to find out Cost-volume-profit relationships. Some times more than one problem may be expected from this chapter. The main objective should be to understand the wordings of the problem and to determine the desired impact on profitability. Break-even Analysis and finding the B.E.P. is the basis part for solving problem. You should also study the effect on profits due to various changes in Fixed Cost/ Variable Cost/ Selling Price / Sales Mix and the effect of the above on Brake-Even-Point as well as Margin of Safety.

The next chapter relates to 'Variance Analysis' which deals with creating responsibilities and identifying the activities or areas of exceptions. The main purpose of variance analysis is to enable the management to improve the operation for effective utilization of resources and to increase the efficiency by reducing costs. Some students are afraid of this important chapter only because of different formulae for different analysis. Only careful study and realization of the requirement in the problem can eliminate such difficulties. Finally the step should be taken based on the causes of variance.

'Budget and Budgetary Control' which requires preparation of 'Flexible Budget', Functional Budget, and 'Cash Budget' for taking necessary actions. Theoretical and problem oriented questions may be set from this chapter. The students can easily understand the problems, if theory remains clear. The students are also suggested to go through the theoretical parts-like, concept of Zero-based Budgeting, behavior and classification of Budgets etc very carefully. All functional budgets are summarized into master budget consisting of a Budgeted Profit and Loss Account, a Balance Sheet and Cash Flow Statement. A common mistake is to incorrectly deduct closing stocks and opening stocks when preparing production and material purchased budget. The students should also go through the theory –like, concepts of Zero-Based Budgeting, Behavior and Classifications of Budgets etc.

Sometimes problems may arise regarding utilization of overhead rates VIZ. Departmental as well as plant-wise. Due to variation of rates of overhead valuation of product may differ. Hence, depending on the circumstance , the decision may be taken in different ways . Let us take an example , which will clear the problem to some extent.

Example :-

A Company produces two products **X** and **Y**. For the purpose of product costing , an overhead rate of application of Rs. 1.70 per direct labour hour was used , based on budgeted factory overhead of Rs. 340000/- and budgeted direct labour hours of 200000 as follows:

	Budgeted Factory O/H	**Budgeted lab. hours**
Department - 1.	Rs. 240000.00	100000.00
Department - 2.	Rs. 100000.00	100000.00
	Rs. 340000.00	200000.00

The number of labour hours required to manufacture each of these product was:

	Product	
	X	Y
In Department -1	4	1
In Department -2	1	4
	5	5

At the end of the year, there was no work in process. There were however, 2000 and 6000 finished units, respectively, of product **X** and **Y** on hand. Assume that budgeted activity was attained

a) What was the effect on the Company's income of using a plant-wise overhead rate instead of departmental overhead rates?

b) Assuming that material and labour costs per unit of product **X** were Rs. 10 and the selling price was established by adding 40% to cover profit and selling and administrative expenses. What difference in selling price would result from the use of departmental against plant-wise overhead rates?

We may solve the above problem in this way –

a) Plant-wise overhead Rates and Departmental Overhead Rates : –

Department 1 = Rs. 240000 ÷ 100000 = 2.40 per D.L.H.
Department 2 = Rs. 100000 ÷ 100000 = 1.00 per D.L.H.

	Product – X (Rs.)		Product – Y (Rs.)	
(i) Plant-wise overhead	5 x 1.70 =	Rs. 8.50	5 x 1.70 =	Rs. 8.50
(ii) Departmental overhead				
Department -1	4 x 2.40 =	Rs. 9.60	1 x 2.40 =	Rs. 2.40
Department -2	1 x 1.00 =	Rs. 1.00	4 x 1.00 =	Rs. 4.00
		Rs. 10.60		Rs. 6.40
(iii) Difference between [(i)–(ii)]		(-) 2.10		(+) 2.10
(iv) Difference in finished units	2000 x (-2.10)=(-)4200		6000 x 2.10 =	12600

Hence, Overall difference = 12600 – 4200 = 8400

Effect on the Company –
By using plant-wise overhead rate, the closing stock of product **X** was undervalued to the extent of Rs. 4200 and closing stock of product **Y** was overvalued to the extent of Rs. 12600. The overall over-valuation of these products comes to Rs. 8400. In other words, the company's income was overstated by Rs. 8400.

(b)

		Product A (in Rs.)
(i)	Material and labour cost @ Rs. 10.00 per unit	10.00
	Plant wise overheads	8.50
	Work cost	18.50
	Add : 40% to cover profit, selling and administrative expenses	7.40
	Selling price	25.90
(ii)	Material and labour cost	10.00
	Departmental overheads	10.60
	Work cost	20.60
	Add : 40% to cover profit, selling and administrative expenses	8.24
	Selling Price	28.84
	Difference (ii - i)	2.94

Your Preparation Quick Takes

GROUP: 2, PAPER: 9, Part- i

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM)

Operation Management

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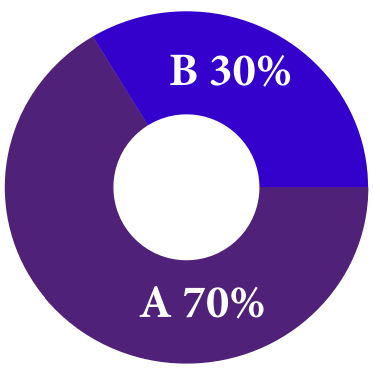


Syllabus Structure
A Operations Management **70%**
B Strategic Management **30%**

Learning Objectives:

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

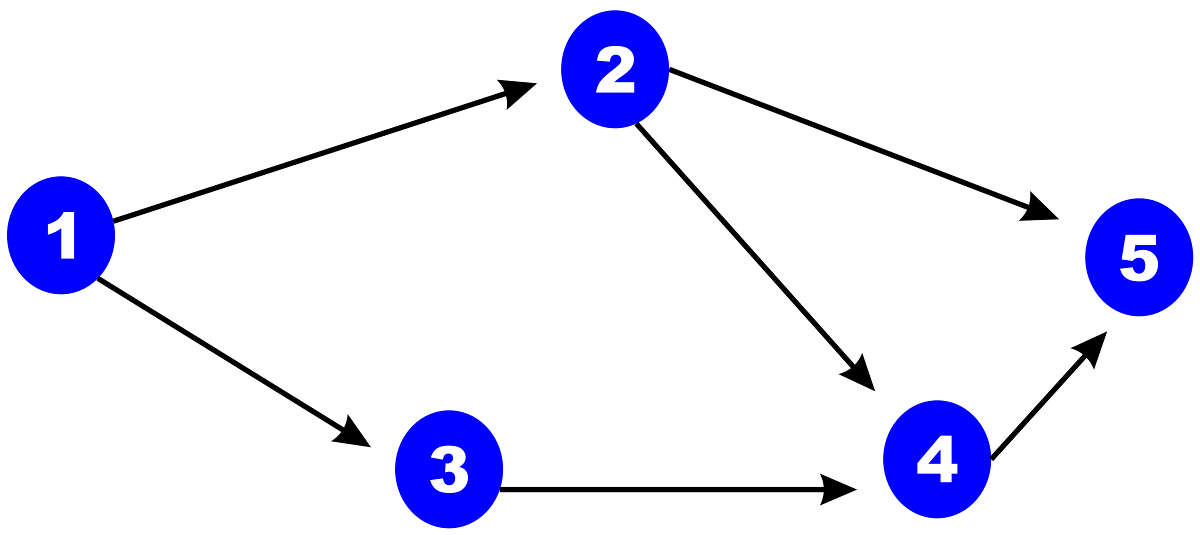
Operations Management

In this issue let us discuss broad approach to scheduling of projects in the face of resource constraints. This is in continuation of our discussion in the June'18 Issue.
Let us take the same simple example given in June'18 issue as follows

Activity	Time (months)
1-2	13
1-3	12
2-4	2
3-4	8
2-5	15
4-5	2

The network diagram and other requisite details for scheduling programme are given here again taken from June'18 issue.

Network Diagram



Activity	Time	Event	EOT	LOT
1-2	13	1	0	0
1-3	12	2	13	13
2-4	2	3	12	18
3-4	8	4	20	26
2-5	15	5	28	28
4-5	2			

Activity	EST	EFT	LST	LFT
1-2	0	13	0	13
1-3	0	12	6	18
2-4	13	15	24	26
3-4	12	20	18	26

2-5	13	28	13	28
4-5	20	22	26	28

Activity	Total Float	Free Float	Independent Float
1-2	0	0	0
1-3	6	0	0
2-4	11	5	5
3-4	6	0	-6
2-5	0	0	0
4-5	6	6	0

Please refer June'18 issue for clear understanding on the methods for constructing all the aforementioned figures.

For the proper planning of a project, scheduling and control of the activities of the project are required through network techniques under given inter-relationships among various activities and constraints on the availability of resources.

When adequate resources are available for generating various schedules, the early start schedule, the late start schedule or any other schedule lying between these two bounds, information was required only regarding network logic and activity duration.

In real life situations however there may be restrictions on the availability of resources. When restrictions exist various schedules may have to be considered to find out which one is most appropriate in the light of these restrictions.

Scheduling to match release of funds:
The cost estimates for various activities for our project details of which are given above are:

Activity	Duration in Months	Cost per Month(B)	Cost (B)
1-2	13	2,00,000	26,00,000
1-3	12	5,00,000	60,00,000
2-4	2	10,00,000	20,00,000
2-5	15	1,00,000	15,00,000
4-5	2	7,50,000	15,00,000
		Total	1,56,00,000

The government has decided to release B1,56,00,000 required for the project in the following manner:

B69,00,000 in the first year, B68,00,000 in the second year and B19,00,000 in the third year. It has also stipulated that the unspent amount would lapse and hence cannot be carried forward.

Before we develop the project schedule, a preliminary question may be asked: Is it possible prima facie to schedule this project without extending its duration beyond 28 months, which is the minimum time required given the network logic and activity durations. To answer this question let us look at the funds requirement for the early start schedule and late start schedule. This is shown below in Table 1 and Table 2:
In tables 1 and 2 funds requirements for projects month wise and cumulative are shown. The cumulative project requirements for EST and LAST are also shown in form of cost curve in the following fig. 4

Start To Finish	Duration (months)	Activity						Expenditures	
		1-2	1-3	2-4	3-4	2-5	4-5	Monthly	Cumulative
0-1	1	2	5					7	7
1-2	2	2	5					7	14
2-3	3	2	5					7	21
3-4	4	2	5					7	28
4-5	5	2	5					7	35
5-6	6	2	5					7	42
6-7	7	2	5					7	49
7-8	8	2	5					7	56
8-9	9	2	5					7	63
9-10	10	2	5					7	70
10-11	11	2	5					7	77
11-12	12	2	5					7	84
12-13	13	2		2.5				4.5	88.5
13-14	14			10	2.5	1		13.5	102
14-15	15			10	2.5	1		13.5	115.5
15-16	16				2.5	1		3.5	119
16-17	17				2.5	1		3.5	122.5
17-18	18				2.5	1		3.5	126
18-19	19				2.5	1		3.5	129.5
19-20	20				2.5	1		3.5	133
20-21	21					1	7.5	8.5	141.5
21-22	22					1	7.5	8.5	150
22-23	23					1		1	151
23-24	24					1		1	152
24-25	25					1		1	153
25-26	26					1		1	154
26-27	27					1		1	155
27-28	28					1		1	156
Total		26	60	20	20	15	15	156	

Start To Finish	Duration (months)	Activity						Expenditures	
		1-2	1-3	2-4	3-4	2-5	4-5	Monthly	Cumulative
0-1	1	2						2	2
1-2	2	2						2	4
2-3	3	2						2	6
3-4	4	2						2	8
4-5	5	2						2	10
5-6	6	2						2	12
6-7	7	2	5					7	19
7-8	8	2	5					7	26
8-9	9	2	5					7	33
9-10	10	2	5					7	40
10-11	11	2	5					7	47
11-12	12	2	5					7	54
12-13	13	2	5					7	61
13-14	14		5			1		6	67
14-15	15		5			1		6	73
15-16	16		5			1		6	79
16-17	17		5			1		6	85
17-18	18		5			1		6	91
18-19	19				2.5	1		3.5	94.5
19-20	20				2.5	1		3.5	98
20-21	21				2.5	1		3.5	101.5
21-22	22				2.5	1		3.5	105
22-23	23				2.5	1		3.5	108.5
23-24	24				2.5	1		3.5	112
24-25	25			10	2.5	1		13.5	125.5
25-26	26			10	2.5	1		13.5	139
26-27	27					1	7.5	8.5	147.5
27-28	28					1	7.5	8.5	156
Total		26	30	0	5	15	15	156	

From the above table we find that:

1. The rate of expenditure is relatively higher for the earlier stages on the EST schedule and is relatively higher for the later stages in LST schedule.
2. A rate of spending greater than that of the EST schedule is not possible. This is so because under this schedule all the activities are started as early as possible. So any release of funds above the EST schedule requirement curve is beyond the capacity of the project to spend.
3. The rate of spending corresponding to the LST schedule is the absolute minimum necessity to complete the project on time. Something less than this will definitely force the project developer to extend the project completion time.
4. A pattern of funds release lying between the two bounds, EST schedule and LST schedule (see figure4, area bounded by EST curve and LST curve) requirement, prima facie suggests that a schedule can be worked out without extending project duration.

Now let us look at the cumulative funds release pattern for our illustrative project. This lies between EST requirement and LST schedule requirement (Refer fig 4). So prima facie it suggests that a feasible schedule without extending the project duration can be developed. As maximum spending as EST and minimum spending as per LST both complete the project by 28th months (Refer fig 4).
Now let us consider scheduling year by year.

The activities that begin in year 1 according to EST are (1-2) and (1-3). Now if both these activities are commenced as early as possible, the fund requirement for year 1 would be B84 lakhs (Refer table 1 corresponding to row 11-12). Since this amount exceed B 69 lakhs, the amount to be released in year 1. Therefore the expenditure in year 1 has to be reduced by B (84-69) = B 15lakhs. For this we consider the possibility of shifting activities to subsequent periods.

Out of two activities (1-2) and (1-3) we cannot reschedule activity (1-2) as it is on critical path (Refer fig 1) and total float is zero (Refer fig 3). On the other hand activity (1-3) is not on the critical path(Refer fig 1) and has a total float of 6 months (Refer fig 3). Now to save B 15lakhs if we have to reschedule activity (1-3). Since cost per month for activity (1-3) is B 5lakhs, if we reschedule it by only 3 months (Total float is 6 months), we can save B (3*5) =B 15 lakhs. The new schedule will be as follows in Table 3:

In table 3 we can observe that after reschedule of activity (1-3) the amount spent in year 1 becomes equal to the amount released in year 1 i.e. B69 lakhs(Refer table 3 corresponding to row 11-12).

Start To Finish	Duration (months)	Activity						Expenditures	
		1-2	1-3	2-4	3-4	2-5	4-5	Monthly	Cumulative
0-1	1	2						2	2
1-2	2	2						2	4
2-3	3	2						2	6
3-4	4	2	5					7	13
4-5	5	2	5					7	20
5-6	6	2	5					7	27
6-7	7	2	5					7	34
7-8	8	2	5					7	41
8-9	9	2	5					7	48
9-10	10	2	5					7	55
10-11	11	2	5					7	62
11-12	12	2	5					7	69
12-13	13	2	5		2.5			9.5	78.5
13-14	14		5	10	2.5	1		18.5	97
14-15	15		5	10	2.5	1		18.5	115.5
15-16	16				2.5	1		3.5	119
16-17	17				2.5	1		3.5	122.5
17-18	18				2.5	1		3.5	126
18-19	19				2.5	1		3.5	129.5

19-20	20				2.5	1		3.5	133
20-21	21					1	7.5	8.5	141.5
21-22	22					1	7.5	8.5	150
22-23	23					1		1	151
23-24	24					1		1	152
24-25	25					1		1	153
25-26	26					1		1	154
26-27	27					1		1	155
27-28	28					1		1	156
Total		26	45	20	20	15	15	156	

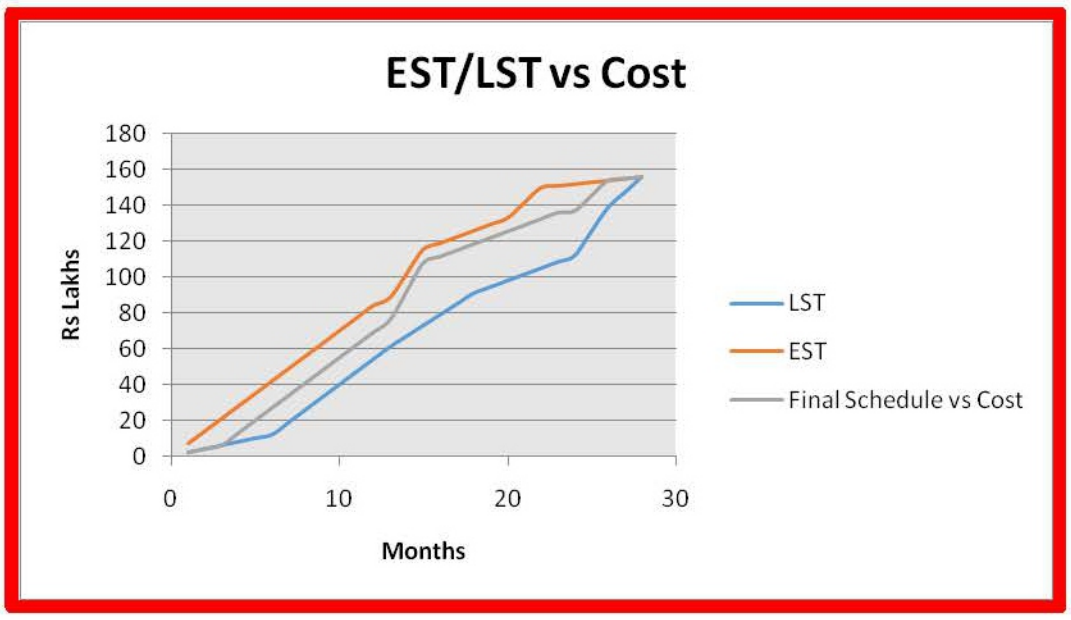
We now go to year 2. Before rescheduling activity (1-3) as in table 3 above, the funds requirement for year 2 was B (152-84) = B 68lakhs as per EST schedule (Refer row corresponding to 23-24 and row corresponding to 11-12 in table1). This was in line with the release of the fund by the Government for the second year. But as soon as we reschedule activity (1-3) by 3 months the requirement for funds in the second year will get distorted w.r.t fund release and requirement will be B (152-69) = B83lakhs--- requirement increases by B15 lakhs over and above what it is for EST schedule (table1).

Moreover as we shift activity (1-3) its earliest start schedule will be 3 months instead of 0 and its earliest finishing time will be 15 months instead of 12 months. As a result activity (3-4) we have to start latest by 15 months instead of 12 months and its earliest finishing time will be 23 months instead of 20 months. Activity (3-4) could be shifted by these 3 months as it has a total float of 6 months (Refer fig3).

As a result of this shifting of activity (3-4) activity (4-5) needs to be rescheduled. Earliest Start time of activity (4-5) now will be 23months instead of 20 months and earliest finishing time will be 25 months instead of 22 months.Activity (4-5) could be shifted by these 3 months as it has a total float of 6 months (Refer fig3).

The net result of shifting activity (1-3),(3-4) and (4-5) on cumulative cost requirement are given in Table 4 below.
But through this shifting fund requirement in 2nd year will become B (144.5-69) = B75.5 which is more than the fund amount released B 68 lakhs by B7.5 lakhs. So to match the fund requirement in 2nd year with the amount of fund release in 2nd year, we require to shift activity (4-5) fully to 3rd year. This will match the 2nd year requirement with the fund release pattern. Activity (4-5) has total float of 6 months. Therefore we could shift it by 4 months and fund requirement in every year will match the pattern of yearly fund release. The ultimate schedule of the activities is given in Table 5 below:

In fig 5 we could observe that ultimate schedule is within EST and LST schedule



Start To Finish	Duration (months)	Activity						Expenditures	
		1-2	1-3	2-4	3-4	2-5	4-5	Monthly	Cumulative
0-1	1	2						2	2
1-2	2	2						2	4
2-3	3	2						2	6
3-4	4	2	5					7	13
4-5	5	2	5					7	20
5-6	6	2	5					7	27
6-7	7	2	5					7	34
7-8	8	2	5					7	41
8-9	9	2	5					7	48
9-10	10	2	5					7	55
10-11	11	2	5					7	62
11-12	12	2	5					7	69
12-13	13	2	5					7	76
13-14	14		5	10		1		16	92
14-15	15		5	10		1		16	108
15-16	16				2.5	1		3.5	111.5
16-17	17				2.5	1		3.5	115
17-18	18				2.5	1		3.5	118.5
18-19	19				2.5	1		3.5	122
19-20	20				2.5	1		3.5	125.5
20-21	21				2.5	1		3.5	129
21-22	22				2.5	1		3.5	132.5
22-23	23				2.5	1		3.5	136
23-24	24					1	7.5	8.5	144.5
24-25	25					1	7.5	8.5	153
25-26	26					1		1	154
26-27	27					1		1	155
27-28	28					1		1	156
Total		26	45	20	12.5	15	0	156	

Start To Finish	Duration (months)	Activity						Expenditures	
		1-2	1-3	2-4	3-4	2-5	4-5	Monthly	Cumulative
0-1	1	2						2	2
1-2	2	2						2	4
2-3	3	2						2	6
3-4	4	2	5					7	13
4-5	5	2	5					7	20
5-6	6	2	5					7	27
6-7	7	2	5					7	34
7-8	8	2	5					7	41
8-9	9	2	5					7	48
9-10	10	2	5					7	55
10-11	11	2	5					7	62
11-12	12	2	5					7	69
12-13	13	2	5					7	76
13-14	14		5	10		1		16	92
14-15	15		5	10		1		16	108
15-16	16				2.5	1		3.5	111.5
16-17	17				2.5	1		3.5	115
17-18	18				2.5	1		3.5	118.5
18-19	19				2.5	1		3.5	122
19-20	20				2.5	1		3.5	125.5
20-21	21				2.5	1		3.5	129
21-22	22				2.5	1		3.5	132.5
22-23	23				2.5	1		3.5	136
23-24	24					1		1	137
24-25	25					1	7.5	8.5	145.5
25-26	26					1	7.5	8.5	154
26-27	27					1		1	155
27-28	28					1		1	156
Total		26	45	20	12.5	15	0	156	

Suggestions:

This issue is based on Production and projects Preparation Appraisal Budgeting and Implementation by Prasanna Chandra. The problem is just indicative type from which maximum benefits could be reached once Guide book on the paper 9- Operations Management & Strategic Management along with reference books are thoroughly consulted.

Your Preparation Quick Takes

GROUP: 2, PAPER: 9, Part- ii

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM)

Strategic Management

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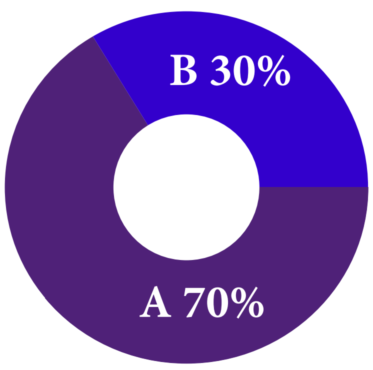

Syllabus Structure
A Operations Management **70%**
B Strategic Management **30%**

Learning Objectives:

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

What is a Company Mission?

The mission is a broadly framed but enduring statement of company intent. It embodies the business philosophy of strategic decision makers; implies the image the company seeks to project; reflects the firm's self-concept; indicates the principal product or service areas and primary customer needs the company will attempt to satisfy. In short, the mission describes the product, market, and technological areas of emphasis for the business. And it does so in a way that reflects the values and priorities of strategic decision makers.

The mission of a business is the fundamental, unique purpose that sets it apart from other firms of it's type and identifies the scope of it's operations in product and market terms. The mission is a general, enduring statement of company intent. It embodies the business philosophy of strategic decision makers, implies the image the company seeks to project, reflects the firm's self-concept, and indicates the principal product or service areas and primary customer heeds the company will attempt to satisfy. In short, the mission describes the product, market, and technological areas of emphasis for the business in a way that reflects the values and priorities of the strategic decision makers.

Formulation of Organisational Mission:
Organisation can not declare the mission just on some great whim and fancy, it should be based on organisations' existing capabilities and achievable milestones. Here are some guidelines for formulation of "mission" statement

- It should be based on existing business capabilities "Who we are and what we do?"
- It should follow the long term strategy principles
- Profit making should not be the only mission of organisation
- It should be logical extension of business existing capabilities
- It should clearly and precisely present the future orientation of business
- It should includes achievable missions
- It should be stated in a form that it becomes the motivating force to every member of organisation
- Mission statement once formed shall be communicated to every member of organisations
- It should include interest of customers and society

Objectives, Goals and Targets:
We frequently use the term organisation's "objectives and goals", the term "objective and goals" set target of any particular aspect like profit and revenue growth, etc.

Here are some common definitions of Objectives;

- Objectives are performance targets which organisations wants as result or outcomes in the specified periods
- Objectives achievements are used as benchmark of organisation performance and success
- Objectives are formed from visions and mission statement of organisations
- Objectives are interchangeably used with goals but goals are defined as more precise and specific with closed ended attribute (in precise quantity form) whereas objectives are open ended for future states or outcome not as precise as goals. Objectives are for long term whereas goals are for short term

Characteristics of Objectives: Objectives characterise business long-term prospective, such as:

- Facilitate to achieve mission and goals
- Set the basis for strategic decision making
- Clear the relationship of organisation with environment
- Should be understandable by each member of organisation
- Should be measurable and controllable
- Should be related to time frame
- Should be challenging
- Should be concrete and specific
- Should be formed within the constraints
- Should motivate people.

Mission & Strategy:
Mission sets the direction for the strategic development of the organization. As Pter Drucker said, the mission "focuses the organization an action. It defines the specific strategies needed to attain the crucial goals. It creates a disciplined organization. It alone can prevent the most common degenerative disease of organizations, especially large ones, splintering their always limited resources on things that are interesting or look profitable rather than concentrating them on a very small number of productive efforts".

As 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?

Mission is meaningless unless it is adequately supported by other essential inputs. In fact, without an effective mission statement there will be no performance.

"Outstanding people have one thing in common: An absolute sense of Mission"

Your Preparation Quick Takes

GROUP: 2, PAPER: 10

COST & MANAGEMENT ACCOUNTING AND FINANCIAL MANAGEMENT(CMFM)

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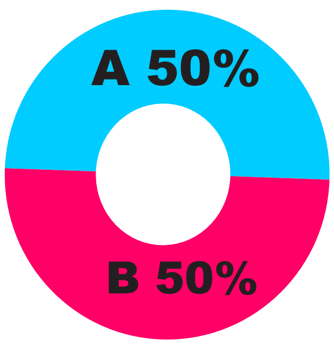


Syllabus Structure
A Cost & Management Accounting **50%**
B Financial Management **50%**

Learning Objectives:

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

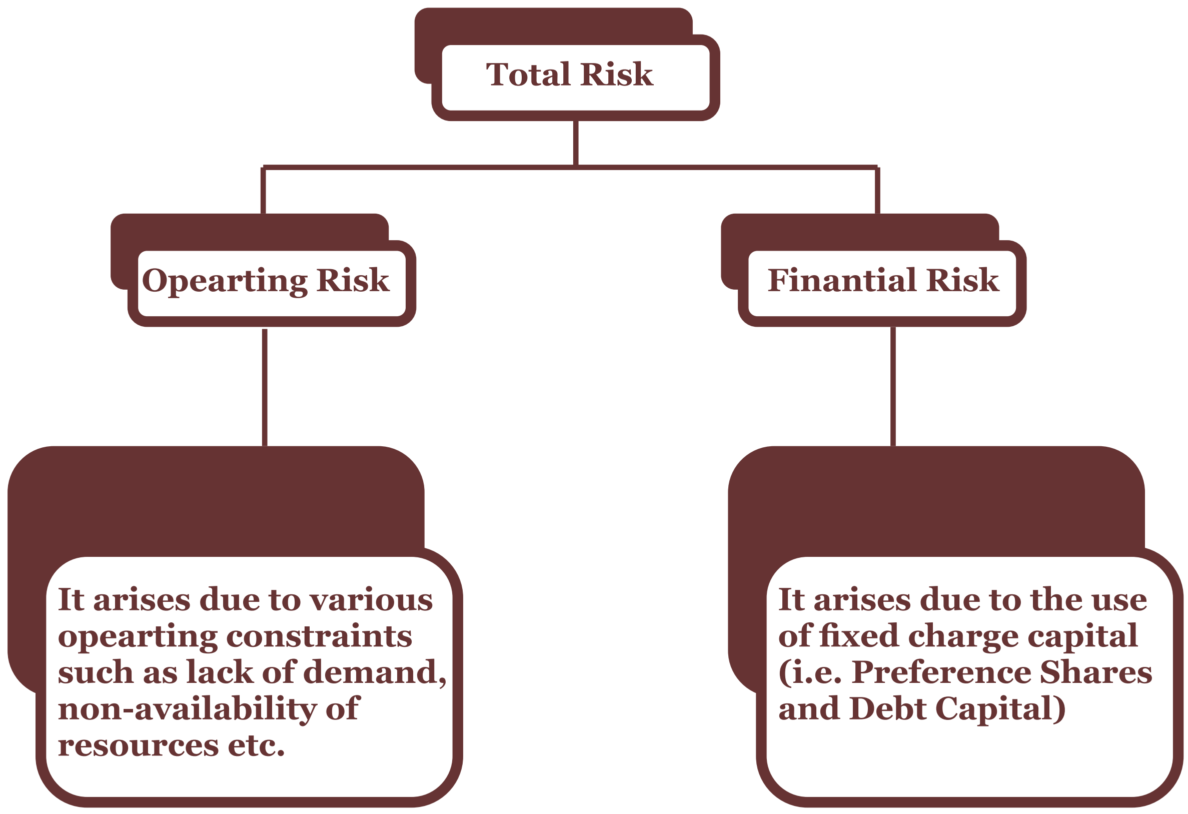
Cost & Management Accounting and Financial Management

Section B

Chapter 10: Leverage Analysis:

- **Introduction:**
  The term 'Leverage' comes from 'Lever' which is mostly used in Physics to mean 'an instrument which can enhance the effect of force applied on it'. However, when used in financial literature, the term 'Leverage' refers to 'a process of magnifying the effect of utilization of fixed cost on profit'. Leverage is basically a measure of risk of an organization. In that sense, it is nothing but a measure of sensitivity similar to the elasticity of demand to price or other factors.

- **Risk and Leverage:**
  In an organization 'risk' refers to the sensitivity of its profit due to various endogenous and exogenous factors. This risk can further be subdivided into Business/ Operating Risk and Financial Risk. These risks are measured in terms of various leverages.



While operating risk is measured by operating leverage, financial risk is measured by financial leverage. The total risk is measured by combined leverage.

- **Operating Leverage:**
  - **Concept of Operating Leverage:**

Operating leverage occurs when firm's change in sales is accompanied by a more than proportional change in its operating profit (i.e. EBIT). Operating leverage represents a firm's capability to use fixed operating costs to magnify the effect of change in sales into operating profit. This is because, when a firm ensures proper utilization of its fixed operating costs, its profit increases by the same amount as its increase in contribution. As a result the percentage increase in operating profit appears higher than the percentage increase in sales.

Consider the following example:

Current level of activity 8000 units with expectation of change 50%. Unit selling price Rs. 20, unit variable cost Rs. 10. Show the impact of change in sales on operating profit when (i) there is no fixed cost and (ii) when there is a fixed cost of Rs. 20000

Solution:

(i) Table showing change in Operating Profit (without fixed cost)

Particulars	Present Activity	Proposed Activity	
		(+) 50%	(-) 50%
Units produced and sold	8000	12000	4000
Contribution p.u (20-10)	10	10	10
Total contribution	80000	120000	40000
Fixed cost	nil	nil	nil
EBIT	80000	120000	40000
Change in EBIT (Rs.)	----------	(+)40000	(-)40000
% Change in EBIT	-----------	(+)50%	(-) 50%

Thus when fixed cost is absent, the % Change in EBIT is exactly the same with % Change in Sales. Hence there is no operating leverage effect.
(ii) Table showing change in Operating Profit (with fixed cost)

Particulars	Present Activity	Proposed Activity	
		(+) 50%	(-) 50%
Units produced and sold	8000	12000	4000
Contribution p.u (20-10)	10	10	10
Total contribution	80000	120000	40000
Fixed cost	20000	20000	20000
EBIT	60000	100000	20000
Change in EBIT (Rs.)	----------	(+)40000	(-)40000
% Change in EBIT	----------	(+)66.67%	(-) 66.67%

Thus when fixed cost is present, the % Change in EBIT is more than % Change in Sales. This is due to the fact that the company has increased the level of sales without any additional fixed cost. Hence there is operating leverage effect present.

- **Measurement of Operating Leverage:**

Operating leverage is measured in terms of the Degree of Operating Leverage or DOL. It is basically a measure of sensitivity of operating profit to change in sales.

Thus, by definition, Degree of Operating Leverage or DOL = $\dfrac{\text{Percentage Change in EBIT}}{\text{Percentage Change in Sales}}$

However, for a given level of operation, the above formula can be broken down to DOL = $\dfrac{\text{Contribution}}{\text{EBIT}}$

Suppose

q = Quantity or volume of sales, p = Selling price per unit, v = Variable cost per unit, f = Total operating fixed costs

So, $(p - v)$ = Contribution per unit

And $q(p - v)$ = Total contribution

Again, Δq = Change in sales

Now, EBIT = Total contribution – Total operating fixed costs = $q(p - v) - f$

Hence, Change in EBIT = Δ EBIT = $\Delta q(p - v)$ [since f is fixed]

$$\text{Now, DOL} = \frac{\text{Percentage Change in EBIT}}{\text{Percentage Change in Sales}} = \frac{\text{Change in EBIT / EBIT}}{\text{Change in Sales / Sales}} = \frac{\dfrac{\Delta \text{EBIT}}{\text{EBIT}}}{\dfrac{\Delta \text{Sales}}{\text{Sales}}} = \frac{\dfrac{\square q(p-v)}{q(p-v)-f}}{\dfrac{\Delta q}{q}}$$

$$= \frac{q(p-v)}{q(p-v)-f} = \frac{\text{Contribution}}{\text{EBIT}}$$

- **Operating Leverage and Margin of Safety:**

Margin of safety refers to the excess of actual sales over and above the break even sales. Break even sales represents the sales that is required to recover the entire fixed cost without any residual profit.

Now, keeping all other factors (such as unit selling price and unit variable cost), as the fixed cost increases, break even sales increases. As a result the margin of safety decreases. Since, increase in fixed cost increases DOL, so there is an inverse relationship (perfect reciprocal) between DOL and MOS (as a percentage of actual sales). Since higher MOS means higher cushion against possible adverse impact on operating profit, low DOL is always preferable. The relationship between DOL and MOS can be proved as follows:

$$\text{MOS (as a percentage of actual sales)} = \frac{\text{Margin of safety}}{\text{Sales}} = \frac{\text{Sales - BEP}}{\text{Sales}} = \frac{1 - \frac{\text{Fixed cost}}{\text{P / V ratio}}}{\text{Sales}}$$

$$= \frac{1 - \frac{\text{Fixed cost}}{\text{contribution / sales}}}{\text{Sales}}$$

$$= 1 - \frac{\text{Fixed cost}}{\text{Contribution}}$$

$$= \frac{\text{Contribution - Fixed Cost}}{\text{Contribution}}$$

$$= \frac{\text{EBIT}}{\text{Contribution}} = \frac{1}{\frac{\text{Contribution}}{\text{EBIT}}} = \frac{1}{\text{DOL}}$$

Therefore, when Margin of Safety is 50% of total sales, DOL = 1/ 50% = 2.

Your Preparation Quick Takes

GROUP: 2, PAPER: 11

INDIRECT TAXATION
(ITX)

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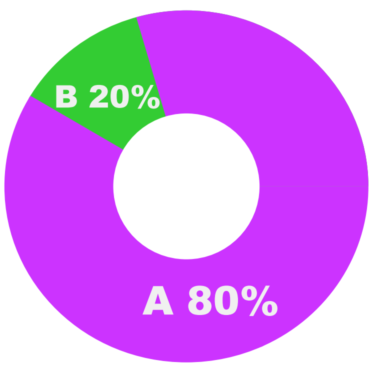


Syllabus Structure
A GST **80%**
B Customs Laws **20%**

Learning objectives:

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

INDIRECT TAXATION

The present structure of Indirect Taxes is very complex in India. There are so many types of taxes that are levied by the Central and State Governments on Goods & Services.

We have to pay 'Entertainment Tax' for watching a movie. We have to pay Value Added Tax (VAT) on purchasing goods & services. And there are Excise duties, Import Duties, Luxury Tax, Central Sales Tax, Service Tax.

As of today some of these taxes are levied by the Central Government and some are by the State governments. How nice will it be if there is only one unified tax rate instead of all these taxes?

In this post, let us understand – what is Goods and Services Tax and its importance. What are the benefits of GST Bill to Corporates, common man and end consumer? What are the advantages, disadvantages and challenges?

What is GST?

It has been long pending issue to streamline all the different types of indirect taxes and implement a "single taxation" system. This system is called as GST *(GST is the abbreviated form of Goods & Services Tax)*. The main expectation from this system is to abolish all indirect taxes and only GST would be levied. As the name suggests, the GST will be levied both on Goods and Services.

GST was first introduced during 2007-08 budget session. On 17th December 2014, the current Union Cabinet ministry approved the proposal for introduction GST Constitutional Amendment Bill. On 19th of December 2014, the bill was presented on GST in Lok Sabha. The Bill will be tabled and taken up for discussion during the coming Budget session. The current central government is very determined to implement GST Constitutional Amendment Bill.

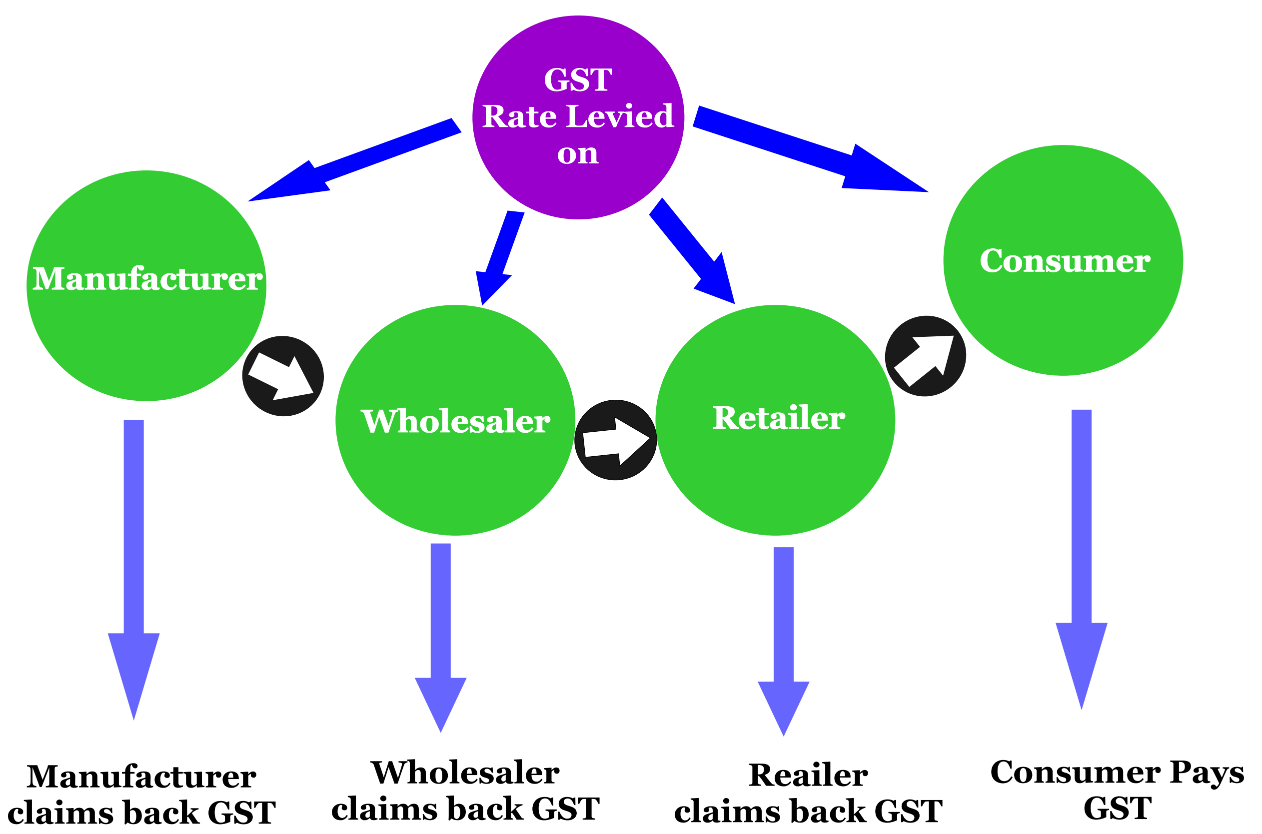
GST is a tax that we need to pay on supply of goods & services. Any person, who is providing or supplying goods and services is liable to charge GST.

GST is a consumption based tax/levy. It is based on the "Destination principle." GST is applied on goods and services at the place where final/actual consumption happens.

GST is collected on value-added goods and services at each stage of sale or purchase in the supply chain. GST paid on the procurement of goods and services can be set off against that payable on the supply of goods or services.The manufacturer or wholesaler or retailer will pay the applicable GST rate but will claim back through tax credit mechanism.

But being the last person in the supply chain, the end consumer has to bear this tax and so, in many respects, GST is like a last-point retail tax. GST is going to be collected at point of Sale.

Applicability & Mechanism of GTS



The GST is an indirect tax which means that the tax is passed on till the last stage wherein it is the customer of the goods and services who bears the tax. This is the case even today for all indirect taxes but the difference under the GST is that with streamlining of the multiple taxes the final cost to the customer will come out to be lower on the elimination of double charging in the system.

Let us understand the above supply chain of GST with an example:

GST Supplychain example (Assuming GST rate @ 8%)				
Supply of Goods	**GST Flow**	**Input Costs (ex-GST)**	**Sale Price (ex-GST)**	**GST Collected**
A weaver sells a fabric to a tailor for Rs. 108 per meter	The weaver pays GST of Rs. 8	0	Rs. 100	Rs. 8
The tailor sells a ready made completed shirt to a retailer for Rs. 270.	The tailor pays GST of Rs. 12 (After input tax claim. Weaver claims tax credit for Rs. 8)	Rs. 100	Rs. 250	Rs. 12
The retailer sells the ready made shirt in his showroom for Rs. 540.	The retailer pays GST of Rs. 20 (After input tax claim. Tailor claims tax credit for Rs. 12)	Rs. 250	Rs. 500	Rs. 20
You purchase the shirt for Rs. 540.	No Tax credit claim. You pay entire GST Rs. 40 @ 8%.	NA	NA	Total : Rs. 40

The current tax structure does not allow a business person to take tax credits. There are lot of chances that double taxation takes place at every step of supply chain. This may set to change with the implementation of GST.

Indian Government is opting for Dual System GST. This system will have two components which will be known as

- **Central Goods and Service Tax** *(CGST)* and
- **State Goods and Service Tax** *(SGST).*

The current taxes like Excise duties, service tax, custom duty etc will be merged under CGST. The taxes like sales tax, entertainment tax, VAT and other state taxes will be included in SGST.

So, **how is GST Levied**?

GST will be levied on the place of consumption of Goods and services. It can be levied on :

- Intra-state supply and consumption of goods & services
- Inter-state movement of goods
- Import of Goods & Services

The rate (percentage) of GST is not yet decided. As mentioned in the above table, there might be CGST, SGST and Integrated GST rates. It is also widely believed that there will be 2 or 3 rates based on the importance of goods. Like, the rates can be lower for essential goods and could be high for precious/luxury items.

Benefits of GST Bill implementation

- The tax structure will be made lean and simple
- The entire Indian market will be a unified market which may translate into lower business costs. It can facilitate seamless movement of goods across states and reduce the transaction costs of businesses.
- It is good for export oriented businesses. Because it is not applied for goods/services which are exported out of India.
- In the long run, the lower tax burden could translate into lower prices on goods for consumers.
- The Suppliers, manufacturers, wholesalers and retailers are able to recover GST incurred on input costs as tax credits. This reduces the cost of doing business, thus enabling fairer prices for consumers.
- It can bring more transparency and better compliance.
- Number of departments *(tax departments)* will reduce which in turn may lead to less corruption
- More business entities will come under the tax system thus widening the tax base. This may lead to better and more tax revenue collections.
- Companies which are under unorganized sector will come under tax regime.

Challenges for implementing Goods & Services Tax system

- The bill is yet to be tabled and passed in the Parliament
- To implement the bill *(if cleared by the Parliament)* there has to be lot changes at administration level, Information Technology integration has to happen, sound IT infrastructure is needed, the state governments has to be compensated for the loss of revenues *(if any)* and many more..
- GST, being a consumption-based tax, states with higher consumption of goods and services will have better revenues. So, the co-operation from state governments would be one of the key factors for the successful implementation of GST

Since GST replaces many cascading taxes, the common man may benefit after implementing it. But it all depends on 'what rate the GST is going to be fixed at?' Also, Small Traders *(based on Annual Business turnover)* may be exempted from it.

France was the first country to introduce this system in 1954. Nearly 140 countries are following this tax system. GST could be the next biggest tax reform in India. This reform could be a continuing process until it is fully evolved. We need to wait few more months for more details on Goods & Services Tax system.

Your Preparation Quick Takes

GROUP: 2, PAPER: 12

COMPANY

ACCOUNTS & AUDIT (CAA)

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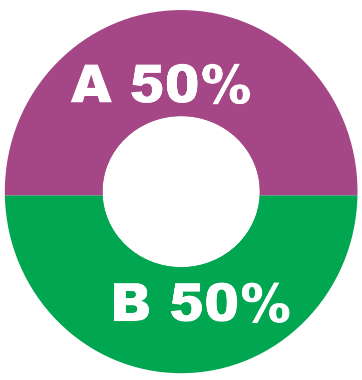

Syllabus Structure
A Accounts of Joint Stock Companies **50%**
B Auditing **50%**

Learning Objectives:

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

COMPANY ACCOUNTS & AUDIT

Let us discuss today some preliminary aspects of auditing. Auditing lays emphasis on:

1. Evaluation of evidence
2. Quantifiable information
3. Use of established criteria or evaluation
4. Auditing should be done by competent independent person

Again we are to jot down some main aspects:

1. It is thorough, systematic and analytical examination of accounting records of the client
2. The accounts have to be prepared by the other and not by auditor
3. The examination of accounting records may be made throughout the year or periodically
4. The auditing is to be carried on by independent duly qualified person
5. The auditor examines the accounting records with the help of relevant records, vouchers, documents, information and explanation following accepted tools and techniques
6. The auditor is to report with regard to truth and fairness of the profit & loss/ income & expenditure for the period and financial position of the concern as reflected in the balance sheet
7. Auditing is not confined only to the business organisations, but it maybe necessitated by any economic unit

Shortcomings of Audit:

1. The auditing does not reveal the complete picture.
2. The auditor has to depend upon the explanation. Clarification and information from the client
3. The internal control system on which the auditor may rely may not be efficient one
4. An auditor is not expected to be expert in all areas
5. Lack of high moral standards may result in clean report even under discrepancies in the accounts
6. Auditor does not give any guaranty to correctness
7. Auditing is like a post-mortem examination
8. Auditing has nothing to do with policies, ethics, efficiency etc

Different types of audit

Special Audit:

The Companies Act has empowered the Central Government to order special audit of the companies in certain cases when it is of opinion-

a) that the afairs of any company are not being managed in accordance with sound business principles or prudent commercial policies or
b) that any company is being managed in a manner likely to cause serious injury or damage to the interest of the trade, industry or business to which it pertains or
c) that the financial position of the company is such as to endanger its solvency

Cost Audit:

Cost audit is the verification of correctness of cost accounts and of the adherence of the cost accounting plan.

Propriety Audit:
Propriety audit implies verification of accounting records in such a way as to find out whether the actions and decisions have been taken in the public interest and in the best interest of the concern.

System Audit:
System audit is a detailed enquiry about the various systems of accounting and control prevailing in the enterprises and find out whether they are working efficiently or not with a view to formulate the opinion about the financial statements.

Social Audit:
Under the social audit the social performance of the business entity is to judge.

Now, we are to discuss about some aspects of planning of audit:
Audit programme:

An audit programme is a list generally in detail of steps to be performed in the course of a examination.

Audit Notebook:
For each individual audit an auditor usually maintains separate audit notebook in which he keeps the records of all important matters which he comes across while conducting the audit.

In general, audit notebook contains-

Extracts from various legal documents
All technical terms and matters used in the business
All missing vouchers, invoices etc.
All errors or fraud discovered

Extracts from correspondence with the bankers, debtors or creditors

Points for which queries were made and further explanation and clarification needed

Audit Working Papers

The file of analysis, summaries, comments and correspondence built up by auditor during the course of fieldwork of an audit engagement

Important Decisions

Kingston Cotton Mill Case – It is the duty of an auditor to bear on the work he has to perform the skill, care and the caution which a reasonably competent careful and cautious auditor would use. Auditor is a watch dog but not blood hound.

London and General Bank Limited – Auditor is an officer of the company. He must have reasonable care and skill in making enquiry and investigation.

Practical Problems

What is test checking?

Test checking implies detailed examination of a limited number of accounting data selected on random basis from the total accounting data.

What is the main object of test checking?

The main objective is to draw some valid conclusion on the accuracy of the record by checking of only limited number of accounting records drawn from the total accounting data with a view to save time as well as cost.

What are the limitations of test checking?

1. Sample selected for test checking may not reveal errors or frauds
2. Auditor may not be able to get true position of state of affairs of concern
3. Auditor may be held liable for negligence in case of subsequence detection of fraud

Today we try to encompass a bird's eye view to draw the attraction of students' eyes in broad sphere of the subject. It is not detail analysis but provides a basis of the philosophy of audit. Students are to lay deep thought process in later stage.

Enjoy the study of accounting and auditing not for examination only but forgathering knowledge. Enjoy rain from nature and from study materials.

WhitherCommunication!

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01.00 Communication

Canon of Communication: ***Reception = Perception***Communication, in literal terms, means transfer of information from one person to another. The word 'Communication' is derived from the Latin word *'communis'*, to share, participate plus the suffix - *'ion'* an act or process; thus meaning to share and transmitting data.Communication is a process that involves an exchange of information, thoughts, ideas and emotions.

Canon of Communication:
Reception = Perception

The components of a communication process are: a sender who encodes and sends the message, the channel through which the message is sent, and the receiver who decodes the message, processes the information and sends an appropriate reply via the same channel back to the sender. Communication can occur via various processes and methods.There can be various types of communication depending on the channel used and the style adopted.However, the Canon of Communication hinges on the unique equation: Reception = Perception.

Even though the whole process of communication may seem so simple, the effectiveness of each type depends to a great extent on certain internal and external environmental factors and also the communicator's ability to send, receive, decode and send a response. This is why the field of communication has been and continues to be widely studied and is given a place of importance in every walk of life.

02.00 Communication Channels

Based on the channels used for communicating, the process of communication can be broadly classified as verbal communication and non-verbal communication.

Verbal { • Oral and Written Communication

Nonverbal { • Body Language, Facial expressions and visuals

02.01 Verbal Communication

Verbal communication includes oral and written communication. The communication process conducted through spoken words is referred to as oral communication. In today's world, the emergence of different forms of media has led to the oral communication process to take place through different channels like telephones, teleconferences, video conferences, etc. Spoken conversations or dialogs are influenced by voice modulation, pitch, volume and even the speed and clarity of speaking. Written communication can be either via snail mail, or email. The effectiveness of written communication depends on the style of writing, vocabulary used, grammar, clarity and precision of language.

Oral { • Spoken Words

Written { • Mail

02.02 Nonverbal Communication

Non-verbal communication includes body language, facial expressions and visuals diagrams or pictures. Body language refers to the overall body language of the person who is speaking, which will include the body posture, the hand gestures, and the overall body movements. Also, gestures like a handshake, a smile or a hug can independently convey emotions and do not need to be accompanied by words. Facial expressions too play a major role in communication. Even expressions on a person's face say a lot about the individual's mood. Nonverbal communication can also be in the form of pictorial representations, signboards, or even photographs, sketches and paintings.

Body Language	Facial Expressions	Visuals
• Posture, Gestures, and Movements	• Expressions on face	• Pictorial representations, signboards, photographs, sketches and paintings

03.00 Communication Styles

Based on the style of communication, there can be two broad categories: formal communication and informal communication. Both of them have their own set of characteristic features.

Formal { • Business & Corporates

Informal { • Friends & Family

03.01 Formal Communication

Formal Communication includes all the instances where communication has to occur in a set formal format. Typically, this can include all sorts of business or corporate communication. The style of communication in this form is very formal and official. Official conferences, meetings and written memos and corporate letters are used for this form of communication. It can also occur between two strangers when they meet for the first time. Hence, formal communication is straightforward, official and always precise and has a stringent and rigid tone to it.

03.02 Informal Communication

Informal communication includes instances of free and unrestrained conversation between people who share a casual rapport with each other. It requires two people to have a similar wavelength and hence occurs between friends and family. It does not have any rigid rules or guidelines. The conversations need not necessarily have boundaries of time, place or even subjects. An example is friendly chats with loved ones which can simply go on and on.

04.00 Importance of Communication

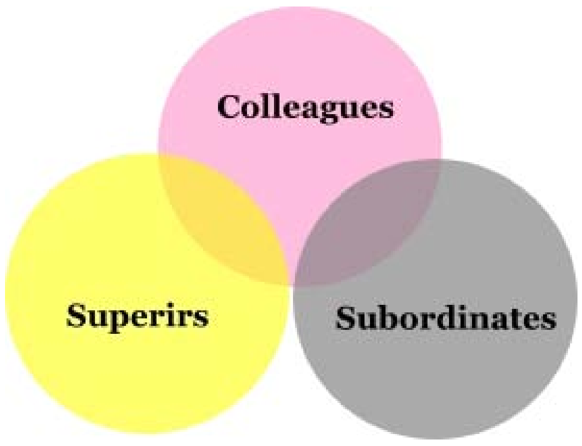
Could it be an avenue of Business, Workplace, Leadership or Relationship; communication plays a vital role. There is more to communication than just talk and gesture. To quote a visionary, "It is impossible to speak in such a way that you cannot be misunderstood". Faulty or incomplete communication can completely mar the purpose of communicating and may result in damaging consequences. This is where understanding how important communication is and communicating the right way comes into picture.

04.01 Communication in Business

The success of any business lies as much in networking and building sound professional relationships as it does in individual tact and business acumen. Communication is a crucial decisive factor in business relations. It is very important to say the right things at the right time and at the right place when dealing with any of the stakeholders such as promoters, managers, employees, customers, shareholders, media andeven competitors.

Any miscommunication or ambiguity can pour pails of cold water on your hard work and ruin your chances of survival in today's competitive business environment. Maintaining professional etiquette in oral and written business communication is of utmost importance and must not be taken lightly. Effective communication skills in business go a long way in scaling your financial success.

04.02 Communication in the Workplace



The most difficult part of running an organization is managing the human resources. This is one resource which doesn't work on any isolated principle of management, economics, psychology or any other social science! This is the most random and volatile resource which must be managed with great dexterity to reach the desired organizational goals.

The salience of communication in the workplace is manifold, as it involves communication along vertical, horizontal and parallel organizational levels and such communication should always follow the hierarchy prescribed by the organization. A breach of the hierarchical channel of communication is known as a *Gang Plank* and should be avoided as much as possible.

Communication in the workplace involves interpersonal communication between colleagues, superior and subordinate and vice versa and workplace communication skills come handy in many situations. A clear understanding of the purpose of such communication, especially if it is of a vertical nature, along with the expectations of the sender and receiver are extremely important for the smooth running of an organization.

04.03 Communication in Leadership

> ***Abraham Lincoln and Mahatma Gandhi are prominent examples of outstanding leadership through effective communication.***

A leader is expected to represent the followers and motivate them to reach heights of success through individual and collective effort. Communication is the best equipment a leader can employ to achieve this goal. Even ideals resting upon strong principles can fall flat and fail to motivate due to lack of effective communication skills. History is galore with examples of many national leaders who have moved the masses by their life-changing speeches and powerful writings! Abraham Lincoln and Mahatma Gandhi are prominent examples of outstanding leadership through effective communication.

04.04 Communication in Relationships

It is probable that we all have, some time or the other, experienced certain roadblocks and voids in our relationships owing to a lack of communication. Lack of communication in relationships result in frustrations, misunderstandings, unrealistic expectations, guilt and can create personal differences. It is difficult for people who share their lives with each other to coexist for long without having regular and smooth communication for oiling the machinery of the relationship. Relationship communication problems can only be solved through active and effective communication.

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05.00 Quick Take

Communication is an art and also a science that needs to be articulated with zeal and diligence.

PRACTICAL Advice

ABOUT YOUR STUDIES - INTERMEDIATE COURSE

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

SUBMISSION

Updation of E-Mail Address/Mobile:

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

Dear Students,

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

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

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

Send your Feedback to:
e-mail: studies.ebulletin@icmai.in
website: http://www.icmai.in

Message from

Directorate of Studies

Dear Students,

We have stepped into 2018 and with new enthusiasm for the future to come, it is also a time to reflect on the year gone by and the beautiful moments shared with all. Express your gratitude and spare your thoughts for all who have supported you and remember to make a new year resolution to do much better in every sphere of your life.

'Learn from yesterday, Live for today, Hope for tomorrow'

For the smooth and flawless preparation. Directorate of Studies have provided meaningful tips which will help you to gain sufficient knowledge about each subject."Tips" are given in this E-bulletin by the knowledge experts for the smooth encouragement in you preparation. We are sure that all students will definitely be benefitted by those tips and that will help them to brush up their knowledge and also to swim across.

Take the course seriously from the very beginning but don't be panicky. Please try to follow the general guidelines, mentioned below; which may help you in your preparation.

Essentials for Preparation:

- Conceptual understanding & Overall understanding of the subject both 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 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 PPT on "Achieve your GOAL : **http://icmai.in/studentswebsite**

Wishing you all BEST OF LUCK in your forthcoming Examination.

Be Prepared and Get Success;

Snapsort

Platinum Jubilee celebrations of the Institute on 14th July 2018 at Vigyan Bhawan, New Delhi.

National Students' Convocation 2018 on Tuesady, July 10, 2018 at 10:00 a.m. at Science City, Kolkata.

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Behind every successful business decision, there is always a CMA