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150 YEARS OF CELEBRATING THE MAHATMA

CMA Student E - Bulletin

INTERMEDIATE

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(Statutory Body under an Act of Parliament)

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Message from The Chairman

CMA Biswarup Basu
Vice President & Chairman,
Training & Education Facilities
and Placement Committee

MESSAGE FROM THE CHAIRMAN

Dear Students,

Greetings!!

"The weak can never forgive. Forgiveness is the attribute of the strong"-M.K. Gandhi

Time is passing on its natural pace. The world is facing an unexpected tremor due to COVID19. We are in a very curtail position. In spite of a long drawn 'lockdown' strategy taken by the Central and State Government this pandemic is engulfing the word day by day. Though we are human beings, and we must keep in mind that "the brook" which says "men may come and men may go, but I go on forever" and it is true a civilization cannot stop. It is a request to our students to carry on their academic development towards the rejuvenation of the society the country and the world at large. **Stay safe, keep social distancing and always follow the required precautionary measures for the wellbeing of all.**

The Directorate of Studies is always with the students to help students carry on their study. Live Webinars are getting conducted regularly with the recorded webinars which are already in the e-library, answers to the Mock Test Papers (MTPs) are almost all uploaded, updated Work Books and monthly E-bulletins are also being uploaded on our website. Being the Chairman of Training & Education Facilities and Placement Committee, I am really thankful to all the academicians and industrial personnel. Requesting all the students to grab the opportunities being offered by the Directorate of Studies.

Always keep hope in your mind and move on with strength to overcome the fiercest of the challenges. Always keep in mind that, ***"The future depends on what we do in the present".***

Best wishes as always,

CMA Biswarup Basu
Chairman, Training & Education Facilities and Placement Committee

Be a CMA, be a Proud Indian

Stay Home
Stay Safe

150 YEARS OF CELEBRATING THE MAHATMA

CONTENTS

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Vol: 5, No.: 5.
May 2020, Issue

150 YEARS OF CELEBRATING THE MAHATMA

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

KNOWLEDGE Update

#stayhome #staysafe

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.

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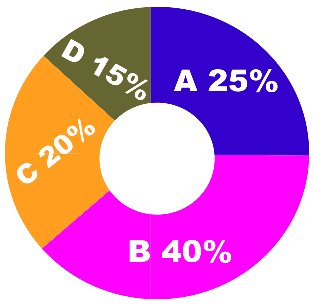
GROUP: I, PAPER: 5

FINANCIAL ACCOUNTING (FAC)

Your Preparation Quick Takes



Syllabus Structure

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

Learning Objective:

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

FINANCIAL ACCOUNTING

We are still under lockdown and under such situation it is very important to keep ourselves fit both physically and mentally so that we can face the severity after the lockdown seal is broken. Do not allow any frustration to inject in your mind. Sooner or later we all hope and pray that everything will be normal. Under such situation in this issue I provide some assignment chapterwise for practice .

1. State whether the following statements are 'True' or 'False' :

For life business premium income is to be recognized on receipt basis.

The Contract of insurance is a contract of guarantee.

A company cannot redeem Preference Shares unless they are fully paid up.

Land is a depreciable asset.

The valuation balance sheet is prepared every day.

Selling Commission is apportioned among departments in the ratio of Sales of each department.

Depreciation is a non-cash expense.

Discount on issue of share is a revenue loss.

Dividend is payable on the calls paid in advance by the shareholders.

2. Karthik who was closing his books on 31.03.2012 failed to take the actual Stock which he did only on 09.04.2012, when it was ascertained by his to be worth Rs 27,000.

It was found that sales are entered in the Sales book on the same day of dispatch and return inwards in the returns book as and when the goods are received back. Purchases are entered in the Purchases day book once the invoices are received. It was found that sales between 31.03.2012 and 09.04.2012 as per Sales day book are Rs 2,720. Purchases between 31.03.2012 and 09.04.2012 as per Purchases day book are Rs 170, out of these goods amounting to Rs 80 were not received until after the stock was taken. Goods invoiced during the month of March,2012 but goods received only on 4th April, 2012 amounted to Rs 200 rate of gross profit of 33.33 % on cos. Ascertain the Value of Physical stock as on 31.03.2012.

3. On 31st December, 2011 two machines, which were purchased on 1st October, 2008 costing Rs 1,50,000 and Rs 24,000 respectively had to be discarded and replaced by two new machines costing Rs 40,000 and Rs 30,000 respectively.

One of the discarded machines was sold for Rs 16,000 and other for Rs 6,000.

The balance of Machinery Account as on April 1, 2008 was Rs 5,00,000 against which the description provision stood at Rs 2,10,000. Depreciation was provided @ 10% on WDV method.

Prepare the Machinery Account, Provision for Depreciation Account and Machinery Disposal Account.

4. On 01.07.2011,Pustak Printers purchased a printing machine from Mitra Ltd. on a Hire-Purchase basis, payments to be made Rs 8,000 on the said date and the balance in three half-yearly instalments of Rs 6,560; Rs 5,952; Rs 5,040; commencing from December 31, 2011. The vendor charged interest at 10% p.a. calculated on half-yearly rates. Pustak Printers closes their books annually on December 31, and provide depreciation at 10% p.a. on Diminishing Balances each year. Work out the Cash Price of the machine and show the necessary ledger accounts in the books of Pustak Printers.

5. The following is the Income and Expenditure Account of Mumbai Youth Club for the year ended 31st March, 2011.

Dr. Income and Expenditure Account for the year ended 31st March, 2011 *Cr.*

Particulars	Rs	Particulars	Rs
To Salaries	19,500	By Subscription	68,000
To Rent	4,500	By Donation	5,000
To Printing	750		
To Insurance	500		
To Audit Fees	750		
To Games and Sports	3,500		
To Subscription Written off	350		
To Misc. Expenses	14,500		
To Loss on sale of furniture	2,500		
To Depreciation:			
Sports Equipment	6,000		
Furniture	3,100		
To Excess of income over expenditure	17,050		
	73,000		73,000

Additional Information :

	31.3.2010 Rs	31.3.2011 Rs
Subscription in arrears	2,600	3,700
Advance Subscription	1,000	1,500
Outstanding expenses:		
Rent	500	800
Salaries	1,200	350
Audit Fees	500	750
Sports Equipment less depreciation	25,000	24,000
Furniture less depreciation	30,000	27,900
Prepaid Insurance	—	150

Book value of furniture sold is Rs 7,000. Entrance fees capitalized Rs 4,000. On 1st April, 2010, there was no cash in hand but Bank Overdraft for Rs 15,000. On 31st March, 2011 Cash in hand amounted to Rs 850 and the rest was Bank balance.

Prepare Receipts and Payment Account of the club for the year ended 31st March, 2011.

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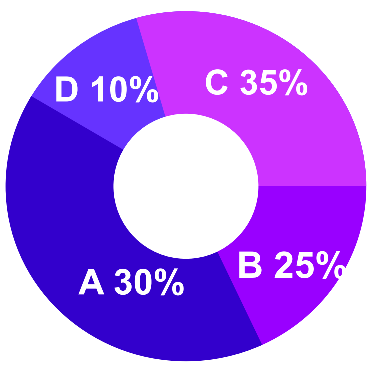
GROUP: I, PAPER: 6

LAWS & ETHICS (LNE)

Your Preparation Quick Takes



Syllabus Structure

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

Learning Objectives:

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

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

LAW & ETHICS

It is hoped that you - the students prepare a time-table with time allotted for each subject and read, write , revise and recapitulate all that you keep on reading. .*The first TIP is that you must read the Bear Act and the Sections and start asking questions to yourself and find your own answers.*

In this issue we shall continue to deal with Corporate Laws – Companies Act,2013

Share Capital Sec.2(84) defines the term "Share" as a share in the share Capital of the Company and it includes stock. It means the money subscribed pursuant to Memorandum of Association of the Company. The sum total of nominal value of shares of a company is known as its share capital. The sum total of nominal value of shares of a company is known as its share capital and Sec.60(1) provides that wherever any notice, advertisement or other official publication ,or such letter, billhead, or letter paper contains a statement of the amount of authorized capital of the company, it shall contain a statement in an equally prominent position and in conspicuous characters – the amount of capital which has been subscribed and the amount paid-up.

It may be reminded that in case of default in complying with Sec.60(1) , the company shall be liable to a penalty of Rs.10,000 and every officer of the company who is in default shall be liable to pay a penalty of Rs.1000 for each such default.

Kinds of Share Capital Sec.43

The share capital of a company limited by shares shall be of two kinds, namely:—

(a) Equity share capital – which may be of two types viz.

(i) Equity Shares with voting rights; or

(ii)Equity Shares with differential rights as to dividend, voting or otherwise in accordance with such rules as may be prescribed; **and**

(b) Preference share capital.

The shares of any member in a company shall be movable property transferable in the manner provided by the articles of the company.

Exception : Provided that nothing in this section shall apply to a share held by a person whose name is entered as holder of beneficial interest in such share in the records of a depository.

Rule 5(2) provides that **every certificate of share or shares shall be in Form No. SH.1** or as near thereto as possible and shall specify the name(s) of the person(s) in whose favour the certificate is issued, the shares to which it relates and the amount paid-up thereon.

Sec.45 states that Every share in a company having a share capital shall have "Distinctive Number" in order to distinguish them. However, if the shares are in dematerialized form, this numbering is not required.

So, let us now understand what is **Equity Shares with differential rights (DVRs)**

Equity shares with differential voting rights (DVRs) are as to :

a dividend,
b voting or
c otherwise in accordance with such rules as may be prescribed.

So, the next question coming to mind is – **which investor would prefer DVRs over Dividends** ?

The answer could be – applicable to the investments made by a private equity (PE) fund or venture capital fund or any strategic investor, when certain investors prefer to participate in the decision-making of the company (i.e. voting) over dividend payment or vice versa.

Rule 4 of Companies (Share Capital and Debentures) Rules ,2014 may be read carefully :

Rule 4. (1) provides that No company limited by shares shall issue equity shares with differential rights as to dividend, voting or otherwise, ***unless it complies with*** the following conditions, namely:—

(a) *the articles of association of the company authorizes the issue of shares with differential rights;*

(b) *the issue of shares is authorized by an ordinary resolution passed at a general meeting of the shareholders*: Provided that where the equity shares of a company are listed on a recognized stock exchange, the issue of such shares shall be approved by the shareholders through postal ballot;

(c) *the shares with differential rights shall not exceed twenty-six per cent of the total post-issue paid up equity share capital* *including equity shares with differential rights issued at any point of time;*

(d) the company having *consistent track record of distributable profits for the last three years;*

(e) the company has *not defaulted in filing financial statements and annual returns for three financial years* immediately preceding the financial year in which it is decided to issue such shares;

(f) the company has *no subsisting default in the payment of a declared dividend to its shareholders* or repayment of its matured deposits or redemption of its preference shares or debentures that have become due for redemption or payment of interest on such deposits or debentures or payment of dividend;

(g) *the company has not defaulted in payment of the dividend on preference shares* or repayment of any term loan from a public financial institution or State level financial institution or scheduled Bank that has become repayable or interest payable thereon or dues with respect to statutory payments relating to its employees to any authority or default in crediting the amount in Investor Education and Protection Fund to the Central Government:

1 [Provided that a company may issue equity shares with differential rights upon expiry of five years from the end of the financial year in which such default was made good.]

(h) *the company has not been penalized by Court or Tribunal during the last three years* of any offence under the Reserve Bank of India Act, 1934, the Securities and Exchange Board of India Act, 1992, the Securities Contracts Regulation Act, 1956, the Foreign Exchange Management Act, 1999 or any other special Act, under which such companies being regulated by sectoral regulators.

Rule 4(2) provides that the explanatory statement to be annexed to the notice of the general meeting in pursuance of section 102 or of a postal ballot in pursuance of section 110 shall contain the following particulars, namely:-

(a) the total number of shares to be issued with differential rights;

(b) the details of the differential rights;

(c) the percentage of the shares with differential rights to the total post issue paid up equity share capital including equity shares with differential rights issued at any point of time;

(d) the reasons or justification for the issue;

(e) the price at which such shares are proposed to be issued either at par or at premium;

(f) the basis on which the price has been arrived at;

(g) (i) in case of private placement or preferential issue —

(a) details of total number of shares proposed to be allotted to promoters, directors and key managerial personnel;

(b) details of total number of shares proposed to be allotted to persons other than promoters, directors and key managerial personnel and their relationship if any with any promoter, director or key managerial personnel;

(ii) in case of public issue - reservation, if any, for different classes of applicants including promoters, directors or key managerial personnel;

(h) the percentage of voting right which the equity share capital with differential voting right shall carry to the total voting right of the aggregate equity share capital;

(i) the scale or proportion in which the voting rights of such class or type of shares shall vary;

(j) the change in control, if any, in the company that may occur consequent to the issue of equity shares with differential voting rights;

(k) the diluted Earning Per Share pursuant to the issue of such shares, calculated in accordance with the applicable accounting standards;

(l) the pre and post issue shareholding pattern along with voting rights as per clause 35 of the listing agreement issued by Security Exchange Board of India from time to time.

Rule 4(3) provides that the company shall not convert its existing equity share capital with voting rights into equity share capital carrying differential voting rights and vice versa.

Rule 4 (4) provides that the Board of Directors shall, inter alia, disclose in the Board's Report for the financial year in which the issue of equity shares with differential rights was completed, the following details, namely:—

(a) the total number of shares allotted with differential rights;

(b) the details of the differential rights relating to voting rights and dividends;

(c) the percentage of the shares with differential rights to the total post issue equity share capital with differential rights issued at any point of time and percentage of voting rights which the equity share capital with differential voting right shall carry to the total voting right of the aggregate equity share capital;

(d) the price at which such shares have been issued;

(e) the particulars of promoters, directors or key managerial personnel to whom such shares are issued;

(f) the change in control, if any, in the company consequent to the issue of equity shares with differential voting rights;

(g) the diluted Earning Per Share pursuant to the issue of each class of shares, calculated in accordance with the applicable accounting standards;

(h) the pre and post issue shareholding pattern along with voting rights in the format specified under sub-rule (2) of rule 4.

Rule 4(5) provides that the holders of the equity shares with differential rights shall enjoy all other rights such as bonus shares, rights shares etc., which the holders of equity shares are entitled to, subject to the differential rights with which such shares have been issued.

Rule 4(6) provides that where a company issues equity shares with differential rights, the Register of Members maintained under section 88 shall contain all the relevant particulars of the shares so issued along with details of the shareholders.

It is Clarified that *for the purposes of this rule equity shares with differential rights issued by any company under the provisions of the Companies Act, 1956 (1 of 1956) and the rules made thereunder, shall continue to be regulated under such provisions and rules*.]

Rule 5(1) Certificate of shares (where shares are not in demat form)

Where a company issues any share capital, no certificate of any share or shares held in the company shall be issued, except—

(a) in pursuance of a resolution passed by the Board; and

(b) on surrender to the company of the letter of allotment or fractional coupons of requisite value, save in cases of issues against letters of acceptance or of renunciation, or in cases of issue of bonus shares

(c) *if the letter of allotment is lost or destroyed, the Board may impose such reasonable terms, if any, as to seek supporting evidence and indemnity and the payment of out-of-pocket expenses incurred by the company in investigating evidence, as it may think fit.*

Rule 5(2) provides that **every certificate of share or shares shall be in Form No. SH.1** or as near thereto as possible and shall specify the name(s) of the person(s) in whose favour the certificate is issued, the shares to which it relates and the amount paid-up thereon.

Sec.45 states that Every share in a company having a share capital shall have "Distinctive Number" in order to distinguish them. However, if the shares are in dematerialized form, this numbering is not required.

Sec.46(1) (*1*) Provides that a share certificate, issued under the common seal of the company, specifying the shares held by any person, shall be *prima facie* evidence of the title of the person to such shares.

Sec 46(*2*) provides that a duplicate share certificate may be issued, if such certificate —

(*a*) is proved to have been lost or destroyed; or
(*b*) has been defaced, mutilated or torn and is surrendered to the company.

Sec 46(*3*) provides that the form of such certificate, and the particulars to be entered in the register of members and other matters shall be as may be prescribed.

Sec 46(4) provides that a share which is held in depository form, the record of the depository shall be the *prima facie* evidence of the interest of the beneficial owner.

Sec 46(5) deals with punishment if a company with intent to defraud issues a duplicate certificate of shares, and such punishment shall be with fine which shall not be less than five times the face value of the shares involved in the issue of the duplicate certificate but which may extend to ten times the face value of such shares or rupees ten crores whichever is higher and every officer of the company who is in default shall be liable for action under section 447.

150 YEARS OF CELEBRATING THE MAHATMA

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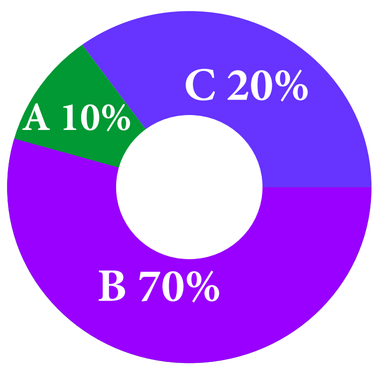
GROUP: I, PAPER: 7

DIRECT TAXATION (DTX)

Your Preparation Quick Takes



Syllabus Structure

A Income Tax Act Basics **10%**

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

C Tax Management, Administrative Procedures and ICDS **20%**

Learning Objectives:

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

Retirement Benefits

Gratuity [Sec. 10(10)]

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

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

Tax Treatments of Gratuity are as under:

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

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

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

Tax Treatment of leave encashment is as under

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

a) Government	Exempted [Sec.10(10AA)(i)]
b) Other Employer	Minimum of the following shall be exempted from tax u/s 10(10AA)(ii): a) Actual amount received; b) ₹ 3,00,000; c) 10 months average salary[1] d) Cash equivalent of 30 days average salary for every completed year of service[2] as reduced by actual leave availed or encashed during the tenure of service. The period of 30 days is the maximum ceiling. If employer allows leave for less than 30 days p.a. then such lesser days shall be considered.
1. Average salary means Basic + DA (forming part of retirement benefit) + Commission (as a fixed percentage on turnover) being last 10 months average salary **<u>from the date of retirement</u>**. 2. While calculating completed year of service, <u>ignore</u> any fraction of the year.	

<u>Pension [Sec. 10(10A)]</u>

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

Tax Treatment of pension is as under

Cases	Treatment
1. Uncommuted Pension received by any employee	Fully Taxable [Sec. 17(1)(ii)]
2. Commuted Pension (i.e lump sum payment) received by a	
a) Government employee	Fully exempted [Sec.10(10A)(i)]
b) Other employee	
I) If employee receives gratuity	1/3rd of total value of commuted pension, which he is normally entitled, is exempted. [Sec. 10(10A)(iia)]
II) If employee does not receive gratuity	½ of total value of commuted pension, which he is normally entitled, is exempted. [Sec. 10(10A)(iib)]

<u>Illustration</u>

Mr. Narayan retired from service on 1/6/2019. As on that date, his monthly salary was Basic ₹ 5,000 p.m., Commission on turnover 5%. Total turnover achieved by him during last 10 months (occurred evenly) ₹ 5,00,000. On retirement, after 20 years 6 months of service, he received gratuity ₹ 5,00,000, leave salary ₹ 3,00,000. He is entitled to pension of ₹ 1,500 p.m. On 1/1/2020, he commuted 60% of his pension and received ₹ 90,000. Compute gross salary assuming he is covered by the Payment of Gratuity Act.

<u>Solution</u>

Computation of Gross Salary of Mr. Narayan for the A.Y.2020-21

Particulars	Details	Amount	Amount
Basic Salary	5,000 x 2		10,000
Commission on turnover	(5,00,000/10x2) x 5%		5,000
<u>Gratuity</u>		5,00,000	
Less: Minimum shall be exempted u/s 10(10)(ii)			
a) Actual Amount Received	5,00,000		
b) Statutory Amount	20,00,000		
c) $^{15}/_{26}$ x 20 x ₹ 5,000	57,692	57,692	4,42,308
<u>Leave Encashment</u>		3,00,000	

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

YEARS OF CELEBRATING THE MAHATMA

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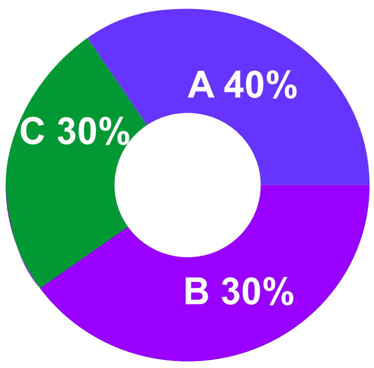
GROUP: I, PAPER: 8

COST ACCOUNTING (CAC)

Your Preparation Quick Takes



Syllabus Structure

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

Learning Objectives:

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

COST ACCOUNTING

No management can avoid decision making, even if the decisions is to do nothing in a particular suction. Decision making is focused towards specific goals and without data about these goals decision will lack purpose and effectiveness. Cost Accountancy is a subject that provides knowledge to take effective and efficient decision for cost control, ascertainment of profitability and internal and external reporting. Cost Accountanting is the process of accountanting for cost or on the other hand it is an art of determining cost. The main objective of Cost Accountanting are---

A. Controling Cost
B. Strimulating cost consciousness
C. Ascertaining product unit Cost
D. Understanding the Cost Accountanting Standards
E. Application of Marginal Costing and Standard Costing for internal managerial decision making
F. Formulation of business policies, budgets for controling operations and
G. Determining profit and loss for various products & services and inventory valuations.

As this is a professional examination every students should go through their syllabus in details for a good result. The Students should note the key examination points by going through the previous questions and set their mind accordingly. Further they should careful on the following points---

1) The subject Cost Accounting (paper 8 Group 1)is divided into 6 main Chapters:

   A) Introduction to Cost Accounting
   B) Cost Ascertainment
   C) Cost Accounting Standards
   D) Cost Book keeping
   E) Methods of Costing and finally
   F) Cost Accounting techniques

2) Go through the theoretical parts with due attention and try to relate theoretical knowledge of different topics with reference to practical, commercial and industrial environment.

3) All most in every examination one or more Theoretical/Problem oriented questions have been set from each chapter. The Students should remain very much careful in solving the problems. Make sure that your answer inculdes illustration of the Cost terms.

4) However, questions are sometimes set requiring the students to outline how a Costing system can assist the management of an organization.

5) A question containing number of short notes are set in the examinations. A Student can secure more marks by answering this type of theoretical question.

6) Reader should clear about the distinction between-material control and inventory control, normal loss and abnormal loss. They should also study different Elements of cost and Ascertainment of cost very carefully.

7) Cost of labour is an important eliminates of cost and for overall cost reduction/control, this cost plays a paramount role. Regarding group bonus schemes some time's the students feel difficulty to find out the clue to solve the problem . In this situation lead should be given in the language of the question. Ambiguity in application of different formulae should be avoided.

8) Students should be well versed with the methodology of disposal of under/over absorbed overheads. Difference between primary distribution and secondary distribution should be properly understood. Clues given should be properly used.

9) Adjustment of Opening and closing stock of raw materials, WIP and finish goods is vital in case of Job/Batch costing. Readers should very careful in determining the profit of an incomplete contract. For Escalation clause both changed quantity and price should be considered.

10) In Operating / Service costing calculation of composite unit is very much relevant for solving the problems. Here total cost is divided into two parts---running maintenance and standing charges. Here suitable cost unit to be used for Cost Ascertainment purpose.

11) CAS-(1-24)as issued by The Institute of Cost Accountants of India should read carefully in order to achieve unformity and consistency in classification, measurement and assignment of Costs.This standard shall be applied to cost Statements also.

12) All the students should have an expert knowledge about Integrated and Non-Integrated System of accounts. The main object of preparing Cost Ledger Accounts is to make Cost ledger self balancing. Sometimes questions are asked for Journalising the transactions.

13) Transactions exclusively relevant to Cost Accounts and Financial Accounts are to be indentified and to be considered in the Reconciliation Statement.

14) Budget is a statement of income and expenditure for a certain period. In the chapter Budget and Budgetary Control, you should learn how to prepare Functional Budget, Master Budget and Flexible Budget to various levels of out- put in the same period. Through this chapter you should have knowledge about zero-based budgeting and responsibility Accountanting.

15) Marginal cost is the change in cost due to change in one additional unit. The students should note that Break-even- Analysis is the most important area of Marginal Costing. Effect on Profit-volume-ratio is an important part of this chapters. you should also know in details about the Margin of safety and Angle of incidents.

16) Standard Costing is a controlling technique which compares standard cost and revenues with actual results to obtain variances which are use to stimulate improved performance. For solving any problem on standard cost different variances, like Material, Labour, Overhead, Sales and Sales margin variances should be worked out. Calculations of mix variances is necessary only when there are more than one type of component for producing an article.

Finally,. A Great Effort Can Surely Make You Success. With Good Wishes..

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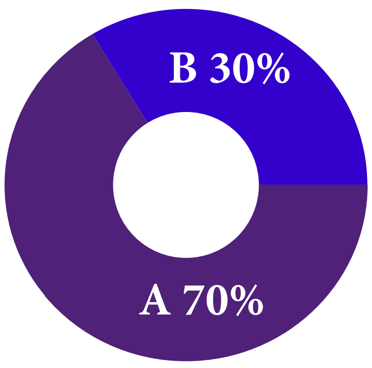
GROUP: II, PAPER: 9, Part- i

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM)

Operations Management

Your Preparation Quick Takes



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

Learning Objectives:

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

Operations Management

In this issue we will continue our discussion on Capacity Planning and Capacity Requirement under *operations planning*

Developing Capacity Strategies

Capacity is the maximum rate of output of a process or a system. Managers are responsible for ensuring that the firm has the capacity to meet current and future demand.

Otherwise the organisation will miss out opportunities for growth and profit.

To grab these opportunities making adjustments to decrease capapctiy or to overcome capacity shortfalls are often needed.

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

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

Flexibililty:

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

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

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

Life Cycle:

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

- At introduction phase of a product---size of the overall market and organisation's share of the market is uncertain----large and inflexible capacity planning needs to be avoided

- At growth phase of a product---size of the overall market grows—

  - Rate of growth of individual organisation's market share influences its capacity planning
  - Influences individual organisation's level of production, level of investment
  - Opens opportunities to all organisations to bring competitive advantage through introduction of distinguished features into product (product differentiation) by investing in technology and process improvements
  - Brings risks of overcapacity in the market and result in higher unit costs of the output

- At maturity phase of a product---size of the market levels off

  - Organisations tend to have stable market share
  - Organisations could increase profitability through cost reduction and full capacity utilisation
  - Organisations with lower capacity in earlier phases of life cycle could go for capacity addition if maturity stage is thought to

be prolonged

- At decline phase of a product---overall market demand declines
  - Organisations face underutilisation of capacity
  - Excess capacity could be sold off
  - Excess capacity could be used for producing other products or services

Interrelation:

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

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

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

Increasing production capapcity may require more raw material supllies and suplliers require time to adjust this change requirement

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

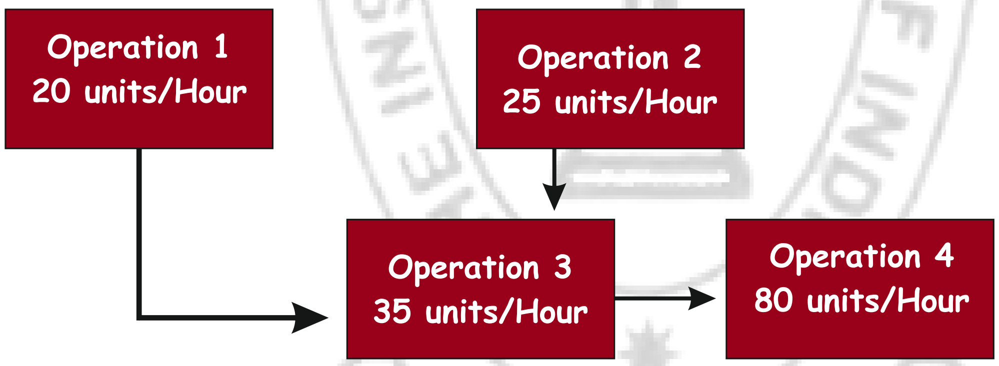
Bottleneck:

- Capacity planning decision must not encouarge *Bottleneck Operation*

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

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

Supoose there are four operations named Operations 1, Operation 2, Opeartion 3 & Operation 4
Production capacities and and their interrealtion is shown in the following figure:



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

Chunk:

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

Variability:

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

Optimal Operating level:

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

Economies of scale

- States that the average unit cost of a good or service can be reduced by increasing its output rate
    - Fixed costs are spread over more units , reducing the fixed cost per unit
    - Construction costs increase at a decreasing rate with respect to the size of the facility to be built
    - Processing costs decrease as output rates increase because operation becomes more standardised, which reduces unit costs

Diseconomies of scale

- A level of operation at which average cost per unit increases as the facility's size increases
    - Distribution costs increase due to traffic congestion and shipping from one large centralized facility instead of several smaller decentralized facilities
    - Complexity increases costs
    - Control and communication become more problematic
    - Inflexibility can be an issue
    - Additional levels of bureaucracy exists, showing decision making become more problematic

Miscellaneous:

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

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

(1) Sizing capacity cushions

Capacity Cushion is the amount of reverse capacity a process uses to handle sudden increases in demand or temporary losses of production capacity.

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

(2) Timing and sizing expansions

- Has concern when to adjust capacity levels and by how much
- Two extreme strategies for expanding capacity—---
    - Expansionist strategy----involves large, infrequent jumps in capacity

- Stays ahead of demand, minimises the chance of sales lost to insufficient capacity

➢ Wait and see strategy ---involves smaller more frequent jumps

- Lags behind demand and therefore to meet any shortfalls it relies on short term options such as use of overtime, temporary workers, subcontractors, stock-outs and postponement of preventive maintenance of equipment

- Timing and sizing of expansion are related

➢ If demand is increasing and the time between increments increases, the size of the increments must also increase

Advantages/disadvantage of Expansionist strategy—---

- It can result in economies of scale and faster rate of learning
- This helps a firm to reduce its costs and compete on price
- This might increase firm's market share
- It may bring risk of overexpansion

Advantages/disadvantage of Wait & see strategy—---

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

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

Three basic strategies for the timing of capacity expansion in relation to a steady growth in demand are

Capacity Lead Strategy: Capacity is expanded in anticipation of demand growth. This aggressive strategy is used to lure customers from competitors who are capacity constrained ot to gain a foothold in a rapidly expanding market

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

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

Capacity decisions affect

- Product lead times
- Customer responsiveness
- Operating costs
- Firm's ability to compete

(3) Linking process capacity and other operating decisions

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

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

Inadequate capacity can
- Lose customers
- Limit growth

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

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

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

Automation and computer operated machinery have revolutionized the manufacturing and service industries. However, these machines and equipment are very expensive. Therefore, the consequences of making a mistake (buying the machinery when we should not have the requirement) could be very costly for the firm. On the other hand, these machines tend to be powerful and produce large number of quantities of a given product. Therefore, if a firm do not purchase the same and the demand turns out to be high, then the losses due to lost sales or backorders would be larger than usual.

Suggestions:
This lesson is prepared purely from teachings imparted by the Guide book issued by Institute. The study guide on Operations Management issued by Institute is to be studied thoroughly. In this month's discussion prelim concepts on capacity planning are deliberated upon. In the next issue we will do computation on capacity requirement under different cases. For supplementary readings one can refer Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson.

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150 YEARS OF CELEBRATING THE MAHATMA

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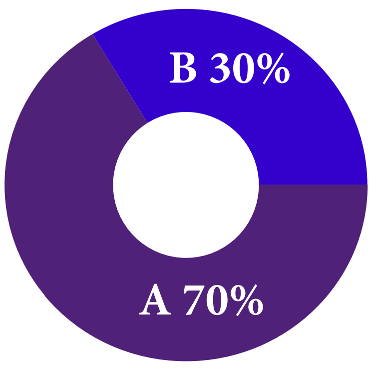
GROUP: II, PAPER: 9, Part- ii

OPERATIONS MANAGEMENT & STRATEGIC MANAGEMENT (OMSM)

Strategic Management

Your Preparation Quick Takes



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

Learning Objectives:

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

Ten elements of a Great Strategy

There are few more important things to any organisation than the presence of a clear, intelligent and well-structured strategic plan; it aligns the entire team on the long-term goals, provides purpose and clarity to the necessary outcomes to achieve them and engages employees in execution of the actions. From a Process Excellence perspective, a solid plan with concise objectives and actions can help to ensure that improvement initiatives are properly aligned to the goals, adding value in key priority areas and contributing to the essential long-term outcomes. Lack of a proper strategy may potentially result in ad hoc improvements that are not meeting the critical needs of the overall organisation.

So in terms of strategic planning, what does good look like? The following are 10 elements that represent sound principles to be taken into consideration when developing a strategic plan:

Element #1: Critical Reflection

Sometimes before you go forward, you have to look back. In Japanese this is known as 'hansei' or the ability to deeply and critically reflect, typically on several fronts: 'where have you been?', 'where are you now?', and 'where are you heading'? This includes an honest assessment of problem areas and changes taking place which need to be addressed, both internally and externally. If there was failure, success can come as long as learning takes place. Often times, a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis or similar tool can be helpful, but only if the output is applied in the actual formulation of the strategy and not used standalone.

Element #2: The Power of a Simple Message

A clear vision can provide succinct clarity to where an organisation intends to go, and it does not have to be fancy. I know a retired Vice President who had a very consistent and simple mantra that he repeated on almost a daily basis: 'Low Cost'. This made the priority very clear and concise. Georges St-Pierre, Welterweight Champion of the UFC, often affixes a handwritten note to his dressing room wall, such as 'On December 11thin Montreal, I will destroy Josh Koscheck and remain world champion', providing himself with a simple, measurable and actionable message.

Element #3: Marathon Thinking

This may seem obvious, but the person who wants to win a marathon needs to possess a fine balance of long-term strategy and shorter-term tactics to overcome the challenge. Some people call this walking with one leg and running with the other. In any case, long-term thinking needs to be an essential ingredient of any solid strategy. Without a long horizon, an organisation is doomed to an endless cycle of short-term gyrations

Element #4: Sense of Reality

A strategy is not worth much if it does not accurately reflect the reality of the situation – the good, the bad and the ugly. It is also not going to help much if the strategy stretches the organization well beyond its means or outlines completely unrealistic and unattainable objectives. It is OK to develop stretch targets but they should still be realistic.

Element #5: Less is More

This has been said many times, but a strategic plan should focus on the Critical Few. A plan should outline what the organization should not do just as much as it articulates what it should do. There are many cases where successful organizations have seen improved results from paring down their strategic goals. When Jack Gerard, CEO of American Petroleum Institute, first took the job he immediately cut their number of priorities from two dozen down to just six, enabling them to focus their limited time and resources on the items that would bring them the most value. 'Less is More' contains a very important point that needs to be called out separately:

Element #6: Balanced Stakeholder Listening

A great strategy reflects the voices of all the key stakeholders of an organisation, in particular the Employees and the Customers, who often get forgotten. There is a famous quote that says 'The greatest tool you have is to listen', yet many strategies are developed in a relative vacuum. To properly consider all the various voices, both internal and external, a great deal of listening, balancing and prioritising is required. Sometimes it not clear who all the key stakeholders are, and in this case a Stakeholder Prioritisation tool can be used.

Element #7: Actionable Content

This is the critical link to Process Excellence. The strategic plan should be detailed enough to either specifically outline actions required to meet the goals, or be able to lead directly to such actions. The action plans identified will likely be high-level and not necessarily answer the 'hows' but certainly describe the 'whats' that are needed to move the organization ahead. These actions often turn into projects or key initiatives which can often times utilise Lean and/or Six Sigma methodologies to be properly executed. Without actionable content, a strategy will be too stratospheric to be of much use.

Element #8: Energetic Deployment

A great strategy does not just remain stuck in a powerpoint slide, but gets effectively and passionately deployed to every level of the organisation. If there is a function or team that is disengaged from the planning activity, or not involved in its execution, then the strategy is a failure. Every single part of the organization should be informed of and engaged in the strategic direction, and formulate their own specific plans in line with the greater goals.

Element #9: Fanatic Follow-through

Strategies are intended to be used, not mounted on a gilded frame to be admired from time to time. Some of the best plans I have ever seen were written on simple paper and were dirty and wrinkled from their constant use. This is great proof of a well-utilised plan.

Element #10: Living & Breathing the Strategy

Solid follow-through is more than governance reviews and scorecard updates. It needs the leadership to be absolutely committed to and thoroughly passionate about the strategy. Leaders should be talking the 'language' of the strategy on a daily basis. When even the employees are talking about it frequently, this is when the plan has become institutionalised and permeates every level of the organisation. The strategy should be thoroughly baked into the product/service plan, the communications plan, the marketing plan, the people plan, the process improvement plan, the budget plan and the operational plan.

This list of Elements of a Great Strategy is by no means exhaustive, but the intention was to provide a basic outline of the key ingredients needed to formulate an effective and useful strategic plan for any kind of organisation. As was mentioned, a successful strategy is not only one that is intelligently designed and well-constructed, but also inclusive of all stakeholders, effectively deployed and governed with a nearly fanatical level of discipline and passion.

Of course, no strategy is worthwhile without execution and results – as Donald Trump said, 'in the end, you're measured not by how much you undertake but by what you finally accomplish'. The strategic plan is intended to be an enabler for predictably achieving these accomplishments

"A vision without a strategy remains an illusion."

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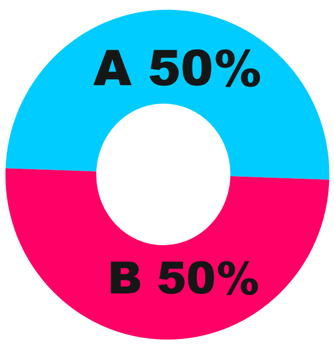
GROUP: II, PAPER:10

COST & MANAGEMENT ACCOUNTING AND FINANCIAL MANAGEMENT(CMFM)

Your Preparation Quick Takes



Syllabus Structure

A Cost & Management Accounting **50%**

B Financial Management **50%**

Learning Objectives:

The paper Cost & Management Accounting and Financial Management (Group II; Paper 10) is a unique blend of theoretical elaborations and practical illustrations. The aim of this paper is to equip the students with a working level knowledge regarding the two disciplines and prepare a ground for a few advanced level papers like Strategic Financial Management (Final Group 3: Paper 14), Strategic Cost Management decision Making (Final Group 3:Paper15) and Strategic Performance Management and Business Valuation (Final Group 4: Paper 20) in the CMA Final Course. The entire syllabus of the paper is segregated into two segments namely Cost & Management Accounting (Section A: Full Marks 50) and Financial Management (Section B: Full Marks 50). Each of the individual sections has further been divided into five chapters each highlighting a specific aspect of the subject concerned. In this section of e- bulletin we shall have a series of discussion on each of these chapters to provide a meaningful assistance to the students in preparing themselves for the examination at the short end and equip them with sufficient knowledge to deal with real life complications at the long end.

VALUATION OF INVENTORY AND PRESENTATION OF

OPERATING STATEMENT IN STANDARD COSTING SYSTEM

In the context of valuation of inventory, the following factors should be given due consideration:-

- Accounting practice acceptable in valuation of inventory.
- Trade and industry practice in materials purchase, pricing of issues and valuation of stocks.
- System of costing prevailing in the organization.
- Level of usage of standard costing in the organization.

Pricing of closing WIP and Finished stock in standard costing system:-

The function of a Balance sheet is to give a true and fair view of state of affairs of a company on a particular date. It implies that the generally accepted principles should be applied consistently. Where standard costing system is functioning efficiently and stocks are maintained at standard cost consistently and uniformly from year to year, no problem arises. But stocks valued at standard costs are required to be adjusted at the actual costs in the following circumstances.

a) Opening stock was valued at actual cost. This points out to the fact that, unless the same basis is adopted consistently and uniformly from period to period, the accounts will not give a true and fair view of the trend of trading result.

b) The standard costing system introduced is still in an experimental stage and the variances merely represent deviations from poorly set standards.

c) Occurrence of certain variances which are beyond the control of the management. This implies that, unless the stocks are adjusted for uncontrollable factors, the values are not correctly stated.

Maintenance of Raw Material Stock at standard cost:-

Under standard price method, materials are priced at some pre-determined rate or standard price irrespective of the actual cost of the materials.

Standard cost is usually fixed after taking into account the following factors:-

i) Current prices
ii) Anticipated market trends, and
iii) Discount available and transport charges etc.

Standard material cost of a product is determined by multiplying standard material quantity of a unit by standard price per unit of material.

The advantages of adopting standard costs for inventory valuation are as follows:-

a) Stores ledger may be maintained in quantities only. The standard price is noted at the top of the ledger sheets. This economises the use of forms and reduces clerical costs.
b) Pricing of materials requisitions is simplified as only one standard price of each item of material is required to be used.
c) Price variance is promptly revealed at the time of purchase of material.
d) It facilitates the control of material cost and the task of judging the efficiency of purchase department.

Disadvantages:-

a) The stores ledger does not reveal the current prices. This affects profit and loss account.
b) Standard cost of closing inventory is required to be adjusted to actual cost based on price variance to comply with the statutory requirement of the Indian Companies Act.
c) The fixation of standard price becomes difficult when prices fluctuate frequently.
d) A revision of standard necessitates revision of the cost of the inventory.

When accounts are maintained at standard cost, due care needs to be taken for preparation and presentation of overall results of performance. As profits are to be shown at actuals only, the standard costs are converted into actual costs by adding and subtracting the variances. The form of presentation would vary in details according to the type of standard costing system in use.

A format for presenting operating statement is suggested below with hypothetical figures for understanding.

Another format is also suggested below for Reconciliation of budgeted profit with actual profit via standard profit with hypothetical figures for understanding.

OPERATING STATEMENT

	₹	₹	₹
Sales (Actual)			**50,000**
(-) Standard Cost of Sales:			
Direct Material		10,000	
Direct Labour		12,000	
Factory Overhead		15,000	
			37,000
Gross Profit (Standard)			**13,000**
Material Cost Variance		**100 F**	
Price Variance	500 F		
Usage Variance	400 A		
Labour Cost Variance		**300 A**	
Rate Variance	300 F		
Efficiency Variance	600 A		
Factory Overheads Variance		**100 A**	
Expenditure Variance	200 F		
Efficiency Variance	150 A		
Capacity Variance	250 A		
Calendar Variance	100 F		
			300 A
Gross Profit (Actual)			**12,700**
Selling & Distribution OH (Actual)			1,000
Net Profit (Actual)			**11,700**

RECONCILIATION OF BUDGETED PROFIT WITH ACTUAL PROFIT via STANDARD PROFIT

	₹	₹	₹
Budgeted Profit			**20,000**
(+) Sales Margin Volume Variance			2,000 F
Standard Profit			**22,000**
(-) Sales Margin Price Variance			2,000 A
Profit before adjustment of cost Variance			**20,000**
Material Cost Variance		**800 F**	
Price Variance	600 F		
Mix Variance	1,200 F		
Yield Variance	1,000 A		
Labour Cost Variance		**6,730 A**	
Rate Variance	20 F		
Idle time Variance	3,000 A		
Efficiency Variance	3,750 A		
Variable OH Cost Variance		**3,000 A**	
Expense Variance	2,190 A		
Efficiency Variance	810 A		
Fixed OH Cost Variance		**5,980 F**	
Expense Variance	1,980 F		
Volume Variance	4,000 F		
			2,950 A
Actual Profit			**17,050**

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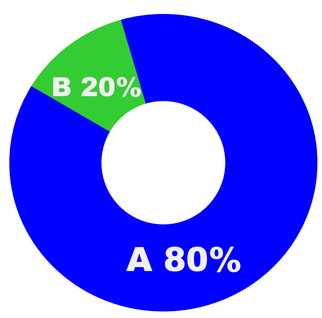
GROUP: II, PAPER:11

INDIRECT TAXATION (ITX)

Your Preparation Quick Takes



Syllabus Structure

A Connons of Taxations - Indirect Tax GST **80%**

B Customs Laws **20%**

Learning objectives:

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

Impact of COVID-19 on GST

The outbreak has presented new roadblocks for the Indian economy now, causing a disruptive impact on the world of work. Virtual lockdown and closure of offices across states will have an impact on GST collections in March and April.

Businesses across the board would operate at a minimal level. Primarily, sectors such as travel, hotel, and food will see a sharp fall in the business. According to a research report, the inoperability analysis for three sectors namely Transport, Tourism, and Hotels shows a significant impact on demand and hence output.

On average 25 million and 300 million people use airplanes and trains, respectively each month. "A 10 percent reduction will lead to loss of revenue of Rs. 3,500 crores on a monthly basis."

The government had a GST collection target of Rs 1.25 lakh crore in March. That looks unlikely now. In February, the monthly GST collection was Rs 1.06 lakh crore against the revenue department's target of Rs 1.10 lakh crore.

Similar to the country's approval and support for a decision on lockdown to counter this pandemic, businesses as well applauded the various relief measures announced by the Government. The Government has endeavored to ease the burden of reconciliation and mapping of credits for the tax period of February 2020 to August 2020 by deferring the applicability of Rule 36(4) and therefore, the requirement of credit reconciliation, between the purchase register and the Form GSTR 2A, to the tax period of September 2020.

In other words, the taxpayer need not undertake the pain of a monthly reconciliation for seven months i.e. February 2020 to August 2020 and are required to undertake a cumulative reconciliation for the above-mentioned tax periods in the month of September 2020 itself.

It is a welcome relief and will provide an interim breather to the taxpayers in their working capital position.

Another aspect which most businesses were seeking clarity/ relaxation was on the compliances with the vehicles stranded on road due to lockdown. With E-Way Bills having expired for the movements initiated by these stranded vehicles and a reissuance/ updation not being procedurally possible. Also, there remained an ambiguity on the modus-operandi for such movements post upliftment of the lockdown. The Government has notified extension of validity for E-Way Bills expiring between 20 March and 15 April 2020 till 30 April 2020.

A concern which still remains to be addressed is on the filing of GSTR-3B, essentially because of a sudden lockdown being announced with digital signature certificates (DSCs) not being available with them for filing of returns currently, taxes can be paid through adjustments made in the GSTR-3B return filed by businesses; the said taxes being paid either through the utilization of input tax credit or in cash.

Various companies who wish to pay taxes on time/ extended time to avoid interest liabilities have been facing a concern on adjusting the said taxes deposited - as they are unable to file the returns without DSC.

India's policymakers have undoubtedly understood and addressed concerns of businesses historically and in the current situation as well; with proactive steps to ease the burden of businesses to a large extent. Given this, businesses, in general believe and expect that the above genuine hardships would also be soon considered by the Government and appropriate reliefs/ clarifications to be issued.

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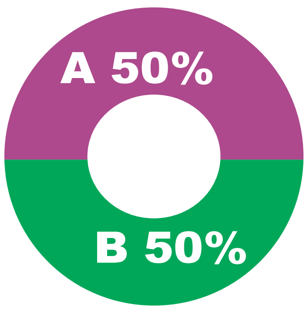
GROUP: II, PAPER:12

COMPANY ACCOUNTS & AUDIT (CAA)

Your Preparation Quick Takes



Syllabus Structure

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

Learning Objectives:

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

COMPANYACCOUNTS & AUDIT

Students, it is very tough to carry on studies in such unwanted situation. But we are to carry on our daily routine at which we may recover ourselves without delay.

There are 3 special type of accounts in our syllabus. They are governed by special acts other than companies act.

Banking companies, electricity companies and insurance companies have special requirements for finalization of accounts other than companies act.

In India banking activities are governed by the Banking Regulation Act 1949.The third schedule Form A specifies BALANCE SHEET where in CAPITAL AND LIABILITES include :

Capital

Reserve and surplus

Deposits

Borrowings

Other liabilities and provisions

ASSETS include:

Cash and balances with RBI

Balances with banks and money at call and short notice

Investments

Advances

Fixed assets

Other assets besides BALANCE SHEET is to show

Contingent liabilities

Bills for collection

Similarly ELECTRICITY COMPANIES are to follow ELECTRICITY ACT 2003

BALANNCE SHEET OF ELECTRIC COMPANY has liabilities in three parts:

Equity and liabilities:

1) Shareholders fund

a) Share capital
b) Reserve and surplus

2) Noncurrent liabilities

Long term borrowings

3) Current liabilities

Trade payables

Short term provisions

ASSETS include

Non current assets:

Fixed assets

Tangible assets

Intangible assets

Noncurrent investments

Current assets include:

Inventories

Trade receivables

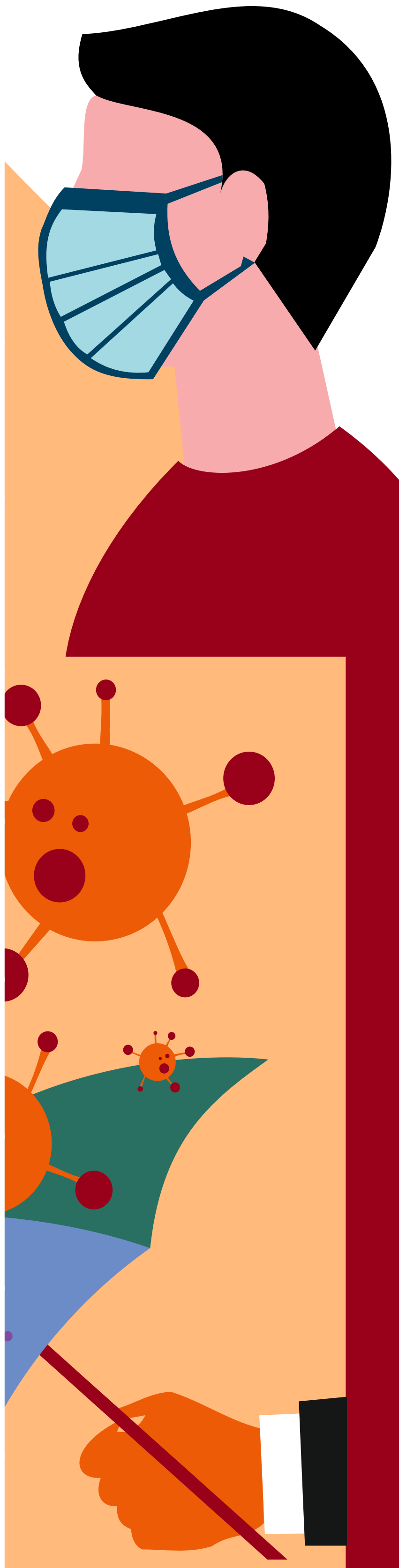
Cash and cash equivalents

Vol: 5, No.: 5.
May 2020, Issue

150 YEARS OF CELEBRATING THE MAHATMA

Examination
RESCHEDULED TIME TABLE

Day & Date	Intermediate Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
20 th July, 2020 (Monday)	Financial Accounting (Paper 05) (Group - I)
21st July, 2020 (Tuesday)	Operations Management & Strategic Management (Paper 09) (Group - II)
22nd July, 2020 (Wednesday)	Laws & Ethics (Paper 06) (Group - I)
23rd July, 2020 (Thursday)	Cost & Management Accounting and Financial Management (Paper 10) (Group - II)
24th July, 2020 (Friday)	Direct Taxation (Paper 07) (Group - I)
25th July, 2020 (Saturday)	Indirect Taxation (Paper 11) (Group -II)
26th July, 2020 (Sunday)	Cost Accounting (Paper 08) (Group - I)
27th July, 2020 (Monday)	Company Accounts & Audit (Paper 12) (Group - II)



STAY HOME STAY SAFE

PRACTICAL Advice

ABOUT YOUR STUDIES - INTERMEDIATE COURSE

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

START

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

02 Solve Excercises given in Study Note

03 Assess Yourself

04 Appear For Examination

FINISHED

SUBMISSIONS

Updation of E-Mail Address/Mobile:

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

Dear Students,

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

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

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

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

Message from

Directorate of Studies

Dear Students,

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

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

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

Let us observe his memory by following his message.

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

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

Please refer the links mentioned below :

For Mock Test Papers (MTP) : **https://icmai.in/studentswebsite/mtp2016_j19_Final.php**

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

For Work Book Link : **https://icmai.in/studentswebsite/Workbook-Syl-2016-Final-March2019.php**

Live/Recorded Webinar Link : **https://eicmai.in/Webinar_Portal/Students/StudentLogin.aspx**

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

- Don't give up
- Don't give in
- Don't give out

You can win!

GOOD LUCK

Be Prepared and Get Success;

Few Snapshots

Message on COVID-19 from Students of ROCC Streamline Academy Thrissur

Nagpur Chapter initiative on COVID-19

Message on COVID-19 from Eastern India Region Student Fraternity.

Message on COVID-19 from Patiala Chapter of the Institute

Message on COVID-19 from Students, Staff, Members of Nellore Chapter.

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