



ICMAI
**THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA**
भारतीय लागत लेखाकार संस्थान
Statutory Body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)
www.icmai.in



CMA STUDENT E-Bulletin

VOL 11 | NO. 09 | SEPTEMBER 2026

An Initiative of Directorate of Studies

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

About the Institute

The Institute of Cost Accountants of India (ICMAI) is a statutory body set up under an Act of Parliament in the year 1959. The Institute as a part of its obligation, regulates the profession of Cost and Management Accountancy, enrolls students for its courses, provides coaching facilities to the students, organizes professional development programmes for the members and undertakes research programmes in the field of Cost and Management Accountancy. The Institute pursues the vision of cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession. In today's world, the profession of conventional accounting and auditing has taken a back seat and cost and management accountants increasingly contributing towards the management of scarce resources like funds, land and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

The Institute is headquartered in New Delhi having four Regional Councils at Kolkata, Delhi, Mumbai and Chennai, 113 Chapters in India and 11 Overseas Centres. The Institute is the largest Cost & Management Accounting body in the world with about 1,00,000⁺ qualified professionals and over 6,00,000⁺ students pursuing the CMA Course. The Institute is a founder member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA). The Institute is also an Associate Member of ASEAN Federation of Accountants (AFA) and member in the Council of International Integrated Reporting Council (IIRC), UK.

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Institute Motto

असतोमा सद्गमय
तमसोमा ज्योतिर् गमय
मृत्योर्मा मृतं गमय
ॐ शान्ति शान्ति शान्तिः

From ignorance, lead me to truth
From darkness, lead me to light
From death, lead me to immortality
Peace, Peace, Peace

Disclaimer:

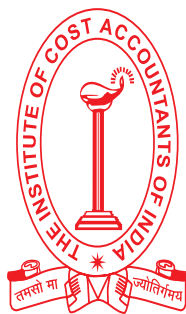
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CHAIRMAN'S COMMUNIQUE

Dear CMA Students,

It gives me immense pleasure to connect with you through the September 2026 issue of the CMA Student E-Bulletin. As the Chairman of the Training & Educational Facilities Committee of ICAI, I am excited to share the latest developments and initiatives that aim to enhance your learning experience and professional growth.

At ICAI, our commitment to excellence in education and training remains unwavering. We continuously strive to provide you with the best resources, state-of-the-art facilities, and cutting-edge training programs that will prepare you to excel in the field of cost and management accounting. Your success is our primary motivation, and we are dedicated to supporting you every step of the way.

In today's digital age, leveraging technology to facilitate learning is paramount. We have introduced several innovative learning platforms to ensure that you have access to high-quality education regardless of your location. Our online classes, interactive webinars, and virtual workshops provide you with the flexibility to learn at your own pace while maintaining the highest standards of education.

In addition to theoretical knowledge, practical skills are crucial for your professional development. We have designed a variety of skill development programs that focus on real-world applications and industry-relevant practices. These programs include case studies, simulation exercises, and hands-on training sessions that bridge the gap between academic knowledge and practical implementation. Our collaborations with leading organizations and industry experts provide you with invaluable insights and opportunities to apply your knowledge

in real-world scenarios. Through internships, live projects, and guest lectures, you can gain practical experience and understand the nuances of the industry. These collaborations also open doors to networking opportunities that can be instrumental in your career growth.

At ICAI, we believe in the holistic development of our students. Alongside academic excellence, we emphasize the importance of soft skills such as communication, leadership, and teamwork. Our comprehensive training programs include workshops and seminars focused on developing these essential skills, ensuring that you are well-rounded professionals ready to take on leadership roles.

I am confident that the initiatives and programs we have implemented will significantly enhance your learning experience and prepare you for a successful career. I encourage you to take full advantage of these opportunities and remain dedicated to your goals.

I extend my best wishes to all of you. Your hard work, determination, and passion are the driving forces behind our efforts. Let us continue to work together to achieve excellence and elevate the standards of the cost and management accounting profession.

Warm regards,

CMA Vinayranjan P.

**Chairman, Training & Educational Facilities
Committee, ICAI**

CMA FOUNDATION COURSE

Syllabus 2022

Topic

Fundamentals of
Business Laws -

Module 2:
Indian Contracts
Act, 1872

Business
Communication -

Module 5:
Business
Communication

FOUNDATION

Paper-1

Fundamentals of
Business Laws and
Business
Communication
(FBLC)

SECTION – A: FUNDAMENTALS OF BUSINESS LAWS

1. Which of the following is an essential requirement for a valid acceptance?
 - a) It must be conditional
 - b) It must be absolute and unqualified
 - c) It must always be in writing
 - d) It must be supported by fresh consideration
2. A proposal is revoked by the death or insanity of the proposer when:
 - a) The proposer dies, irrespective of the offeree's knowledge
 - b) The fact of death or insanity comes to the knowledge of the acceptor before acceptance
 - c) The acceptor has already accepted the proposal
 - d) Consideration has been paid
3. An offer made to the public at large is known as:
 - a) Specific offer
 - b) Cross offer
 - c) General offer
 - d) Counter-offer
4. A counter-offer made by the offeree has the effect of:
 - a) Accepting the original offer
 - b) Rejecting the original offer
 - c) Automatically creating a contract
 - d) Extending the validity of the original offer
5. Two parties make identical offers to each other without knowledge of the other's offer. These offers are known as:
 - a) Counter offers
 - b) Standing offers
 - c) Cross offers
 - d) General offers
6. Which of the following is an example of a specific offer?
 - a) An offer made to the entire public
 - b) An offer made to a particular person
 - c) An offer made through advertisement to everyone
 - d) An offer made through a tender
7. Acceptance must be communicated:
 - a) In a manner contrary to the prescribed mode
 - b) In the prescribed manner, where a mode is prescribed, or in a reasonable manner where no mode is prescribed
 - c) Always orally
 - d) Always in writing
8. A agrees to purchase a house from B. Both parties understand the word "house" to refer to two different properties. The agreement is affected because there is no:
 - a) Consideration
 - b) Competency
 - c) Consensus ad idem
 - d) Lawful object
9. A agrees to sell his car to B for ₹4 lakh. B agrees to purchase the car, but both parties later discover that the car had already been destroyed before the agreement was made, without either party knowing about it. The agreement is:
 - a) Valid and enforceable
 - b) Void due to mutual mistake of fact
 - c) Voidable at B's option
 - d) Illegal
10. Which of the following persons is competent to contract under the Indian Contract Act?
 - a) A minor
 - b) A person of unsound mind at the time of contracting
 - c) A person who has attained majority and is of sound mind
 - d) A person legally disqualified from contracting
11. A person who is usually of unsound mind but enters into a contract during a period of sound mind is:
 - a) Always incompetent to contract
 - b) Competent to contract during the period of sound mind
 - c) Competent only with court permission
 - d) Competent only if the consideration is adequate

12. Which of the following is an exception to the general rule that an agreement without consideration is void?
 - a) An agreement made out of business convenience
 - b) A promise to compensate a person for something voluntarily done
 - c) An agreement between strangers
 - d) An agreement based only on friendship
13. Consideration must be:
 - a) Adequate in every case
 - b) Lawful
 - c) Always monetary
 - d) Equal to the value of the promise
14. A enters into a contract with B because B threatens to unlawfully detain A's property. The consent of A is affected by:
 - a) Fraud
 - b) Misrepresentation
 - c) Coercion
 - d) Mistake
15. Which of the following is an example of misrepresentation?
 - a) Knowingly making a false statement
 - b) Threatening a person to obtain consent
 - c) Making an innocent false statement believing it to be true
 - d) Concealing a fact with an intention to deceive
16. Mere silence as to facts likely to affect a person's willingness to enter into a contract amounts to fraud:
 - a) In every case
 - b) Never
 - c) When there is a duty to speak or silence is equivalent to speech
 - d) Only when the contract is written
17. An agreement with an object that is opposed to public policy is:
 - a) Valid
 - b) Void
 - c) Voidable
 - d) Enforceable after registration
18. A agrees to pay B ₹1 lakh if B agrees not to enforce his contractual rights through legal proceedings. Such an agreement is generally:
 - a) Valid in all circumstances
 - b) Void as an agreement in restraint of legal proceedings
 - c) A wagering agreement
 - d) A contract of guarantee
19. Where the nature of a promise indicates that it must be performed personally by the promisor, the promisor:
 - a) May freely delegate it
 - b) Must personally perform it
 - c) Can transfer it automatically to an agent
 - d) Is discharged from the obligation
20. Where the promisee dispenses with or remits, wholly or partly, the performance of the promise made to him, this is known as:
 - a) Alteration
 - b) Rescission
 - c) Remission
 - d) Novation
21. When the promisee accepts performance of the promise from a third person, the promisee:
 - a) Can subsequently enforce the same promise against the original promisor
 - b) Cannot subsequently enforce the same promise against the original promisor
 - c) Can demand performance from both
 - d) Automatically cancels all obligations of the promisor
22. A agrees to perform a particular promise for B. B agrees to accept a lesser performance in full satisfaction of the original promise. This is an example of:
 - a) Alteration
 - b) Remission
 - c) Novation
 - d) Rescission
23. Under the Indian Contract Act, compensation for breach is generally not awarded for losses that are:
 - a) Directly arising from the breach
 - b) Naturally arising in the usual course of things
 - c) Too remote and indirect
 - d) Reasonably foreseeable

24. A deposits his watch with B for safe custody. As a bailee, B is required to:
- Use the watch as his own property
 - Take reasonable care of the watch
 - Sell the watch immediately
 - Transfer ownership of the watch to himself
25. A sales executive listens to a customer's complaint without interrupting, asks relevant questions, and then summarizes the customer's concern before responding. This demonstrates:
- Selective listening
 - Active listening
 - Passive listening
 - Defensive listening
26. A manager sends an email containing confidential salary information to the wrong employee because the recipient's email address was entered incorrectly. This primarily represents a failure of:
- Communication ethics and confidentiality
 - Conciseness
 - Non-verbal communication
 - Grapevine communication
27. During a presentation, a speaker uses a chart to show the company's five-year sales trend instead of explaining all the figures verbally. The chart primarily serves as:
- A communication barrier
 - A visual aid
 - Feedback
 - A decoding mechanism
28. An employee receives instructions from two different supervisors that conflict with each other, making it difficult to determine which instruction should be followed. This situation illustrates:
- Role conflict
 - Semantic noise
 - Physical noise
 - Cultural barrier
29. A company wants to communicate a major policy change to its employees and ensure that the message is understood uniformly across all departments. Which is the most appropriate approach?
- Rely only on informal conversations
 - Communicate the policy through an official written circular supported by an explanatory meeting
 - Allow employees to obtain information through the grapevine
 - Announce the policy only to senior managers
30. In a business presentation, the speaker adjusts the level of technical detail depending on whether the audience consists of engineers, customers, or senior executives. This demonstrates:
- Audience analysis
 - Encoding failure
 - Grapevine communication
 - Physical filtering

Answer:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
b	b	c	b	c	b	b	c	b	c	b	b	b	c	c
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
c	b	b	b	c	b	b	c	b	b	a	b	a	b	a

Topic

Fundamentals
of Financial
Accounting -

Module 2:
Accounting for
Special Transactions

Fundamentals of
Cost Accounting -

Module 4:
Fundamentals of
Cost Accounting

FOUNDATION

Paper-2

Fundamentals of
Financial and Cost
Accounting (FFCA)

FUNDAMENTALS OF FINANCIAL AND COST ACCOUNTING

1. Received Cash from Anu after deducting 2% Cash Discount amounting to ₹ 2,450. What amount will be shown in the Discount Column of the Cash Book?
 - A. ₹ 50;
 - B. ₹ 75;
 - C. ₹ 100;
 - D. ₹ 150
2. Bank notified that the cheque amounting to ₹ 5,000 received from Ram has been dishonored and the bank charged ₹ 100. What amount is to be debited to Ram in the Cash Book?
 - A. ₹ 4,900;
 - B. ₹ 5,000;
 - C. ₹ 5,100;
 - D. ₹ 5,200
3. Sales made to Akbar costing ₹ 1,200, invoicing at 20% above cost, less 10% Trade Discount. What will be shown in the SALES DAY BOOK?
 - A. ₹ 1,200;
 - B. ₹ 1,296;
 - C. ₹ 1,440;
 - D. ₹ 1,584
4. Anthony returned 300 Fan Motors @ ₹ 100 each, Trade Discount 20%. What amount will be shown in the Return Inward Book?
 - A. ₹ 30,000;
 - B. ₹ 27,000;
 - C. ₹ 24,000;
 - D. ₹ 20,000
5. Purchased from Vivek 50 Fountain Pens @ ₹ 600 each, less 10 p.c Trade Discount. What amount will be shown in the Purchase Day Book?
 - A. ₹ 33,000;
 - B. ₹ 30,000;
 - C. ₹ 27,000;
 - D. ₹ 3,000
6. Sold goods on Credit to Vasudevan 5 TVs @ ₹ 4,000 each, less 10% Trade Discount. What amount will be shown in the Sales Day Book?
 - A. ₹ 20,000;
 - B. ₹ 18,000;
 - C. ₹ 24,000;
 - D. ₹ 16,000
7. Mr Bobby commenced business with cash of ₹22,000, bought furniture for ₹ 2,000, bought goods for ₹ 8,000, sold goods for ₹ 12,000, and paid creditors ₹ 7,000. What will be the balance of rupees Bobby's Capital Account.
 - A. ₹ 8,000;
 - B. ₹ 12,000;
 - C. ₹ 17,000;
 - D. ₹ 22,000
8. Overdraft balance as per Cash Book ₹ 4,000. Direct deposit of ₹ 6,500 by a Customer into the bank was not recorded in the Cash Book. What will be Bank Balance as per Cash Book.
 - A. ₹ 4,000;
 - B. ₹ 2,500;
 - C. ₹ 2,500 (overdraft);
 - D. ₹ 6,500
9. Overdraft as per Pass Book ₹ 6,800. Bank charged interest on overdraft ₹ 50. Dishonored bill debited in Pass Book but not recorded in Cash Book ₹ 1,500. What will be the bank balance as per Cash Book?
 - A. ₹ 5,250;
 - B. ₹ 5,300;
 - C. ₹ 6,750;
 - D. ₹ 8,250
10. Bank Balance as per Pass Book ₹ 3,000. Dividend ₹150 and interest ₹ 50 collected and credited by the Bank but not debited in the Cash Book. What will be the balance as per Cash Book.
 - A. ₹ 200;
 - B. ₹ 2,800;
 - C. ₹ 3,000;
 - D. ₹ 3,200
11. A building costing ₹ 5,00,000 was sold for ₹6,00,000. 25% of the profit was transferred to the Capital Reserve. What amount is to be transferred to the Capital Reserve?
 - A. ₹ 15,000;
 - B. ₹ 20,000;
 - C. ₹ 25,000;
 - D. ₹ 50,000

12. Net Profit for the year was ₹ 1,75,000. Transfer 10% to the Dividend Equalisation Reserve. Equity Share Capital ₹ 6,00,000. What will be the balance of net Profit?
 - A. ₹ 60,000;
 - B. ₹ 1,00,000;
 - C. ₹ 1,15,000;
 - D. ₹ 1,25,000
13. Opening provision of Bad Debt is ₹ 500. Provision for doubtful debts is to be maintained at 5%. Debtors as on the closing date is ₹ 18,000. Amounts to be debited to Profit & Loss Account is-
 - A. ₹ 200;
 - B. ₹ 400;
 - C. ₹ 600;
 - D. ₹ 800
14. Debtors as on the closing date are ₹ 20,000. Provision for doubtful debts as on the closing date to be created @ 5%. The requirement of discount on debtors is 4%. Amount of provision for discount on debtors is –
 - A. ₹ 760;
 - B. ₹ 800;
 - C. ₹ 950;
 - D. ₹ 1,000
15. Opening balance of provision for discount on creditors ₹ 1,200. Discount received ₹ 800. Closing balance of creditors ₹ 75,000. Provision for discount on creditors is to be maintained at 2% on creditors. What amount should be transferred to the Profit & Loss Account?
 - A. ₹ 880;
 - B. ₹ 1,100;
 - C. ₹ 1,200;
 - D. ₹ 1,500
16. If the bad debt written off is ₹ 100, the opening provision for bad debt is ₹ 650. Closing debtors ₹ 6,000. Provision for doubtful debts as on closing date is 5%. What amount should be debited or credited to the Profit & Loss Account against the provision for Bad Debts?
 - A. ₹ 300 (Dr.);
 - B. ₹ 550 (Dr.);
 - C. ₹ 250 (Cr.);
 - D. ₹ 100 (Dr.)
17. A Bill is drawn on 01st March 2025 for 4 months. The Bill was retired on 4th May 2025. What rebate should be allowed for the drawee.
 - A. 1 Month;
 - B. 2 Months;
 - C. 3 Months;
 - D. 4 Months
18. If opening Raw Materials ₹ 5,000, Carriage on Raw Materials ₹ 1,200, Closing Raw Materials ₹ 2,500, Raw Material consumed ₹ 18,700. What will be the amount of the Raw Materials purchases?
 - A. ₹ 10,000;
 - B. ₹ 15,000;
 - C. ₹ 20,000;
 - D. ₹ 27,400
19. What will be the amount of sales when cost of goods sold is ₹ 25000, gross profit ₹ 8000 and sales return ₹ 7000.
 - A. ₹ 20,000;
 - B. ₹ 25,000;
 - C. ₹ 40,000;
 - D. ₹ 47,000
20. Opening stock ₹ 20,000. Purchases ₹ 80,000. Sales ₹ 1,00,000. Gross Profit on Sales is 20% . Ascertain value of Closing stock.
 - A. ₹ 10,000;
 - B. ₹ 15,000;
 - C. ₹ 20,000;
 - D. ₹ 25,000
21. Cost price of closing stock ₹ 60,000 and market price ₹ 65,000. What value to be considered for Balance Sheet.
 - A. ₹ 5,000;
 - B. ₹ 60,000;
 - C. ₹ 65,000;
 - D. ₹ 1,25,000
22. Which of the following is an indirect material?
 - A. Steel used in manufacturing a machine ;
 - B. Wood used for making furniture ;
 - C. Lubricating oil used in machinery;
 - D. Cotton used in textile production

23. A cost that changes in direct proportion to the level of production is known as:
- Fixed cost ;
 - Variable cost ;
 - Semi Fixed cost ;
 - Sunk cost
24. The difference between Sales and Variable Cost is called:
- Gross Profit ;
 - Contribution;
 - Net Profit ;
 - Prime Cost
25. If fixed cost is ₹ 1,00,000 and contribution per unit is ₹ 20, the break-even point in units will be:
- 2,000 units ;
 - 5,000 units ;
 - 10,000 units ,
 - 20,000 units
26. Which of the following costs is generally irrelevant for a future decision?
- Relevant cost ;
 - Opportunity cost ;
 - Sunk cost ;
 - Incremental cost
27. Break-even point is the point at which:
- Sales are maximum ;
 - Profit is maximum ;
 - Total Revenue equals Total Cost ;
 - Variable Cost equals Fixed Cost
28. Economic Order Quantity (EOQ) aims at:
- Maximising production ;
 - Minimising total ordering and carrying costs ;
 - Maximizing sales ;
 - Minimising labour cost
29. Which method of inventory valuation assumes that materials purchased first are issued first?
- LIFO ;
 - FIFO ;
 - Weighted Average ;
 - Simple Average
30. Under absorption costing, fixed production overhead is:
- Treated entirely as period cost ;
 - Included in product cost ;
 - Ignored ;
 - Treated as selling overhead

Answer:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A	C	B	C	C	B	C	B	A	B	C	C	B	A	B
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
C	B	B	C	C	B	C	B	B	B	C	C	B	B	B

Topic

Fundamentals
of Business
Mathematics and
Statistics-

Module 2:
Algebra

Module 6:
Correlation and
Regression

FOUNDATION

Paper-3

Fundamentals
of Business
Mathematics and
Statistics (FBMS)

FUNDAMENTALS OF BUSINESS MATHEMATICS AND STATISTICS

In this issue, we will carry out MCQs on Algebra and Correlation Regression--Refer to Module 2 and Module 6 of the Study guide

Q1 – Q5. Solve the equation $12x^2 + 24x + 30 = 0$

1. Find the sum of roots
 - (a) - 24
 - (b) - 30
 - (c) - 2.50
 - (d) - 2
2. Find the Product of Roots
 - (a) 2.50
 - (b) 24
 - (c) 2
 - (d) 30
3. Determine the square of the difference of roots.
 - (a) 6
 - (b) 3
 - (c) - 3
 - (d) - 6
4. Determine the values of a, b and c
 - (a) 12, 24, 30
 - (b) 1, - 2, 2.50
 - (c) 1, - 2, - 2.50
 - (d) 12, - 24, 30
5. Determine the nature of the roots
 - (a) Unreal and Rational
 - (b) Unreal and Imaginary
 - (c) Real and Unequal
 - (d) Real and Equal
6. If the roots of the equations $ax^2 + 2bx + c = 0$ and $bx^2 - 2\sqrt{ac}x + b = 0$ are simultaneously real, then
 - (a) $b = ac$
 - (b) $b^2 = ac$
 - (c) $a^2 = bc$
 - (d) $c^2 = ab$
7. Find the value of $(11! - 9!)/9!$
 - (a) 110
 - (b) 220
 - (c) 219
 - (d) 109
8. In how many ways can 4 different balls be distributed among 5 different boxes when any box can have any number of balls?
 - (a) $5^4 - 1$
 - (b) 5^4
 - (c) $4^5 - 1$
 - (d) 4^5
9. The number of ways of painting the faces of a cube with six different colours is:
 - (a) 1
 - (b) 6
 - (c) $6!$
 - (d) None of these
10. 6 men and 4 women are to be seated in a row so that no two women sit together. The number of ways they can be seated is
 - (a) 604800
 - (b) 17280
 - (c) 120960
 - (d) 518400
11. The number of ways the letters of the word ASSASSINATION can be arranged so that all the S are together is
 - (a) 152100
 - (b) 1512
 - (c) 15120
 - (d) 151200
12. If repetition of the digits is allowed, then the number of even natural numbers having three digits is
 - (a) 250
 - (b) 350
 - (c) 450
 - (d) 550
13. If b_{xy} & b_{yx} are regression coefficients between X & Y and Y & X respectively then
 - (a) $\sqrt{(b_{xy} * b_{yx})} \leq 1$
 - (b) $\sqrt{(b_{xy} * b_{yx})} \geq 1$

(c) $\sqrt{(b_{XY} * b_{YX})} = -1$

(d) $\sqrt{(b_{XY} / b_{YX})} \leq 1$

14. In a regression equation

(a) The regression coefficient represents the increment in the value of the independent variable for a unit change in the value of the dependent variable

(b) The regression coefficient represents the increment in the value of the dependent variable for a unit change in the value of the independent variable

(c) The regression coefficient represents the mean value of the independent variable for a unit change in the value of the dependent variable

(d) The regression coefficient represents the mean value of the dependent variable for a unit change in the value of the independent variable

15. If $r^2 = 0.3$ & $b_{XY} = -1.5$ then b_{YX} is equal to

(a) +1

(b) -0.2

(c) -1

(d) -0.45

16. In a bivariate regression analysis, $\Sigma XY = 1355.25$, $(\Sigma X)(\Sigma Y) = 6396$, $\Sigma X^2 = 591.50$ & $\Sigma X = 52$. If there are 5 items, then b_{YX}

(a) 1

(b) 0.97

(c) 0.667

(d) 1.5

17. $X = 1.36Y - 5.2$ & $Y = 0.61X + 1.51$ are two regression equations. Correlation coefficient between X & Y are

(a) -0.67

(b) -0.911

(c) 0.911

(d) 0.67

18. In a bivariate regression analysis comprising series X & Y, if $\Sigma(X - \bar{X})^2 = \Sigma(Y - \bar{Y})^2$ then

(a) $b_{XY} = b_{YX}$

(b) $b_{XY} > b_{YX}$

(c) $b_{XY} < b_{YX}$

(d) Correlation coefficient = 1

19. Match the items in column A with the items in column B

A	B
a) Coefficient of correlation	i) is a functional relationship that shows the dependence of one variable on the other
b) Arithmetic mean of regression coefficients	ii) is the geometric mean between regression coefficients
c) Regression Analysis	iii) is the mean value of the variables X and Y in the case of two variables case
d) Intersection point of lines of regression	iv) is greater than or equal to the correlation coefficients

20. In a bivariate regression analysis, the difference between the actual value of the dependent variable and the predicted value of the dependent variable is called

(a) Outlier

(b) Slope

(c) Residual

(d) Scattered point

21. Consider the following results:

$$N = 12, \Sigma dx = 0, \Sigma dy = 4, \Sigma dx^2 = 1344, \Sigma dy^2 = 215, \Sigma dxdy = -4360$$

An appropriate regression coefficient is

(a) -0.821

(b) 1

(c) 5.67

(d) -3.244

22. In a bivariate regression analysis for the dependent variable, if $d = \text{Actual value} - \text{Predicted value}$ then at different values of the independent variable(a) Best fit curve occurs when $d_1^2 + d_2^2 + \dots + d_n^2$ is minimum(b) Best fit curve occurs when $d_1^2 + d_2^2 + \dots + d_n^2$ is maximum(c) Best fit curve occurs when $d_1^2 + d_2^2 + \dots + d_n^2$ is zero(d) Best fit curve occurs when $d_1^2 + d_2^2 + \dots + d_n^2$ is one

23. Consider the following results:

$$N = 6, \Sigma y = 42, \Sigma y^2 = 318, b_{yx} = -11/34, \Sigma x^2 - 1/n(\Sigma x)^2 = 34$$

Then b_{xy} is

- (a) 11/34
- (b) 11/24
- (c) -34/11
- (d) -11/24

24. In a bivariate analysis if two regression equations are $mx - y + 10 = 0$ & $-2x + 5y = 14$. If the coefficient of correlation between x & y is $1/\sqrt{10}$, then the value of m is

- (a) 10
- (b) 5/2
- (c) 4
- (d) 1

25. In a bivariate analysis, if two regression equations are $8x - 10y + 66 = 0$ & $40x - 18y - 214 = 0$. Then $\bar{x}$, $\bar{y}$, the mean of the series x & y are respectively

- (a) 13, 17
- (b) 17, 17
- (c) 5/4, 20/9.
- (d) 8, 18

26. Given that $\bar{x} = 36$, $\bar{y} = 85$, $\sigma_x = 11$, $\sigma_y = 8$, $r = 0.66$. The regression equation of y on x is

- (a) $y = 0.9075x - 41.41$
- (b) $y = x$
- (c) $y = 1.5x + 72.52$
- (d) $y = 0.48x + 67.72$

27. In a bivariate analysis, two regression equations are $x = -y + 9$ & $y = -x + 9$. The correlation coefficient is

- (a) -1
- (b) 1
- (c) 0
- (d) 0.921

28. In a bivariate analysis, two regression equations are $4x - 5y + 33 = 0$ & $20x - 9y - 107 = 0$. Which one of the following is correct?

- (a) Correlation coefficient between x & y is equal to 1
- (b) $4x - 5y + 33 = 0$ is the regression equation of y on x
- (c) The arithmetic mean of the two regression coefficients is 0.5
- (d) Mean of the y series is 13

29. Regression equation of y on x is $y = 3.25x + 5$. If $\bar{x} = 5$, then $\bar{y}$ is equal to

- (a) 21.25
- (b) 5
- (c) 16.25
- (d) 1

30. For a data set, the regression equation of y on x is $y = 72 - 5x$. The correlation coefficient for this data must be

- (a) 0
- (b) Less than 1
- (c) Less than 0
- (d) -1

Answer:

1	d	Sum of Roots = $-24/12 = 2$
2	a	Product of roots = $30/12 = 2.50$
3	d	$(-2)^2 - 4 * (2.50) = 4 - 10 = -6$
4	a	$ax^2 + bx + c = 0 = 12x^2 + 24x + 30 = 0$ Hence, $a = 12$, $b = 24$, $c = 30$
5	b	Since $b^2 - 4ac < 0$, the roots are Unreal and Imaginary
6	b	For real roots, the discriminant of both equations must be ≥ 0 Discriminant of the first equation $(2b)^2 - 4ac \geq 0$ i.e. $b^2 \geq ac$ The discriminant of the second equation $(2\sqrt{ac})^2 - 4b^2 \geq 0$ i.e. $ac \geq b^2$. By comparing the two inequalities, only one can conclude that $b^2 = ac$
7	d	$(11! - 9!)/9! = (11 * 10 * 9!)/9!$ $= 9!(110 - 1) / 9! = 110 - 1 = 109$
8	b	Here, both balls and boxes are different. Now, 1st ball can be placed into any of the 5 boxes. 2nd ball can be placed into any of the 5 boxes. 3rd ball can be placed into any of the 5 boxes. 4th ball can be placed into any of the 5 boxes. So, the required number of ways = $5 \times 5 \times 5 \times 5 = 5^4$
9	a	Since the number of faces is the same as the number of colours, Therefore, the number of ways of painting them is 1
10	a	6 men can sit as $\times M \times M \times M \times M \times M \times M \times$ Now, there are 7 spaces and 4 women can sit as ${}^7P_4 = {}^7P_3 = 7!/3!$ $= (7 \times 6 \times 5 \times 4 \times 3!)/3!$ $= 7 \times 6 \times 5 \times 4 = 840$ Now, total number of arrangement = $6! \times 840$ $= 720 \times 840 = 604800$
11	d	Given word is: ASSASSINATION Total number of words = 13 Number of A : 3 Number of S : 4 Number of I : 2

		Number of N : 2 Number of T : 1 Number of O : 1 Now all S are taken together. So it forms a single letter. Now total number of words = 10 Now the number of ways so that all S are together = $10!/(3! \times 2! \times 2!)$ $= (10 \times 9 \times 8 \times 7 \times 6 \times 5 \times 4 \times 3!)/(3! \times 2 \times 2)$ $= (10 \times 9 \times 8 \times 7 \times 6 \times 5 \times 4)/(2 \times 2)$ $= 10 \times 9 \times 8 \times 7 \times 6 \times 5$ $= 151200$ So total number of ways = 151200
12	c	In a 3-digit number, 1st place can be filled in 5 different ways with (0, 2, 4, 6, 8) 10th place can be filled in 10 different ways. 100th place can be filled in 9 different ways. So, the total number of ways = $5 \times 10 \times 9 = 450$
13	a	
14	b	
15	b	
16	d	
17	c	
18	a	
19		(a)/ii, (b)/iv, (c)/i, (d)/iii
20	c	
21	d	
22	a	
23	d	
24	c	
25	a	
26	d	
27	a	
28	b	
29	a	
30	c	

Suggestions:

The study guide are to be studied thoroughly. Supplementary readings could be made from other resources. In this issue MCQs are based on basic concepts taught in the respective modules/sub modules of the study guide. Students should try to solve individual questions with expertise developed after studying guide book to understand the correct answer of each question. Formula used here are all covered in study guide.

Best Wishes.

Topic

Fundamentals of
Business Economics -

Module 2 :
Forms of Market

Fundamentals of
Management -

Module 5:
Fundamentals of
Management

FOUNDATION

Paper-4

Fundamentals of
Business Economics
and Management
(FBEM)

FUNDAMENTALS OF BUSINESS ECONOMICS AND MANAGEMENT

Let us start our mock test.

I. Choose the correct answer:

1. Who was the father of economics?
 - A. Alfred Marshall
 - B. Samuelson
 - C. Lionel Robbins
 - D. Adam Smith
2. An individual demand curve assumes that, except for the price of the commodity
 - A. The money income of the consumer remains constant
 - B. The taste and preference pattern of the consumer remains constant
 - C. Prices of other related goods remain constant
 - D. All the above should remain constant
3. The market demand curve for a commodity can be derived from the
 - A. Horizontal summation of individual demand curves
 - B. Vertical summation of individual demand curves
 - C. Cumulative summation of individual demand curves
 - D. None of the above
4. The negative slope of the normal demand curve can be explained by
 - A. Only the substitution effect
 - B. Only the income effect
 - C. Both the income and substitution effect
 - D. None of the above
5. The mid-point of a linear demand curve shows a price elasticity of demand which is
 - A. Relatively elastic
 - B. Relatively inelastic
 - C. Unit elastic
 - D. Perfectly inelastic
6. If the demand curve is unit elastic, the shape of the curve
 - A. Will be horizontal
 - B. Will be upward rising
 - C. Will be a rectangular hyperbola
 - D. None of the above
7. The demand for durable goods usually remains
 - A. Relatively elastic ($e > 1$)
 - B. Relatively inelastic ($e < 1$)
 - C. Unitary elastic ($e = 1$)
 - D. None of the above
8. A steeper demand curve implies
 - A. Relatively inelastic demand
 - B. Relatively elastic demand
 - C. Perfectly elastic demand
 - D. None of the above
9. If the price of a substitute good rises, the demand curve shifts to the
 - A. Right
 - B. Left
 - C. Upward direction
 - D. None of the above
10. When TR rises, then MR will be
 - A. Positive
 - B. Negative
 - C. Zero
 - D. None of the above
11. When $e > 1$, then with a fall in price, TR will
 - A. Fall
 - B. Rise
 - C. Remains unchanged
 - D. None of the above
12. For an inferior good, the value of the income elasticity of demand is
 - A. Positive
 - B. Negative
 - C. Unity
 - D. Zero
13. When the price elasticity of demand is infinity, then MR will be
 - A. Greater than price
 - B. Equal to price
 - C. Less than price
 - D. None of the above

14. When the AR curve is rising, what will be the behaviour pattern of the MR curve?
 - A. The MR curve will be rising
 - B. The MR curve will be falling
 - C. Nothing can be said definitely
 - D. None of the above
15. The necessary condition for profit maximization of a competitive firm is
 - A. $P > MC$
 - B. $P = MC$
 - C. $P < MC$
 - D. $P = AC$
16. At the profit maximizing level of output of a competitive firm
 - A. $P = AVC$
 - B. $P \geq AVC$
 - C. $P > AVC$
 - D. $P < AVC$
17. If $P < SAC$ at the profit-maximizing level of output of a competitive firm, then the firm
 - A. Incurs a loss
 - B. Earns excess profit
 - C. Earns normal profit
 - D. None of the above
18. In which market form is there no distinction between the firm and the industry?
 - A. Monopolistic competition
 - B. Monopoly
 - C. Perfect competition
 - D. None of the above
19. Which institution controls the capital market in India?
 - A. RBI
 - B. IDBI
 - C. SEBI
 - D. None of the above
20. In the quantity theory of money, a rise in the money supply will result in
 - A. Inflation
 - B. Deflation
 - C. Stagflation
 - D. None of the above
21. What is the name of the central bank of America?
 - A. Bank of America
 - B. Reserve Bank of America
 - C. Federal Reserve Bank of America
 - D. None of the above
22. Which is inherent in a managerial job and embodied in all the functions of management?
 - A. Planning
 - B. Organizing
 - C. Control
 - D. Co-ordination
23. A manager has to exhibit the style of leadership depending on the
 - A. Performance
 - B. Time
 - C. Situation
 - D. Period
24. The view that sees profit maximization as the main objective is known as
 - A. Shareholder theory
 - B. Agency theory
 - C. Stakeholder theory
 - D. Stewardship theory
25. Which one of the following is not an agency cost?
 - A. Residual loss
 - B. Bonding costs
 - C. Concurrent loss
 - D. Monitoring costs
26. Selection is a process of rejection, and hence it is called a
 - A. Positive process
 - B. Negative process
 - C. Either A or B
 - D. None of the above
27. The process of increasing the knowledge and skill of an employee is known as
 - A. Training
 - B. Development
 - C. Education
 - D. None of the above

28. Training conducted away from the actual work setting is called
- On-the-job training
 - Off-the-job training
 - Step-by-step training
 - None of the above
29. Which of the following are the methods of off-the-job training?
- Role playing
 - Case studies
 - Lectures, classroom instruction
 - All of the above
30. External sources of recruitment include
- Employment Exchanges
 - Advertisements
 - Employee walk-ins
 - All of the above

Answer:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
D	D	A	C	C	C	B	A	A	A	B	B	B	C	B
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
B	A	B	C	A	C	D	C	B	C	B	A	B	D	D

So friends,

I hope you have enjoyed solving all the problems in the mock test. Try to give more attention to the problems concerning price elasticity of demand. This also involves a bit of mathematics. So it will be better if you brush up your mathematics knowledge.

It will be wise for you if you keep track of your progress in Business Economics and Management from the scores you have obtained in consecutive mock tests. Of course you can consult the KEY, but not before you finish answering all the questions in the test.

Wish you all the best!!!

CMA INTERMEDIATE COURSE

Syllabus 2022

Topic

Module 3:
Sale of Goods Act,
1930

INTERMEDIATE

Group I - Paper-5

Business Laws and
Ethics (BLE)

Conditions and Warranties under the Sale of Goods Act, 1930

Introduction

A contract for the sale of goods is not simply an agreement to exchange goods for money. It involves expectations regarding the quality, description, fitness, ownership and suitability of the goods. The Sale of Goods Act, 1930, provides a legal framework to ensure these expectations are recognized and that parties have remedies when they are not fulfilled. Among the most important concepts in this framework are conditions and warranties.

The distinction between a condition and a warranty is significant because it determines the remedy available to the buyer when the seller fails to perform a contractual promise. A breach of a condition generally gives the buyer the right to reject the goods and treat the contract as repudiated. A breach of warranty ordinarily gives rise to a claim for damages without a right to reject the goods. Section 12 of the Act expressly establishes this distinction.

These concepts remain relevant in modern commercial transactions involving online purchases, branded products, machinery, electronic goods, and business-to-business contracts.

Meaning of Condition and Warranty

Section 12 of the Sale of Goods Act recognizes a stipulation in a contract of sale as either a condition or a warranty.

A condition is a stipulation essential to the main purpose of the contract. Its breach is serious enough to allow the buyer to treat the contract as repudiated. For example, if a buyer orders a new commercial refrigerator specifically for storing frozen products and the seller supplies a refrigerator incapable of maintaining the required temperature, the failure may go to the very purpose of the contract.

A warranty is a stipulation collateral to the main purpose of the contract. Its breach gives the buyer a claim for damages but ordinarily does not permit rejection of the goods. For instance, if a product is sold with an additional promise concerning a minor feature that does not affect its fundamental suitability, failure to fulfil that promise may amount to a breach of warranty.

Importantly, the legal character of a stipulation depends on its substance and importance rather than the label used by the parties. Thus, a term described as a “warranty” in a contract may still be treated as a condition if it is essential to the main purpose of the transaction.

Condition and Warranty: Why the Distinction Matters

The distinction is essentially one of remedy and seriousness.

Basis	Condition	Warranty
Importance	Essential to the main purpose	Collateral to the main purpose
Breach	Fundamental breach	Less fundamental breach
Buyer's remedy	Rejection/repudiation is generally possible	Damages generally available
Effect on contract	May allow termination	The contract normally continues

For example, if a business buys 100 laptops with a specific processor, and the seller delivers laptops with a different processor, this could be a breach of condition. But if the seller forgets to include an extra accessory that was promised, this would likely be a breach of warranty.

This difference prevents every minor problem from being grounds for cancelling the contract and ensures buyers receive compensation for less serious issues.

When a Condition May Be Treated as a Warranty

Section 13 adds an important rule. A buyer can choose to give up a condition or treat its breach as a breach of warranty. If the buyer does this, they cannot end the contract just because the original promise was a condition.

This rule is practical for business. If a buyer receives goods that are slightly different from what was agreed, but can still use them, the buyer can accept the goods and seek compensation instead of rejecting them.

The law offers flexibility rather than being overly strict.

Implied Conditions: Protection Beyond Express Contractual Terms

A key feature of the Sale of Goods Act is that buyers are protected even if the contract does not spell out every detail.

1. Condition as to Title

Section 14 recognizes an implied condition that the seller has the right to sell the goods. It also provides implied warranties concerning the buyer's quiet possession and freedom from undisclosed third-party charges or encumbrances.

This matters because buyers should not have to deal with someone else claiming ownership of the goods or asserting a higher right to them.

2. Sale by Description

Section 15 says that when goods are sold by description, they must match that description. For example, if someone

orders “100% cotton shirts” but receives shirts that are not actually 100% cotton, the buyer can take action, even if the shirts appear usable.

This rule is especially important in online shopping, where buyers cannot see the products in person and rely on descriptions, details, and photos.

3. Quality and Fitness

Section 16 usually means there is no automatic promise about quality or fitness for a specific use, unless certain exceptions apply. If the buyer tells the seller what they need and relies on the seller’s advice, there may be an implied promise that the goods will be fit for that purpose. The Act also covers implied promises about basic quality in some cases.

For example, if a buyer says they need a machine for continuous industrial use and trusts the seller to choose the right one, providing the wrong machine could breach the implied promise of fitness.

Caveat Emptor and Its Exceptions

The old rule of caveat emptor, or “let the buyer beware,” means buyers must be careful before buying goods. The Supreme Court has said this does not mean buyers should just take risks, but that they should act with reasonable care.

But this rule is not always strict. The Sale of Goods Act says sellers are responsible in some cases, like when buyers rely on the seller’s advice, when goods are sold by description, or when other legal promises apply.

This balance matters. Buyers cannot ignore clear problems and complain later if they could have found them by checking. But sellers also cannot avoid responsibility when the law gives buyers certain rights or when buyers reasonably trust the seller’s expertise.

Sale by Sample

Another protection comes when goods are sold by sample. Buyers expect the rest of the goods to match the sample and to have a fair chance to compare them. The law about sales by sample helps reduce doubts when buyers cannot check everything before buying.

This is especially important in wholesale deals for things like commodities, textiles, raw materials, and manufactured products.

Practical Significance in E-Commerce

The ideas of conditions and warranties have become even more important as online shopping has grown.

When someone buys a phone, appliance, or clothing online, they depend on the seller’s description, details, photos, and listed features. If the product is very different from what was promised, the rule about sale by description is especially important.

In the same way, what is said about product details, warranty, capacity, or suitability can decide if a contract term is central or just a side promise.

These rules also matter in business deals. For example, if a company buys industrial machinery based on what the supplier says it can do, and the machine cannot do the job, the company could face more than just the cost of the machine, like delays and money losses.

Judicial Perspective

Indian courts have repeatedly emphasized the importance of the distinction between contractual terms and the circumstances surrounding the transaction. The principle of caveat emptor has also been recognized by the Supreme Court as the general rule concerning quality, subject to statutory and contractual exceptions. In *Commissioner of Customs (Preventive) v. Aqfloat Textiles (I) Pvt. Ltd.*, the Supreme Court discussed the meaning and limits of caveat emptor and emphasized the buyer’s duty to exercise care.

Courts have held that the law does not make either party responsible for every business loss. Instead, who is responsible depends on the contract, how both sides acted, and the situation of the deal.

Conclusion

Conditions and warranties are the basis for quality and performance promises in contracts under the Sale of Goods Act, 1930. This difference means that serious problems can lead to rejection or contract termination, while smaller problems can be resolved with compensation.

Also, the law provides additional protection regarding ownership, description, quality, fitness, and sales by sample, beyond what the contract says. The rule of caveat emptor makes buyers responsible, but its exceptions allow sellers to avoid blame when buyers reasonably trust them.

These rules are still very important in today’s business world. Whether the deal is for wholesale goods, machines, or online shopping, the main questions are: what was promised, how important that promise was, and what should happen if it is not kept? The law on conditions and warranties helps answer these questions and supports fairness and trust in business.

Holder in Due Course under the Negotiable Instruments Act, 1881

Introduction

Negotiable instruments play an important role in commercial transactions because they enable monetary claims to be transferred from one person to another. Promissory notes, bills of exchange, and cheques facilitate credit transactions and reduce the need for immediate cash payments. The Negotiable Instruments Act, 1881, provides the legal framework governing these instruments and establishes the rights and liabilities of the parties involved.

An important concept under the Act is that of a holder in due course. A holder in due course acquires a negotiable instrument under specific statutory conditions and enjoys a stronger legal position than an ordinary holder. This protection encourages people to accept negotiable instruments without investigating every previous transaction through which the instrument has passed.

Meaning of Holder in Due Course

Section 9 of the Negotiable Instruments Act defines a holder in due course. Broadly, a person must acquire the instrument for consideration before the amount becomes payable and without sufficient cause to believe that there is a defect in the title of the person from whom the instrument was obtained.

For example, A obtains a bill of exchange from B in a genuine commercial transaction and transfers it to C for consideration before its maturity. If C has no sufficient reason to suspect any defect in A's title, C may qualify as a holder in due course. Thus, possession of an instrument alone is not sufficient; the statutory requirements must also be satisfied.

Essential Requirements

1. Acquisition for Consideration

The instrument must be acquired in exchange for something of value. A person who receives an instrument merely as a gift may be a holder, but does not automatically become a holder in due course.

2. Acquisition Before Maturity

The instrument must be acquired before the amount mentioned in it becomes payable. Timing is therefore significant. A person who obtains an instrument after maturity ordinarily does not enjoy the same advantages as someone who acquires it while it is still in circulation. The law primarily seeks to protect transactions conducted in the ordinary course of commercial dealings.

3. Good Faith and Absence of Sufficient Cause for Suspicion

The person acquiring the instrument must not have

sufficient cause to believe that the transferor's title is defective. Merely claiming ignorance is not always sufficient; the circumstances surrounding the transaction must also be considered.

In *U. Ponnappa Moothan Sons, Palghat v. Catholic Syrian Bank Ltd.*, the Supreme Court examined the meaning and scope of Section 9 and emphasised the importance of consideration and the absence of sufficient reason to believe that the transferor's title was defective. This requirement prevents a person from deliberately ignoring suspicious circumstances and subsequently claiming the protection available to a holder in due course.

Holder and Holder in Due Course: The Difference

An ordinary holder is a person entitled in his own name to possess the instrument and recover the amount due. A holder in due course must satisfy additional statutory requirements and consequently enjoys stronger legal protection.

For example, if A transfers a promissory note to B, B may be a holder if B is legally entitled to possess and recover the amount. If B acquired it for consideration, before maturity, and without sufficient reason to believe that A's title was defective, B may also qualify as a holder in due course.

Therefore, every holder is not necessarily a holder in due course. The distinction is important because the latter enjoys special statutory privileges that strengthen the ability to recover payment.

Special Privilege: Better Title

One of the most important advantages of a holder in due course is protection against certain defects in the title of previous parties. In ordinary property transactions, a transferee generally cannot obtain a better title than the transferor. Negotiability modifies this principle to facilitate the circulation of commercial instruments.

Section 36 recognizes the liability of prior parties to a holder in due course, while Section 53 deals with a person deriving title from a holder in due course. This protection increases confidence in negotiable instruments because a person who accepts an instrument in good faith and for value can rely on its apparent validity without having to investigate every earlier transaction.

Protection Against Defects in Previous Transactions

Consider a situation in which A obtains a promissory note from B and later transfers it to C for consideration. Unknown to C, a dispute exists between A and B concerning the original transaction. If C acquired the instrument before maturity, for consideration, and without sufficient reason to suspect a defect in A's title, C may receive the protection available to a holder in due course.

The purpose is to ensure that genuine commercial transactions are not unnecessarily disrupted by disputes arising from earlier stages in the instrument's history.

Presumption under Section 118

The Act contains important presumptions concerning negotiable instruments. Section 118 includes a statutory presumption relating to the status of a holder in due course, subject to the circumstances and exceptions specified in the Act.

Where an instrument has been obtained through fraud, an offence, or unlawful consideration in circumstances covered by the Act, the person claiming the status of a holder in due course may be required to establish that status. These provisions facilitate commercial transactions while retaining safeguards against fraud and illegality.

Liabilities of Prior Parties

The rights of a holder in due course are closely connected with the liabilities of previous parties. The maker, drawer, acceptor, and endorsers may remain liable according to the statutory rules applicable to the instrument. Section 36 specifically recognizes the liability of prior parties to a holder in due course.

A person who signs or transfers a negotiable instrument cannot assume that subsequent circulation removes responsibility. The instrument, therefore, creates a chain of statutory obligations.

Holder in Due Course and Commercial Confidence

The practical significance becomes clearer in transactions involving multiple parties. Suppose a supplier receives a bill of exchange from a customer and subsequently uses that bill to settle an obligation with another business. The second business may have no direct relationship with the original customer. If every transferee were required to investigate the complete history of the instrument, negotiability would become slow, expensive, and commercially inefficient.

The holder-in-due-course doctrine addresses this problem by protecting qualifying transferees. Businesses are more willing to accept negotiable instruments when they know that the law provides protection if the instrument is acquired honestly, for value, before maturity, and without sufficient reason to suspect a defective title. Thus, the doctrine reduces transaction risk and facilitates commercial credit.

Limits to the Protection

The protection available to a holder in due course is not unlimited. A person cannot claim this status merely because the person possesses a negotiable instrument. The statutory requirements relating to consideration, maturity, and the circumstances of acquisition must be

satisfied.

The law also does not intend to protect persons who knowingly participate in fraudulent or unlawful transactions. Where circumstances provide sufficient reason to suspect a defect in title, the person may not be entitled to the full protection associated with holder-in-due-course status.

The doctrine, therefore, balances commercial negotiability with the prevention of abuse.

Judicial Interpretation

The decision in *U. Ponnappa Moothan Sons, Palghat v. Catholic Syrian Bank Ltd.* is significant because the Supreme Court examined the meaning and scope of "holder in due course" under Section 9. The judgment emphasized the importance of acquiring the instrument for consideration and without sufficient reason to believe that the transferor's title was defective.

Holder-in-due-course status can therefore directly affect the strength of a person's claim for payment.

Contemporary Relevance

Although digital payment systems have transformed modern banking, the principles underlying negotiability remain relevant. Negotiable instruments continue to have importance in credit transactions, financing arrangements, banking operations, and commercial settlements.

The holder-in-due-course doctrine is especially useful when an instrument passes through several parties. A qualifying transferee can rely on the instrument without having to investigate every dispute that may have occurred between previous parties.

The doctrine also demonstrates that legal certainty has economic value: predictable rights and obligations encourage businesses to enter transactions and extend credit.

Conclusion

The principle of the holder in due course is an important feature of the Negotiable Instruments Act, 1881. By providing special protection to persons who acquire instruments for consideration, before maturity, and without sufficient reason to suspect defects in title, the law encourages confidence in their circulation.

The distinction between a holder and a holder in due course can determine the strength of a legal claim and the effect of defects in previous transactions.

At the same time, safeguards against fraud, unlawful consideration, and suspicious circumstances prevent the doctrine from being misused. Its significance lies in maintaining a balance between commercial protection and legal responsibility.

Topic

Module 2:
Bills of Exchange,
Consignment, Joint
Venture

INTERMEDIATE

Group I - Paper-6

Financial Accounting (FA)

Bills of Exchange, Consignment & Joint Venture

Bills of Exchange

A Bill of Exchange is a written, unconditional order by one party (the drawer) to another (the drawee), directing the drawee to pay a certain sum of money to a specified person (the payee) at a fixed or determinable future date. It is commonly used in trade transactions and serves as a negotiable instrument.

Features of a Bill of Exchange

- **In Writing:** The bill must be in writing.
- **Unconditional Order:** It contains an order to pay, which is unconditional.
- **Payment of Money:** The bill only deals with the payment of money, not goods or services.
- **Parties:** There are three parties involved:
 1. **Drawer:** The person who creates the bill.
 2. **Drawee:** The person upon whom the bill is drawn and who is ordered to pay.
 3. **Payee:** The person in whose favour the bill is drawn or who will receive the payment.
- **Certainty of Payment:** The sum of money to be paid must be certain.
- **Stamping:** The bill must be properly stamped, as per legal requirements.

Parties to a Bill of Exchange

- **Drawer:** The party who makes or draws the bill. In a trade transaction, the drawer is typically the seller or creditor.
- **Drawee:** The party who is ordered to pay the money. In most cases, the drawee is the buyer or debtor.
- **Payee:** The party who will receive the payment. The payee can be the drawer or a third party.

Additionally, in some cases:

- **Acceptor:** The drawee becomes the acceptor when they signify their consent to pay the bill by signing it.
- **Endorser:** If the bill is transferred to another party, the original holder who transfers it is called the endorser.
- **Endorsee:** The person to whom the bill is endorsed.

Types of Bills of Exchange

1. **Inland Bill:** A bill that is drawn and payable within the same country.
2. **Foreign Bill:** A bill that is drawn in one country and payable in another.

3. **Trade Bill:** A bill drawn and accepted for the purpose of settling trade-related transactions.
4. **Accommodation Bill:** A bill drawn and accepted not for a trade transaction, but to provide financial assistance to another party.
5. **Demand Bill:** A bill payable on demand or at sight.
6. **Usance Bill:** A bill payable after a specific period.

Advantages of Bills of Exchange

- **Credit Facility:** It provides credit to the buyer, allowing them time to pay.
- **Legal Proof:** It acts as legal evidence of a debt.
- **Negotiable:** It can be transferred to another party, providing liquidity.
- **Risk Management:** It reduces the risk of bad debts as it can be discounted or endorsed.

Disadvantages of Bills of Exchange

- **Strict Deadlines:** Bills have strict deadlines, and missing them can lead to dishonour.
- **Cost of Discounting:** Discounting a bill involves a cost to the drawer.
- **Legal Formalities:** Certain legal procedures (like noting and protesting) may increase complexity.

Consignment

Consignment is an arrangement where goods are sent by the owner (called the consignor) to an agent (called the consignee) for the purpose of sale. The ownership of the goods remains with the consignor until the goods are sold by the consignee. The consignee is responsible for selling the goods on behalf of the consignor and earns a commission on the sales made.

The key feature of a consignment is that it differs from a direct sale in that the goods are not sold to the consignee but only entrusted to them for sale. The consignee acts as an intermediary between the consignor and the customers.

Features of Consignment

- **Ownership:** The ownership of goods remains with the consignor until the consignee sells them.
- **Risk and Reward:** The consignor bears the risk and rewards of the goods (profit or loss) until they are sold.
- **Commission-based:** The consignee earns a commission based on the sales, and there may be different types of commission structures.
- **Goods Returnable:** Unsold goods may be returned to the consignor, as the consignee has no obligation to purchase them.

Difference between Consignment and Sale

Aspect	Consignment	Sale
Ownership of Goods	Ownership remains with the consignor.	Ownership is transferred to the buyer.
Risk and Rewards	Risk remains with the consignor.	Risk and rewards are transferred to the buyer.
Return of Goods	Unsold goods can be returned to the consignor.	Goods once sold cannot be returned unless defective.
Revenue Recognition	Revenue is recognized when the consignee sells the goods.	Revenue is recognized at the point of sale.
Nature of Transaction	It is an agency relationship.	It is a principal-to-principal relationship.

Advantages of Consignment

- **Risk Mitigation:** The consignor retains ownership and risk until the goods are sold, protecting the consignor from immediate loss.
- **Market Reach:** Consignment helps the consignor expand into new markets without the need for physical presence.
- **Flexibility:** The consignee does not have to purchase the goods outright, reducing the financial burden on the consignee.
- **Commission-Based Payment:** The consignee earns income through commission, motivating them to make sales.

Disadvantages of Consignment

- **Risk of Non-Sale:** There is no guarantee that the consignee will be able to sell the goods, and unsold goods may need to be returned.
- **Delayed Revenue:** The consignor does not receive payment until the goods are sold, which may delay cash inflows.
- **Control Issues:** The consignor has limited control over how the consignee handles the goods or manages sales.

Joint Venture

A joint venture (JV) is a business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task. This task can be a new project or any other business activity. Each party in the joint venture is responsible for profits, losses, and costs associated with it. However, the joint venture is its own entity, separate from the participants' other business interests.

Features of a Joint Venture

- **Temporary Partnership:** A joint venture is usually formed for a specific project or limited time frame. Once the project ends, the venture dissolves.
- **Profit and Loss Sharing:** All parties involved share the profits or losses based on the agreement, which could be proportional or otherwise.
- **Shared Control and Management:** The parties involved usually share decision-making responsibilities, though one party may assume a leadership role.
- **Separate Legal Entity:** A joint venture may be considered a separate legal entity with its own accounting and reporting obligations.
- **Limited Scope:** Unlike partnerships or corporations, the scope of a joint venture is typically focused on a particular project or activity.

Types of Joint Ventures

There are several types of joint ventures, depending on the structure and nature of the collaboration:

- **Equity-Based Joint Ventures:** In this type, both parties contribute capital to a new or existing entity and receive equity in return. Profits and losses are shared according to ownership interests.
- **Contract-Based Joint Ventures:** Here, the parties enter into a contractual arrangement to collaborate without forming a new entity. This structure is common for short-term projects where forming a new business is not necessary.
- **Project-Based Joint Ventures:** Common in industries like construction or engineering, project-based joint ventures are formed to execute a specific project and are dissolved once the project is completed.

Differences Between Joint Venture and Partnership

Though often confused, joint ventures and partnerships have distinct differences:

- **Duration:** A partnership is typically ongoing, while a joint venture is temporary and project-specific.
- **Scope:** Partnerships involve a broader, ongoing range of business activities, while joint ventures focus on a specific task or project.
- **Legal Entity:** Partnerships are usually separate legal entities, while joint ventures may or may not create a new entity.
- **Regulation:** Partnerships are generally regulated under specific partnership laws, whereas joint ventures are governed by contract law and the terms of the joint venture agreement.

Advantages of Joint Ventures

- **Shared Risks:** The risks of the business are shared between the parties, reducing individual exposure to loss.
- **Access to New Knowledge and Expertise:** Parties gain access to the specialized knowledge, skills, and resources of the other party.
- **Financial Synergy:** Joint ventures provide access to additional financial resources and capital.
- **Market Expansion:** Partners can enter new markets or expand their reach more effectively than they could individually.
- **Efficiency:** A joint venture can create operational efficiencies by pooling resources, technology, or infrastructure.

Disadvantages of Joint Ventures

- **Complex Decision-Making:** As multiple parties are involved, decision-making may be more complex and slower.
- **Potential Conflicts:** Conflicts can arise if the objectives or strategies of the parties differ.
- **Unequal Efforts:** One partner may contribute more effort or resources, leading to disputes over profit distribution.
- **Limited Flexibility:** Once a joint venture is established, partners may find it difficult to exit or change their roles.
- **Risk of Failure:** If the joint venture fails, all parties share the financial loss.

Questions:

1. Who is the person that is required to pay the amount of the Bill of Exchange?
 - a) Drawer
 - b) Drawee
 - c) Payee
 - d) Endorser
2. What is the maximum number of days allowed as "Days of Grace" in a Bill of Exchange?
 - a) 2 days
 - b) 5 days
 - c) 3 days
 - d) 7 days
3. Which of the following is true about a Demand Bill?
 - a) It is payable on demand or sight.
 - b) It is payable after a fixed period.
 - c) It is only used in foreign trade.
 - d) It is used for securing loans.
4. Who is responsible for selling goods on behalf of the consignor in a consignment transaction?
 - a) Consignee
 - b) Customer
 - c) Debtor
 - d) Creditor
5. Which of the following is true about consignment transactions?
 - a) Goods are sold to the consignee
 - b) Consignee purchases goods from the consignor
 - c) Goods are sent for sale, and ownership remains with the consignor
 - d) Ownership is transferred to the consignee at the time of consignment
6. What type of commission is paid when the consignee takes responsibility for bad debts?
 - a) Ordinary Commission
 - b) Del-credere Commission
 - c) Overriding Commission
 - d) Trade Commission
7. A joint venture is typically formed for:
 - a) A long-term, ongoing partnership
 - b) A specific project or limited duration
 - c) Tax-saving purposes
 - d) Merging two companies permanently
8. In a joint venture, the amount of profit to be shared by each party is usually based on:
 - a) A fixed rate set by the government
 - b) The amount of time invested by each party
 - c) An agreement between the parties

- d) Market share percentages
9. Which of the following is true about the difference between a partnership and a joint venture?
- Both are formed for ongoing business activities
 - A partnership is for ongoing activities, while a joint venture is for a specific project
 - Joint ventures have fewer legal formalities compared to partnerships
 - Partnerships do not share profits, while joint ventures do
10. Which of the following statements about joint ventures is incorrect?
- Joint ventures are formed to undertake specific projects
 - Joint ventures are usually dissolved after the project is completed
 - Joint ventures must always result in the formation of a new entity
 - The profits of a joint venture are shared among participants as agreed

Answer:

1	2	3	4	5	6	7	8	9	10
B	c	a	a	c	b	b	c	b	c

Topic

Module 3:
Total Income and
Tax Liability of
Individuals & HUF

INTERMEDIATE

Group I - Paper-7A

Direct Taxation (DT)

Clubbing of Income

The foundational rule of taxation provides that an assessee is taxed exclusively on their own income. However, to curb the widespread practice of tax avoidance through income splitting or the strategic diversion of income-generating assets to family members, the Income Tax Act introduces the mechanism of 'Clubbing of Income'. Enshrined in Sections 60 to 64, these specific anti-evasion exceptions mandate that in certain statutory scenarios—such as transferring an asset to a spouse without adequate consideration or income accruing to a minor child, the income of another person must be included (or 'clubbed') into the total income of the primary taxpayer. The key provisions governing these transfers are detailed below:

Section	Particulars								
60	Where an income is transferred without transferring the asset yielding such income, then income so transferred shall be clubbed in the hands of the transferor.								
61	If an assessee transfers an asset under a revocable transfer, then the income generated from such asset shall be clubbed in the hands of the transferor. Revocable transfer means that there is any provision for the retransfer of any part or whole of the income/assets to the transferor or gives the transferor a right to re-assume power over any part or whole of the income/ assets. <u>Exceptions:</u> a) A transfer by way of creation of a trust which is irrevocable during the lifetime of the beneficiary; b) Any transfer which is irrevocable during the lifetime of the transferee; or c) Any transfer made before 1.4.1961, which is not revocable for a period of 6 years or more.								
64(1)(ii)	Salary, commission, fees or any other remuneration to the spouse from a concern in which the assessee has a substantial interest. An individual shall be deemed to have a substantial interest in a concern if he shares 20% profits of that concern or holds 20% voting power of that company, either individually or along with relatives Exception: If income to spouse is generated due to his/her technical or professional qualification, skill, etc. Where both husband and wife have a substantial interest in a concern, remuneration will be included in the hands of the spouse whose total income, excluding such remuneration, is higher.								
64(1)(iv)	Subject to sec. 27(i), any income arising from assets transferred (directly or indirectly) to a spouse otherwise than in connection with an agreement to live apart without adequate consideration, shall be included in the income of the transferor.								
64(1)(vii)	If an asset is transferred to another person or an AOP, for inadequate consideration, for the immediate or deferred benefit of a spouse, then the income on the asset so transferred shall be clubbed in the hands of the transferor.								
64(1)(vi)	Income arising (directly or indirectly) from assets transferred to the son’s wife, without adequate consideration, shall be included in the income of the transferor.								
64(1)(viii)	If an asset is transferred to another person or an AOP, for inadequate consideration, for the immediate or deferred benefit of the son’s wife, then the income on the asset so transferred shall be clubbed in the hands of the transferor.								
Note applicable on sec. 64(1)(iv), (vi), (vii), (viii)	If assets so transferred are invested in business, then tax treatment shall be as follows:								
	<table><tr><td>Business</td><td>Income to be clubbed</td></tr><tr><td rowspan="2">Proprietary</td><td>Income of such business x Value of such assets as on the 1st day of the P.Y.</td></tr><tr><td>Total investment in the business by the transferee as on the same day</td></tr><tr><td rowspan="2">Partnership</td><td>Interest on capital x Value of such assets as on the 1st day of the P.Y.</td></tr><tr><td>Total investment in the firm by the transferee as on the same day</td></tr></table>	Business	Income to be clubbed	Proprietary	Income of such business x Value of such assets as on the 1st day of the P.Y.	Total investment in the business by the transferee as on the same day	Partnership	Interest on capital x Value of such assets as on the 1st day of the P.Y.	Total investment in the firm by the transferee as on the same day
	Business	Income to be clubbed							
	Proprietary	Income of such business x Value of such assets as on the 1st day of the P.Y.							
		Total investment in the business by the transferee as on the same day							
Partnership	Interest on capital x Value of such assets as on the 1st day of the P.Y.								
	Total investment in the firm by the transferee as on the same day								
64(1A)									
	The income of a minor child shall be clubbed with the income of the parent whose total income (excluding this income) is higher. Once clubbing is made with either parent, then in any subsequent years, clubbing shall be made with the same parent, unless the AO is satisfied. If the marital relationship does not subsist, income shall be clubbed with that of the parent who maintains the minor child.								
	Exceptions: a) Income arises or accrues to the minor child due to any manual work, his skill, talent; or b) The minor child is suffering from any disability of nature specified u/s 80U.								
	Exemption u/s 10(32) lower of a) ₹ 1,500; or b) Income so clubbed								
	Such an exemption is available only if the assessee has opted for the old tax regime.								

Section	Particulars	
64(2)	Where an individual has converted his property into property of HUF, for inadequate consideration, then income derived from such converted property shall be clubbed with the individual as under:	
	Before partition	The entire income from such property
	After partition	Income from the assets attributable to the spouse of the transferor.
65	After application of provisions of clubbing (on transfer of property without adequate consideration as discussed above in several sections), income is taxable and tax liability arises in the hands of the transferor. But sec. 65 empowers the tax authorities to serve a demand notice (in respect of tax on clubbed income) upon the transferee.	
Notes	• Clubbing of income includes clubbing of negative income • The credit of TDS shall be given to the person in whose hands the income is taxable. • Income shall be clubbed even when the form of the transferred asset is changed. • Income arising from the accretion of such property is not to be clubbed. • Income on income is not to be clubbed. • Income shall be, first, computed in the hands of the recipient & then clubbing shall be made head wise. • If the clubbed income is eligible for deduction u/s 80C to 80U, then such deduction shall be allowed to the assessee in whose hands such income is clubbed.	

Illustration:

Mr. A owned a residential house for his own residential purpose, details of which are as follows –

Particulars	Amount
Gross Annual value	5,00,000
Municipal tax (paid)	10,000
Interest on loan taken for the construction of house	25,000

On 1/4/2025, Mr. A gifted ₹ 10,00,000 to his wife. Out of such money, she acquired a house property for her own residential purpose. The new house has a gross municipal value of ₹ 50,000. She paid corporation tax of ₹ 2,000. Compute income from the house property of Mr. & Mrs A under both tax regimes. (Assume that Mrs A does not own any other property.)

Solution:

Computation of income from house property of Mr. A for the A.Y. 2026-27

Particulars	Old Regime (₹)	Default Regime (₹)
Self-occupied house		
Net Annual Value	Nil	Nil
Less: Deduction u/s		
24(b) Interest on loan	25,000	NA
	(25,000)	Nil
Add: Income of Mrs. A clubbed u/s 64(1)(iv)	Nil	Nil
Income from house property	(25,000)	Nil

Computation of income from house property of Mrs. A for the A.Y. 2026-27

Particulars	Amount
<u>Self-occupied house</u>	
Net Annual Value	Nil
Less: <u>Deduction u/s</u>	
24(b) Interest on loan	Nil
	Nil
Less: Income clubbed u/s 64(1)(iv) with the income of Mr. A	Nil
Income from house property	Nil

Choose the correct answer

- Mr. X's minor daughter earned ₹ 50,000 from her special talent. This income will be clubbed with –
 - The income of Mr. X
 - The income of Mrs. X
 - Mr. X or Mrs. X, whoever's income is higher
 - It will not be clubbed
- Maximum exemption available, under old tax regime, where income of minor child is clubbed with income of mother or father is –
 - ₹ 1,500
 - ₹ 1,500 per child
 - ₹ 1,200 per child
 - ₹ 100 per month per child
- Mr A gifted a debenture of ₹ 1,00,000 to his wife. She received ₹ 10,000 interest, which she reinvests and earns ₹ 1,000. This ₹ 1,000 will be taxable in the hands of –
 - Mr. A
 - Mrs. A
 - Not Taxable
 - Mr. A or Mrs. A, at the choice of the Assessing Officer
- Income arising to a minor married daughter shall be –
 - assessed in the hands of minor married daughter
 - clubbed with the income of that parent whose total income is higher
 - Exempt from tax
 - clubbed with the income of her spouse
- Income of a minor child suffering from any disability of the nature specified in section 80U shall be –
 - assessed in the hands of minor
 - clubbed with the income of that parent whose total income is higher
 - Exempt from tax
 - taxable in hands of provider of income like reverse charge
- Mr. X gives ₹ 2,00,000 to Mrs. X as gift. She invests in a proprietary concern and incurs a loss of ₹ 40,000.
 - This loss shall be clubbed in the hands of Mr. X
 - The loss shall be borne by Mrs. X
 - The loss shall not be clubbed
 - The loss shall be ignored while computing the income of both Mr. and Mrs. X
- In certain cases, income of other person is included in the income of assessee. It is called –
 - Clubbing of income
 - Addition to income
 - Increase in income
 - Set-off of income
- In whose total income, the income of a minor child is included –
 - Father
 - Mother
 - Father & Mother both
 - Parent whose total income is greater
- When the income of an individual includes ₹ 20,000 as the income of his minor child in terms of section 64(1A), taxable income in this respect will be, if he has opted for the old tax regime –
 - Nil
 - ₹ 20,000
 - ₹ 18,500
 - ₹ 15,000
- Mr. A has three minor children deriving interest from bank deposits to the tune of ₹ 2,000, ₹ 1,300, ₹ 1,600 respectively. Exemption available u/s 10(32) of the Income Tax is under the old tax regime:
 - ₹ 4,900
 - ₹ 4,300
 - ₹ 4,500
 - ₹ 5,000

Answer:

1	2	3	4	5	6	7	8	9	10
(d)	(b)	(b)	(b)	(a)	(a)	(a)	(d)	(c)	(b)

Topic

Module 5:
Goods and Services
Tax (GST) Laws

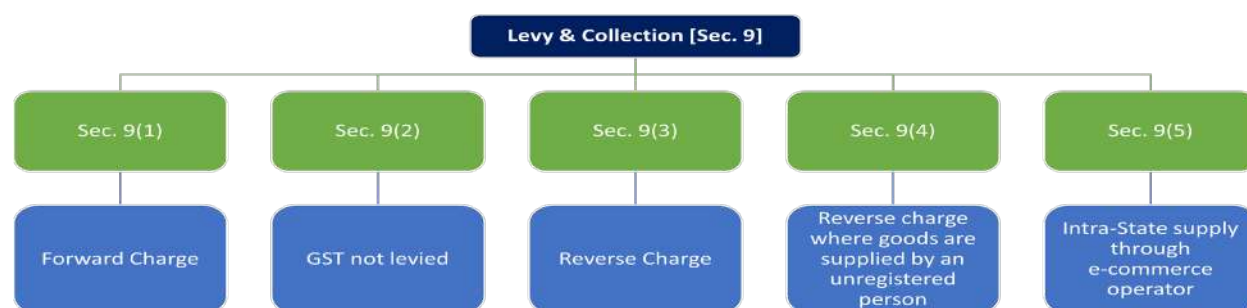
INTERMEDIATE

Group I - Paper-7B

Indirect Taxation
(IDT)

Levy and Collection

Imagine the government wants to introduce a new tax. Can they simply issue a demand? Absolutely not. The absolute bedrock of our taxation system lies in Article 265 of the Constitution of India, which provides that no tax can be levied or collected without the explicit authority of law. This ‘authority’ breathes life into every tax statute through what we call a ‘charging section.’ Before a single rupee is imposed, two things must perfectly align: the transaction must trigger a ‘taxable event,’ and the person involved must fall squarely within the crosshairs of that charging section. While we have already explored ‘supply’ as the ultimate taxable event under GST, this article dives into the very heart of the CGST Act: Section 9. As the master charging provision, Section 9 dictates the maximum tax rates, the exact mechanics of collection, and precisely who is responsible for paying. Simply put, it encapsulates the four indispensable pillars of any tax: the taxable event, the rate, the collection mechanism, and the liable person



The levy of CGST is governed by the Central Goods and Services Tax Act, 2017. The key provisions related to the levy of CGST are as follows:

- Charging Section:** Section 9 of the CGST Act is the charging section that empowers the Central Government to levy CGST on all intra-state supplies of goods and services, except for the supply of alcoholic liquor for human consumption or un-denatured extra neutral alcohol or rectified spirit used for the manufacture of alcoholic liquor, for human consumption. The tax is levied on the value of the supply as determined under Section 15 of the CGST Act.

	Alcohol for human consumption	Power to tax remains with the State
	Five petroleum products – crude oil , diesel, petrol, natural gas and ATF	GST Council to decide the date from which GST will be applicable
	Tobacco	Part of GST but power to levy additional excise duty with Central Government
	Entertainment tax levied by local bodies	Power to tax remains with the State
- Taxable Event:** The taxable event under CGST is the supply of goods or services or both. The term “supply” is defined broadly to include all forms of supply, such as sale, transfer, barter, exchange, license, rental, lease, or disposal made for consideration in the course or furtherance of business. Additionally, certain activities specified in Schedule I of the CGST Act are treated as supplies even if made without consideration.
- Rate of Tax:** The rate of CGST is notified by the Central Government and cannot exceed 20%. The rates are determined based on the recommendations of the GST Council, which is a constitutional body comprising representatives from the Central and State Governments. The rates vary depending on the type of goods or services supplied.
- Reverse Charge Mechanism (RCM):** In certain cases, the recipient of goods or services is liable to pay CGST instead of the supplier. This is known as the reverse charge mechanism. The government notifies the specific categories of supplies and recipients to whom RCM applies.
- Composition Scheme u/s 10:** To simplify compliance for small taxpayers, the CGST Act provides for a composition scheme. Under this scheme, eligible taxpayers can pay tax at a reduced rate based on their turnover. However, composition taxpayers are not allowed to claim input tax credit and cannot collect tax from their customers.
- Exemptions:** The Central Government has the power to exempt certain supplies from the levy of CGST through notifications. These exemptions are provided to reduce the tax burden on essential goods and services and to promote social welfare. Examples of exempt supplies include healthcare services, educational services, and certain agricultural products.

Collection of CGST

The collection of CGST involves several steps, including registration, issuance of tax invoices, payment of tax, and filing of returns. The key provisions related to the collection of CGST are as follows:

1. **Registration:** Every supplier who makes a taxable supply of goods or services and whose aggregate turnover exceeds the threshold limit is required to register under the GST regime. The threshold limit varies based on the type of supply and the state in which the supplier operates. For example, the threshold limit for registration is ₹ 20 lakhs (₹ 40 lakhs if supplying goods) for most states, but it is ₹ 10 lakhs for certain special category states. Registration under GST is mandatory for certain categories of persons, such as inter-state suppliers and casual taxable persons, irrespective of their turnover.
2. **Tax Invoice:** A registered supplier must issue a tax invoice for every taxable supply made. The tax invoice must contain details such as the description of goods or services, quantity, value, rate of tax, and amount of tax charged. The invoice must be issued within the prescribed time frame, which varies depending on the type of supply. For example, in the case of the supply of goods, the invoice must be issued before or at the time of removal of goods for supply. In the case of the supply of services, the invoice must be issued within 30 days from the date of supply.
3. **Payment of Tax:** The supplier is required to pay the CGST collected from the recipient to the Central Government. The payment is made through an electronic cash ledger or an electronic credit ledger maintained on the GST portal. The due date for payment of tax is the 20th of the following month.
4. **Filing of Returns:** Registered suppliers must file periodic returns with the GST authorities. These returns provide details of outward supplies, inward supplies, input tax credit availed, and tax paid. The returns are filed monthly, quarterly, or annually, depending on the type of taxpayer. For example, regular taxpayers are required to file monthly returns in Form GSTR-1 (details of outward supplies) and Form GSTR-3B (summary return). Additionally, an annual return must be filed in Form GSTR-9. Composition taxpayers are required to file annual returns in Form GSTR-4 (however, they must make their tax payments quarterly using Form GST CMP-08).
5. **Input Tax Credit (ITC):** One of the key features of the GST regime is the seamless flow of input tax credit across the supply chain. Input tax credit refers to the credit that a taxpayer can claim for the tax paid on inputs (goods or services) used in the course of business. The CGST Act allows taxpayers to claim input tax credit for CGST paid on inward supplies, subject to certain conditions. For example, the recipient must possess a valid tax invoice, and the supplier must have paid the tax to the government. Input tax credit can be utilized to pay output tax liability under CGST.
6. **Compliance and Audit:** To ensure compliance with the provisions of the CGST Act, the GST authorities have the power to conduct audits, inspections, and assessments. The authorities can also issue notices for non-compliance and impose penalties for violations. For example, if a taxpayer fails to pay tax within the prescribed time, interest is payable on the outstanding amount. In case of willful suppression of facts or fraud, a penalty equal to the tax amount is leviable.

Conclusion

Ultimately, the levy and collection mechanisms under Section 9 are not just academic theories—they are the beating heart of India's entire GST ecosystem. While replacing a tangled web of legacy indirect taxes with a unified structure was a monumental achievement, the real test of GST lies in its everyday execution. For you, as future tax professionals and strategic advisors, mastering these provisions goes beyond passing an exam. It is about understanding that the true success of this regime hinges on compliance, legal clarity, and the GST Council's ongoing reforms to keep pace with an ever-evolving business world. By commanding these foundational concepts now, you are equipping yourself to become the guiding force for businesses navigating this dynamic landscape.

Do You Know

In a landmark move during its 56th meeting held on 3rd September 2025, the GST Council unveiled a next-generation reform aimed at rationalizing GST rates and enhancing ease of compliance. The reform proposed a simplified three-rate structure—5% (merit), 18% (standard), and 40% (demerit)—replacing the earlier multi-slab system. Several essential goods were exempted or shifted to lower slabs, including food items, household articles, and life-saving medicines. The changes, effective 22nd September 2025, are expected to curb classification disputes, improve input tax credit flow, and make India's indirect tax regime more efficient and business-friendly.

Topic

Module 5:
Methods of Costing

INTERMEDIATE

Group I - Paper-8

Cost Accounting
(CA)

Operating Costing – Transport, Hotel and Healthcare

This is an important chapter related to professional examinations also. Here calculation of composite unit is very much relevant for solving the problem. In most cases it is used by Transport Companies, Hotels, Hospitals, Lodges, Electricity Companies, Schools, Colleges etc. Generally it is adopted by such types of industries as render services instead of producing goods. It is just a variant of unit of output costing.

The word "Operating Costing" has now been replaced by Service/Function Costing as per latest CIMA Terminology. It is mentioned as – The cost of providing a service or function.

The cost of rendering the services for a particular period is related to quantum of services rendered during the period to arrive at cost per unit of service rendered.

The Objectives of Operating/Service Costing are—

- a) This is used for computing related operating costs.
- b) Used to collect actual cost under different heads.
- c) To decide a definite policy either to use own source or hire from outside.
- d) To fix up the rate to be charged for giving service to its customer.
- e) To help the concern to take appropriate decision for reducing the service cost.

Transport Costing consists of determining the operating cost of each vehicle and applying this cost to find out

the cost per unit of service rendered by a vehicle. The cost unit is selected by taking into account function like weight, bulk of goods carried and distance covered etc. In most cases composite units are chosen. The example of composite units are per-tonne-kilometre, passenger-km etc.

Here I am suggested a Problem and it's Solution, for our easy understanding.

Problem:

A Transport Co. has decided to introduce an express service between Kolkata Station to Howrah . The distance between the Railway station and the Howrah Bus stop is 40 kms. The Co. purchased a old bus by ₹1,00,000. It has been insured at 6% pm. And half yearly tax will amount to ₹1,000. Gurage Rent is ₹2,400 and the bus will likely to last for five years. The Driver's Salary will be ₹2,000 pm. Conductors' Salary will be ₹1,500 pm. In addition to 10% takings as commission (to be shared as per their Salary ratio). Diesel and oil will be ₹10 per liter. The Bus can run 10 km per liter diesel.

The Bus will make 3 round trips.per day. The capacity of the Bus to carry the passenger is 50. On an average 80% of it's capacity is utilised. Assuming profit is 15% on takings.

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

Solution:

Statement Showing the fare to be charged for a passenger km.

Particulars	Amount (₹)	Amount (₹)
Standing Charges:-		
Insurance	6000	
Tax	2000	
Garage Rent	2400	
Drivers' Salary	24000	
Conductor's Salary	18000	
	<u>52400</u>	4366.67
Running Charges:-		
Depreciation (100000/5)	20000	1666.67
Repairs	2000	166.66
Diesel and Oil (₹1×40×3×2×25)		<u>6000.00</u>
Total Cost without commission		12200.00
Commission (10%)		1626.66
Profit (15%)		<u>2440.00</u>
Total Takings.		<u>16266.66</u>

Therefore, fare per passenger-km = ₹0.067.

Workings:-

Passenger km. = $40 \times 3 \times 2 \times 80 / 100 \times 50 \times 25 = 240000$

Late Total Takings = x

So, Commission = 10% of x = $x/10$

Profit = 15% of x = $3x/20$

Now we can write $x = 12200 + x/10 + 3x/20$

Hence, x = 16266.66

15x = 2440.00

Job Costing:

This is a specific order costing which applies where work is undertaken to customer's specific requirements and each order is of comparatively shorter duration than contract costing. Under the method costs are collected in respect of each job separately. The method is used in such industries as printing, foundry, repair shop, engineering, readymade garments, shoes etc.

Batch Costing:

This is a special type of job costing. here a batch of similar products is treated as a job. This type of costing applies where similar articles are manufactured in batches either for sale or for use within the undertakings. Under this method cost is collected and analysed according to batch numbers allotted. The method is suitable for making component parts, pharmaceutical industries, spare parts, watches, radio-sets, cycles etc.

Special Features of Job Costing are:-

- 1) A separate job cost sheet is to be prepared for calculating cost in respect of each job.
- 2) A separate work-in-progress ledger is to be maintained for each job, as W.I.P. differs from period to period depending on the number of jobs on hand.
- 3) Production is always against customer's orders.
- 4) Each job is of shorter duration, compared to contract costing.
- 5) Each job has its own characteristics and needs separate treatment.

- 6) The distinction between direct and indirect costs is more urgent under the method.
- 7) There is no uniformity in the flow of production from one department to another in respect of jobs.
- 8) This method is labour intensive.

Some Advantages of job costing are listed below:-

- 1) Here profitability can be analysed job-wise.
- 2) It helps the management in preparing estimates for like jobs. For the purpose of submitting quotations.
- 3) It helps in producing detailed analysis of materials, labour and overheads as the distinction between direct and indirect costs is more important here.
- 4) Spoilage and defective work is easily identified with each job.
- 5) The management can fix selling prices more easily for each job.
- 6) Job costing is particularly helpful for cost-plus contracts, where contract price is determined directly on the basis of costs.
- 7) It helps in the introduction of budgetary control of overheads, since the overhead is applied on the basis of predetermined overhead rates.
- 8) It helps management to know the cost trends in respect of jobs and the efficiency of operation.

Some of the shortcomings under this method are:-

As it requires more critical works, and hence, very much expensive. Again, chances of errors are increased because of increasing clerical work.

Setting-up cost means the cost involved in setting up the machines or tools for production which is fixed in nature and it should be computed after taking into consideration the time lost due to change over from one batch to another, loss of speed due to change over material wastage etc. On the other hand, Carrying Cost means the Costs which are related to the cost of manufacture, storage, interest on capital invested, depreciation etc.

Topic

Module 4:
Application of
Operation Research-
Production Planning
and Control

INTERMEDIATE

Group II - Paper-9

Operations
Management
and Strategic
Management
(OMSM)

Operations Management

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

The behaviour of a real operational system can be studied by building a model of the system and then experimenting with the model to gather the desired information.

Often, however, realistic models of a system are too complex to allow analytical solutions. These models could be studied by means of simulation.

Simulation is the representation of a real-life situation by different means. It is popular because---

- It may be the only method available, as it is difficult to observe the actual environment;
- It may not be possible to develop a mathematical model;
- Actual observation of a system may be too expensive or too disruptive;
- There may not be sufficient time to allow the system to operate extensively;

Monte Carlo Simulation is the most widely adopted method of simulation. It involves the use of random numbers.

The procedure is as follows:

- Determine the frequency distributions ;
- Convert the frequency distribution to cumulative probability distributions;
- Sample at random from the cumulative distributions to use in simulating operations;
- Simulate the actual operation;

Simulation can be used in few of the following problem areas:

- Production and manufacturing systems;
- Inventory Management;
- Queuing Problems
- Capital Investment and budgeting;
- Service operations;

Illustration 1:

The materials manager of a firm wishes to determine the expected demand for a particular item in stock during the reorder lead time. The information is needed to determine how far in advance to reorder before the stock level is reduced to zero. However both the lead time in days and the demand per day of the item are random variables, described by the probability distribution given in following table:

Lead Time (Days)	Probability	Demand/Day (Units)	Probability
1	0.5	1	0.1
2	0.3	2	0.3
3	0.2	3	0.4
		4	0.2

Manually simulate the problem for ten reorders to estimate the demand during lead time. Use the random numbers 84, 20, 57, 42, 75, 70, 86, 69, 83, 41, 90, 12, 23, 06, 79, 14, 36, 31, 27, 35, 01, 41, 60, 91, 82, 14, 02, 06, 64.

Answer:

The solution is given in the following tables. In the third table the procedure is :

Demand	Probability	Cumulative Probability(%)	Range
1	0.1	10	00-09
2	0.3	40	10-39
3	0.4	80	40-79
4	0.2	100	80-99

Lead Time Days	Probability	Cumulative probability (%)	Range
1	0.5	50	00-49
2	0.3	80	50-79
3	0.2	100	80-99

Day	Random no	Lead time	Demand During Lead Time			Demand During Lead Time
1	84	3	20(2)	57(3)	42(3)	8
2	75	2	70(3)	86(4)		7
3	69	2	83(4)	41(3)		7
4	90	3	12(2)	23(2)	6(1)	5
5	79	2	14(2)	36(2)		4
6	31	1	27(2)			2
7	35	1	1(1)			1
8	41	1	60(3)			3
9	91	3	82(4)	14(2)	2(1)	7
10	6	1	64(3)			3
						47

From the random numbers given we have selected the first number i.e.84. As per this random number and 2nd table it is found that lead time correspond to 3. So next three random numbers i.e. 20, 57 42 we have used for determining the demand. Corresponding demand from first table are 2, 3 and 3 respectively. So total demand for 1st simulation comes out at 8. In this way balance table of third table is drawn.

Total demand during lead time is 47 and therefore average is 4.7

Illustration 2:

The manager of a warehouse is interested in designing an inventory control system for one of the products in stock. The demand for the product comes from the numerous retail outlets and orders arrive on a daily basis. The warehouse receives its stock from a factory but the lead time is not constant. The following table reveals the distribution for daily demand of products and distribution for lead time:

Daily Demand	Probability	Lead Time (Days)	Probability
2	0.2	1	0.2
3	0.5	2	0.5
4	0.2	3	0.3
5	0.1		

Whenever the inventory level drops below 6 units, order 10 units. The ordering cost is Rs.100 per order, the holding cost is Rs3 per unit per day and the stock-out cost is Rs20 per unit. The manager wishes to know what would be the total cost after a 20 day simulation. Opening inventory is 12 units. Use the following random numbers: 01, 14, 66, 37, 85, 79, 74, 26, 40, 49, 97, 93, 78, 52, 00, 25, 62, 49, 61, 08, 56, 10, 73, 87, 93, and 63.

Answer:

In the following four tables the result of the simulation is given:

Daily Demand	Probability	Cumulative Probability (%)	Range
2	0.2	20	00-19
3	0.5	70	20-69
4	0.2	90	70-89
5	0.1	100	90-99

Lead Time	Probability	Cumulative Probability (%)	Range
1	0.2	20	00-19
2	0.5	70	20-69
3	0.3	100	70-99

Following table is drawn with an assumption that an order will not be placed until a previously placed order materializes.

Day	Opening Balance	Random Number	Demand	Closing Balance	Random Number	Lead Time	Order	Stock out
1	12	1	2	10				
2	10	14	2	8				
3	8	66	3	5	37	2	10	
4	5	85	4	1				
5	11	79	4	7				
6	7	26	3	4	40	2	10	
7	4	49	3	1				
8	11	97	5	6				
9	6	93	5	1	78	3	10	
10	1	52	3	0				2
11	0	0	2	0				2
12	10	25	3	7				
13	7	62	3	4	49	3	10	
14	4	61	3	1				
15	1	8	2	0				1
16	10	56	3	7				
17	7	10	2	5	73	3	10	
18	5	87	4	1				
19	1	93	5	0				4
20	10	63	3	7				

Holding Cost	Ordering Cost	Stock Out Cost	Total
30			30
24			24
15	100		115
3			3
21			21
12	100		112
3			3
18			18
3	100		103
0		40	40
0		40	40
21			21
12	100		112
3			3
0		20	20
21			21
15	100		115
3			3
0		80	80
21			21
		Total Cost	905

Illustration 3:

A company manufactures around 250 mopeds. The daily production varies from 246 to 254 depending upon the variability of raw materials and other working conditions

Production per day	Probability
246	0.04
247	0.09
248	0.12
249	0.14
250	0.11
251	0.10
252	0.20
253	0.12
254	0.08

The finished mopeds are transported in a specially arranged lorry accommodating only 250 mopeds. Using following random numbers 80, 81, 76, 75, 64, 43, 18, 26, 10, 12, 65, 68, 69, 61, 57 simulate the process to find out:

- What will be the average number of mopeds waiting in the factory?
- What will be the average number of empty spaces on the lorry?

Answer:

The following two tables contain the solution

Production per Day	Probability	Cumulative Probability (%)	Range
246	0.04	4	00-03
247	0.09	13	04-12
248	0.12	25	13-24
249	0.14	39	25-38
250	0.11	50	39-49
251	0.1	60	50-59
252	0.2	80	60-79
253	0.12	92	80-91
254	0.08	100	92-99

$$\begin{aligned}
 \text{Average number of scooters waiting for space in the lorry} &= \text{Total no of scooters waiting for space} / \text{Total no of days} \\
 &= 21/15 \\
 &= 1.6
 \end{aligned}$$

$$\begin{aligned}
 \text{Average number of empty spaces in the lorry} &= \text{Total No of empty spaces in Lorry} / \text{Total number of days} \\
 &= 9/15 \\
 &= 0.6
 \end{aligned}$$

S. No	Random Number	Production	No of Scooters waiting for space	No of Empty Spaces in a Lorry
1	80	253	3	0
2	81	253	3	0
3	76	252	2	0
4	75	252	2	0
5	64	252	2	0
6	43	250	0	0
7	18	248	0	2
8	26	249	0	1
9	10	247	0	3
10	12	247	0	3
11	65	252	2	0
12	68	252	2	0
13	69	252	2	0
14	61	252	2	0
15	57	251	1	0
		Total	21	9

Illustration 4:

Kolkata Municipal Corporation while making disasters management plan against waterlogging with operation of heavy duty underground pumps observed from historical data collected that the occurrence of rain in Kolkata on a day is dependent upon whether it rained on the previous day. If it rained on the previous day, the rain distribution is given by

Event	Probability
No Rain	0.50
1 cm Rain	0.25
2 cm Rain	0.15
3 cm Rain	0.05
4 cm Rain	0.03
5 cm Rain	0.02

If it did not rain the previous day the rain distribution is given by:

Event	Probability
No Rain	0.75
1 cm Rain	0.15
2 cm Rain	0.06
3 cm Rain	0.04

On behalf of the operations manager of KMC simulate Kolkata's weather for 15 days and determine by simulation the total days without rain as well as the total rainfall during the period. Use the following random numbers: 97, 93, 78, 52, 00, 25, 62, 49, 61, 08, 56, 10, 73, 87, 93. Assume that for the first day of the simulation it had rained the day before.

Answer:

Table: Rained on Previous day			
Event	Probability	Cumulative Probability (%)	Range
No Rain	0.5	50	00-49
1 cm Rain	0.25	75	50-74
2 cm Rain	0.15	90	75-89
3 cm Rain	0.05	95	90-94
4 cm Rain	0.03	98	95-97
5 cm Rain	0.02	100	98-99

Table: No Rain on previous day			
Event	Probability	Cumulative Probability (%)	Range
No Rain	0.75	75	00-74
1 cm Rain	0.15	90	75-89
2 cm Rain	0.06	96	90-95
3 cm Rain	0.04	100	96-99

Day	Random No.	Rainfall	Table Reference
1	97	4 cm	1st table
2	93	3cm	1st table
3	78	2cm	1st table
4	52	1cm	1st table
5	0	No Rain	1st table
6	25	No Rain	2nd table
7	62	No Rain	2nd table
8	49	No Rain	2nd table
9	61	No Rain	2nd table
10	8	No Rain	2nd table
11	56	No Rain	2nd table
12	10	No Rain	2nd table
13	73	No Rain	2nd table
14	87	1cm	2nd table
15	93	3 cm	1st table
Total		14	

Accordingly, total days without rain = 9, and total rainfall during the period = 14 cm

Illustration 5:

The Tit-Fit Scientific Laboratories is engaged in producing different types of high-class equipment for use in science laboratories. The company has two different assembly lines to produce its most popular product 'Pressurex'. The processing time for each of the assembly lines is regarded as a random variable and is described by the following distributions.

Process Time (minutes)	Assembly A1	Assembly A2
10	0.10	0.20
11	0.15	0.40
12	0.40	0.20
13	0.25	0.15
14	0.10	0.05

Using the following random numbers, generate data on the process times for 15 units of the item and compute the expected process time for the product. For the purpose, read the numbers vertically taking the first two digits for the processing time on assembly A1 and the last two digits for processing time on assembly A2.

4134	8343	3602	7505	7428
7476	1183	9445	0089	3424
4943	1915	5415	0880	9309

Answer:

Random Number coding for processing time for A1				
Time (mnts)	Probability	Cumulative Probability	Random Number Interval	
10	0.10	0.10	00-09	
11	0.15	0.25	10-24	
12	0.40	0.65	25-64	
13	0.25	0.90	65-89	
14	0.10	1.00	90-99	

Random Number coding for processing time for A2				
Time (mnts)	Probability	Cumulative Probability	Random Number Interval	
10	0.20	0.20	00-19	
11	0.40	0.60	20-59	
12	0.20	0.80	60-79	
13	0.15	0.95	80-94	
14	0.05	1.00	95-99	

Simulation Worksheet					
Unit	A1		A2		Total Time (mnts)
	RN	Time	RN	Time	
1	41	12	34	11	23
2	74	13	76	12	25
3	49	12	43	11	23
4	83	13	43	11	24
5	11	11	83	13	24
6	19	11	15	10	21
7	36	12	02	10	22
8	94	14	45	11	25
9	54	12	15	10	22
10	75	13	05	10	23
11	00	10	89	13	23
12	08	10	80	13	23
13	74	13	28	11	24
14	34	12	24	11	23
15	93	14	09	10	24
Expected Time					23.27

Suggestions:

This lesson could be used as an aid to teaching in study notes on Simulation. Simulation technique is an important aspect of Production Planning and Control. A proper understanding of the development of the simulation model and constructing the allocation tables is most important. Attempts are made here to indicate detailed computation. Besides the study guide, for supplementary readings, one can refer to Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson, and Productions and Operations Management by R.B. Khanna.

Best Wishes.

Topic

Module 3:
Cash Flow
Statement

Module 7:
Provisions Relating
to Audit under
Companies Act,
2013

INTERMEDIATE

Group II - Paper-10

Corporate
Accounting and
Auditing (CAA)

Section A: Corporate Accounting

Topic: Cash Flow Statement

• Comprehensive Problems

Problem 1:

Identify whether each transaction represents an Operating, Investing, or Financing cash flow under AS 3.

Sr. No.	Transactions
1	Cash received from customers against credit sales
2	Purchase of machinery by making cash payment
3	Interest paid on a long-term bank loan
4	Dividend received from investment in equity shares
5	Income tax paid relating to business operations
6	Proceeds from issue of equity shares
7	Cash paid to suppliers for raw materials
8	Sale proceeds of an old factory building

Solution:

Sr. No.	Types of Cash Flow
1	Cash Flow from Operating Activities
2	Cash Flow from Investing Activities
3	Cash Flow from Financing Activities
4	Cash Flow from Investing Activities
5	Cash Flow from Operating Activities
6	Cash Flow from Financing Activities
7	Cash Flow from Operating Activities
8	Cash Flow from Investing Activities

Problem 2:

Classify each of the following transactions into Operating, Investing, or Financing activities.

Sr. No.	Transactions
1	Cash received from royalty income
2	Redemption of preference shares in cash
3	Purchase of patents for cash
4	Interest received on fixed deposits with a bank
5	Payment of salaries and wages to employees
6	Cash received from sale of long-term investments
7	Dividend paid to equity shareholders
8	Refund of income tax received from the Income Tax Department

Solution

Sr. No.	Types of Cash Flow
1	Cash Flow from Operating Activities
2	Cash Flow from Financing Activities
3	Cash Flow from Investing Activities
4	Cash Flow from Investing Activities
5	Cash Flow from Operating Activities
6	Cash Flow from Investing Activities
7	Cash Flow from Financing Activities
8	Cash Flow from Operating Activities

Problem 3:

Determine the appropriate classification under AS 3.

Sr. No.	Transactions
1	Cash paid for acquisition of a software licence (intangible asset)
2	Proceeds from issuance of 12% debentures
3	Commission received from customers
4	Repayment of bank term loan
5	Cash received from disposal of furniture
6	Interest paid on debentures
7	Advance received from customers for supply of goods
8	Cash paid for routine repairs of plant and machinery

Solution

Sr. No.	Types of Cash Flow
1	Cash Flow from Investing Activities
2	Cash Flow from Financing Activities
3	Cash Flow from Operating Activities
4	Cash Flow from Financing Activities
5	Cash Flow from Investing Activities
6	Cash Flow from Financing Activities
7	Cash Flow from Operating Activities
8	Cash Flow from Operating Activities

Question 4:

Identify the nature of each cash flow under AS 3.

Sr. No.	Transactions
1	Cash received from insurance claim for loss of inventory
2	Purchase of land for construction of a new warehouse
3	Buy-back of equity shares for cash
4	Cash collected from trade receivables
5	Interest received on loans granted to another company
6	Cash paid towards underwriting commission on issue of shares
7	Cash received from repayment of loan given to a subsidiary

Sr. No.	Transactions
8	Payment of GST and other indirect taxes related to trading activities

Solution

Sr. No.	Types of Cash Flow
1	Cash Flow from Operating Activities
2	Cash Flow from Investing Activities
3	Cash Flow from Financing Activities
4	Cash Flow from Operating Activities
5	Cash Flow from Investing Activities
6	Cash Flow from Financing Activities
7	Cash Flow from Investing Activities
8	Cash Flow from Operating Activities

Section B: Auditing

Topic: Provisions Relating to Audit under Companies Act, 2013

• Comprehensive Caselets on Secretarial Audit

Caselet 1

Apex Engineering Limited is an unlisted public company. The following particulars are extracted from its latest audited financial statements as on 31 March 2026:

Particulars	Amount
Paid-up Share Capital	₹48 crore
Annual Turnover	₹275 crore
Outstanding Bank Borrowings	₹82 crore

During the Board meeting, one director argued that the company is not required to conduct a secretarial audit because its paid-up capital is below ₹50 crore. Is the company required to conduct a Secretarial Audit? Give reasons.

Answer

Yes, Apex Engineering Limited is required to conduct a Secretarial Audit.

Under Section 204 read with Rule 9, every public company having either:

- paid-up share capital of ₹50 crore or more, or
- turnover of ₹250 crore or more, or
- outstanding loans/borrowings from banks or public financial institutions of ₹100 crore or more

must obtain a Secretarial Audit Report. The eligibility is determined on the basis of the latest audited financial statements.

Since the company's turnover is ₹275 crore, it satisfies the turnover criterion even though its paid-up capital is only ₹48 crore. Thus, Secretarial Audit is mandatory for the company.

Caselet 2

Zenith Pharma Limited is a listed company. It appointed a Practising Company Secretary to conduct its Secretarial Audit for FY 2025–26. After completion of the audit, the Company Secretary submitted the report to the Board.

The Company intends to:

1. Attach the report with the Financial Statements only.
2. Issue the report in Form AOC-2.
3. Ignore the adverse qualification mentioned in the report while preparing the Board's Report.

Examine the correctness of the above decisions with reference to the Companies Act, 2013.

Answer

All three decisions are incorrect.

1. **Attachment of the Report:** The Secretarial Audit Report must be annexed to the Board's Report, not merely to the financial statements. This is specifically required under Section 204(1).
2. **Prescribed Form:** The report must be prepared in the prescribed Form MR-3. Form AOC-2 is meant for disclosure of related party contracts and is not applicable to Secretarial Audit.

3. **Board's Responsibility:** Under Section 204(3), the Board of Directors must provide a full explanation for every qualification, observation, or adverse remark made by the Secretarial Auditor in its Board's Report. Ignoring such remarks would amount to non-compliance.

Therefore, the company must annex Form MR-3 to the Board's Report and explain every qualification in the Board's Report.

Caselet 3

Nova Retail Limited, an unlisted public company with a turnover of ₹320 crore, is required to conduct a Secretarial Audit.

The Board receives applications from the following persons:

1. Mr. Arjun, a Company Secretary employed full-time by another private company.
2. Ms. Riya, a member of ICSI holding a valid Certificate of Practice (COP).
3. Mr. Karan, a Chartered Accountant in practice with 12 years of experience.
4. M/s RS & Associates, a firm of Company Secretaries in Practice.

The Board wishes to appoint the most suitable person as Secretarial Auditor.

Who can legally be appointed? Give reasons.

Answer

Under Section 204, the Secretarial Audit Report can be issued only by a Company Secretary in Practice (PCS).

Applicant	Whether Eligible?	Reason
Mr. Arjun	No	He is an employee and not a Company Secretary in Practice.
Ms. Riya	Yes	She is a Company Secretary in Practice holding a valid COP.
Mr. Karan	No	A Chartered Accountant cannot conduct Secretarial Audit under Section 204.
M/s RS & Associates	Yes	A firm of Practising Company Secretaries may be appointed.

The appointment is made by the Board of Directors

through a Board Resolution as prescribed under the Companies Act and the relevant Rules.

Therefore, the Board may appoint Ms. Riya or M/s RS & Associates as the Secretarial Auditor.

Caselet 4

Orion Infrastructure Limited is an unlisted public company. The Board of Directors is reviewing whether the company is required to appoint a Secretarial Auditor for the financial year 2025–26. The latest audited financial statements disclose the following:

Particulars	Amount
Paid-up Share Capital	₹52 crore
Annual Turnover	₹235 crore
Outstanding Bank Loan	₹95 crore

The Managing Director contends that since the turnover is below ₹250 crore and borrowings are below ₹100 crore, Secretarial Audit is not mandatory. Examine the validity of the Managing Director's contention with reference to the Companies Act, 2013.

Answer

The Managing Director's contention is incorrect.

Under Section 204 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, every public company is required to conduct a Secretarial Audit if it satisfies any one of the prescribed thresholds based on its latest audited financial statements.

Analysis

Criterion	Threshold	Orion Ltd.	Status
Paid-up Share Capital	₹50 crore or more	₹52 crore	Yes
Turnover	₹250 crore or more	₹235 crore	No
Outstanding Borrowings	₹100 crore or more	₹95 crore	No

Although the company does not satisfy the turnover or borrowing limits, its paid-up share capital exceeds ₹50 crore, which alone is sufficient to attract the provisions relating to Secretarial Audit.

Therefore, Orion Infrastructure Limited is eligible and legally required to appoint a Secretarial Auditor, and the Secretarial Audit Report must be obtained in Form MR-3 and annexed to the Board's Report.

Topic

Module 1:
Fundamentals
of Financial
Management

Module 10:
Data Presentation:
Visualisation
and Graphical
Presentation

INTERMEDIATE

Group II - Paper-11

Financial
Management and
Business Data
Analytics (FMDA)

Subject: Financial Management and Business Data Analytics

Capital Asset Pricing Model

The capital asset pricing model provides the framework for determining the equilibrium expected return for risky assets. It uses the results of capital market theory to derive the relationship between expected return and systematic risk of individual assets/securities and portfolios. It can be presented as follows:

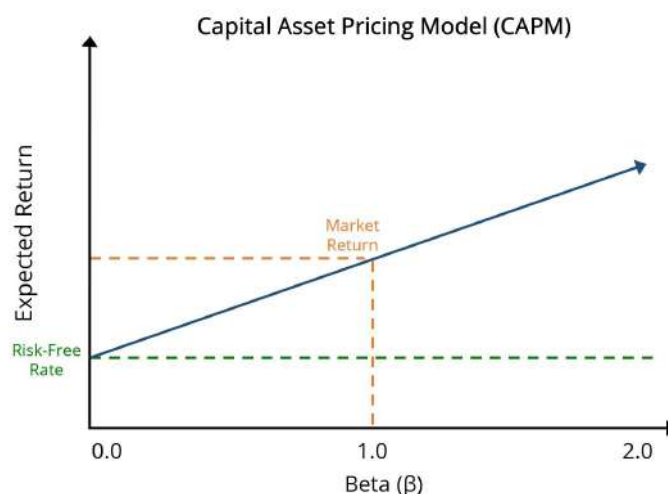
$$E(r_i) = r_f + \beta [E(r_m) - r_f]$$

$E(r_i)$ = Expected or required rate of return on asset i .

r_f = Risk-free rate of return, vertical axis intercept.

β = Systematic risk of the asset, beta.

$E(r_m)$ = Expected return on market portfolio.



Components of CAPM

1. Risk-Free Rate (r_f)

The return on an investment with no default risk.

Examples in India: Treasury Bills (91-day T-Bills), Government Securities.

2. Market Return ($E(r_m)$)

Average expected return from the overall stock market.

3. Beta (β)

Beta measures how sensitive a security's return is compared to the market.

Example 1

You are given the following information:

- Required rate of return on a portfolio with beta of 1.2 is 18%
- Risk-free rate is 6 per cent.

According to the CAPM:

- Calculate the expected rate of return on the market portfolio.
- What is the expected return of a zero-beta security?
- Suppose an investor chooses to buy a stock for XYZ Ltd. for ₹50. The stock is expected to pay ₹2 as a dividend next year and is hoped to sell at ₹53. The stock has been evaluated at $\beta = (-) 0.5$. Is the stock fairly priced? What is the implication of including stock XYZ Ltd. in the portfolio?

- (d) A stock PQR Ltd., with a beta of 1.5, sells for ₹50. One year from now, it is expected to yield a dividend income of ₹6. What price do investors expect after one year?

Answer:

(a) $E(ri) = rf + \beta [(E(rm) - rf)]$

Or, $18\% = 6\% + 1.2 (rm - 6\%)$

$rm = 6\% + (18\% - 6\%) / (1.2) = 6\% + 10\% = 16\%$

- (b) The expected rate of return on a zero beta security is the risk-free rate, that is, 6%.

(c) Total income = Dividend +/– Price change = ₹2 + (₹53 – ₹50) = ₹5

Expected return = Total income / Initial price = ₹5/₹50 = 10%

Required return = $E(r_{xyz}) = 6\% + (-)0.5 (16\% - 6\%) = 6\% - 5\% = 1\%$.

The expected rate of return (10%) is ten times the required rate of return (1%). Clearly, the stock is highly undervalued. Inclusion of stock in the portfolio will reduce the portfolio beta and the required return.

(d) $E(r_{PQR}) = 6\% + 1.5 (16\% - 6\%) = 6\% + 15\% = 21\%$

For 21% return, the total income from PQR Ltd. should be ₹50 × 21% = ₹10.5. Out of this, the dividend component is ₹6. The expected price appreciation over ₹50 is ₹4.5. Thus, the expected price is ₹54.5.

Example 2

From the condensed Balance Sheets as on 31st December and Income Statements for the year ended 31st December for 2018-2023 of Sunrise Ltd., analyse the trend of the business activities and financial position of the company.

Sun Ltd.

Condensed Balance Sheets

As on 31st December 2018-2023

(₹ in Crore)

Items	2018	2019	2020	2021	2022	2023
Assets						
Current Assets						
Cash	36	50	66	38	34	38
Receivables	130	134	144	270	320	340
Inventories	122	146	170	242	308	360
Total Current Assets	288	330	380	550	662	744
Land, Property and Equipments	304	310	312	620	650	600
Total Assets	592	640	692	1170	1312	1344
Liabilities and Owners' Equity						
Current Liabilities	82	86	104	306	390	440
Long-term Debt	60	60	60	260	260	320
Total Liabilities	142	146	164	566	650	760
Capital	220	220	220	420	500	500
Retained Earnings	230	274	308	184	162	84
Total Owners' Equity	450	494	528	604	662	584
Total Liabilities and Owners' Equity	592	640	692	1170	1312	1344

Sun Ltd.
Condensed Income Statements
As on 31st December 2018-2023

(₹ in Crore)

Items	2018	2019	2020	2021	2022	2023
Net Sales	500	574	680	760	850	870
Cost of Goods Sold	326	378	456	538	616	628
Gross Margin on Sales	174	196	224	222	234	242
Administrative Expenses	110	120	150	180	212	228
Operative Income	64	76	74	42	22	14
Other Expenses and Revenue Items	8	10	4	12	10	12
Net Income after Tax	56	66	70	30	12	2

Answer:

Sun Ltd.
Condensed Balance Sheets and Income Statements Trends
As on 31st December 2018-2023

(in per cent terms)

Items	2018	2019	2020	2021	2022	2023
Balance Sheet Items						
Cash	100	139	183	106	94	106
Receivables	100	103	111	208	246	262
Inventories	100	120	139	198	252	300
Total Current Assets	100	115	132	191	230	258
Land, Property and Equipments	100	102	103	204	214	197
Total Assets	100	108	117	198	222	227
Liabilities and Owner's Equity						
Current Liabilities	100	105	127	373	476	537
Long-term Debt	100	100	100	433	433	533
Total Liabilities	100	103	115	399	458	535
Capital	100	100	100	191	227	227
Retained Earnings	100	119	134	80	70	37
Total Owners' Equity	100	110	117	134	147	130
Items	2018	2019	2020	2021	2022	2023
Net Sales	100	115	136	152	170	174
Cost of Goods Sold	100	116	140	165	189	192
Gross Margin on Sales	100	113	129	128	134	139
Administrative Expenses	100	109	136	164	193	207
Operative Income	100	119	116	66	34	22
Net Income after Tax	100	118	125	54	21	1

Trend analysis of Income Statement Items:

It appears from the income statements that during six years sales have increased by 74%, at the same time cost of goods sold have increased by 92%. Rates of increase in COGS have surpassed the rate of increase in sales every year. As a result, gross margin increased only by 39%. Administrative expenses increased by 107%, resulting in a decrease in operating income by (100%-22%), i.e. 78%. So, net profit after tax decreased to 1%. Thus, it is evident that though sales have increased by 74%, whereas nothing has been left for the owners.

Trend analysis of Balance Sheet Items:

Current and long-term liabilities have increased by 437% and 433%, respectively. It indicates that debt has increased by nearly four and a half times, but owners' equity has increased by 30% only. This excessive debt has developed due to an increase in current and fixed assets by 158% and 97%, respectively. Trend analysis of current and fixed assets and current and long-term liabilities reveals that, suddenly, during 2020, current and fixed assets increased by 91% and 104%, respectively. It shows that some new assets were acquired during that period. Share capital increased by 91 %, which indicates new shares were issued. But profit did not increase accordingly. During 2022, owners' equity increased by 47%, but during 2023 it declined by 17%. Because during the year, net income after tax almost nil.

Overall position of the company is that its earning capacity is deteriorating and the company has a downward trend.

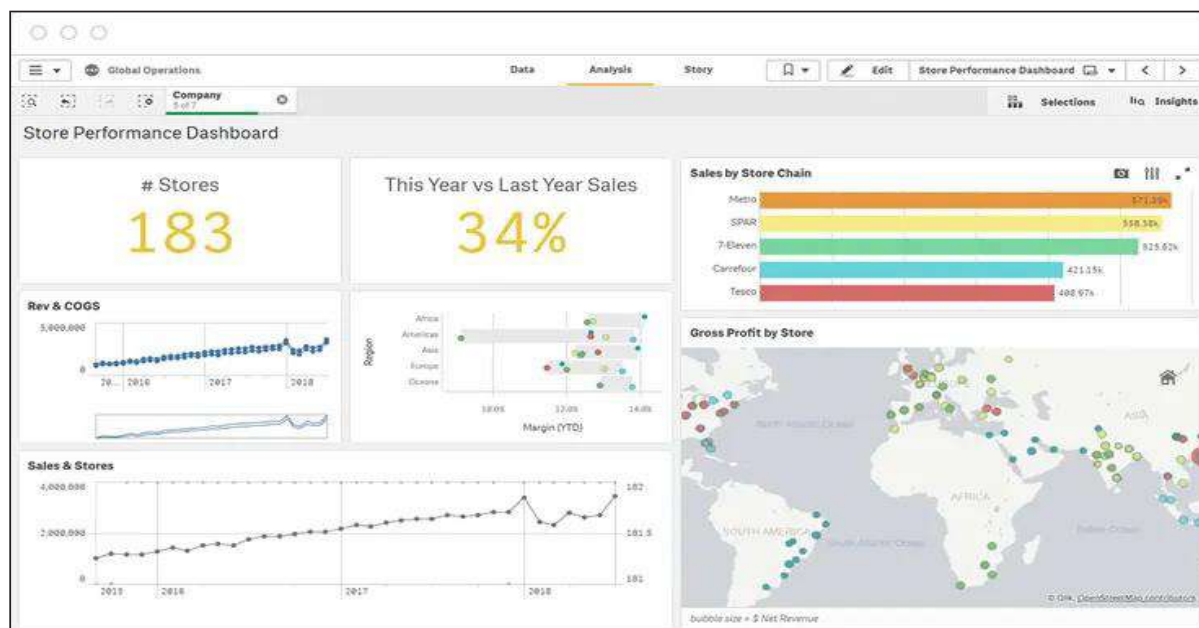
Business Data Analytics

Data Visualisation -Tools and Techniques

Data visualization in decision-making is the strategic practice of using charts, graphs, and dashboards to convert complex analysis into clear visual insights, allowing leaders to make fast, accurate, and evidence-based choices. Data visualization is critical because it bridges the gap between raw data and human intelligence. Without it, the massive amounts of data collected by modern organizations are essentially useless text files.

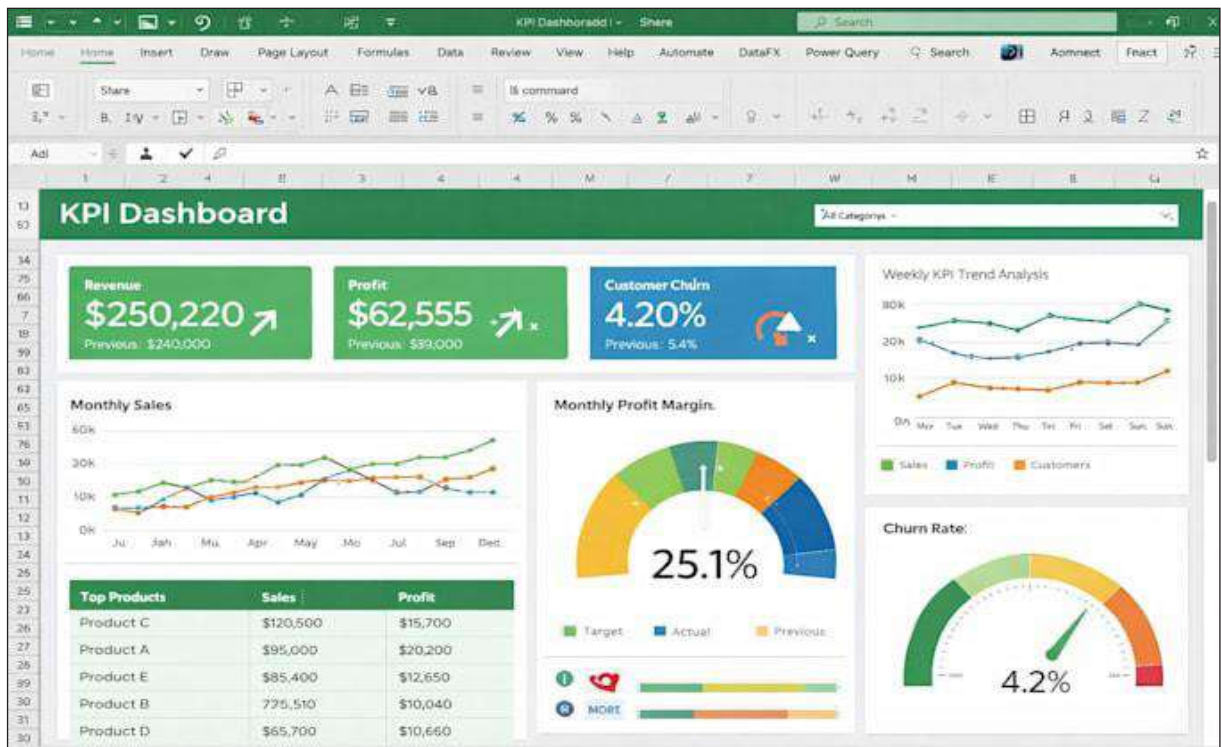
Tools for Data Visualisation:

1. **Tableau:** Tableau is a market-leading **business intelligence and data visualization software** that allows users to connect to virtually any data source and transform complex text files into highly interactive, beautiful dashboards.



Source: <https://blog.drbi.com.br/blog/tour-pelo-editor-de-relatorio/>

2. **Microsoft Excel:** Excel Data Visualization is the process of converting numerical data into charts, graphs, dashboards, and interactive reports using Microsoft Excel. It helps managers, accountants, researchers, and financial analysts identify trends, comparisons, and patterns quickly.



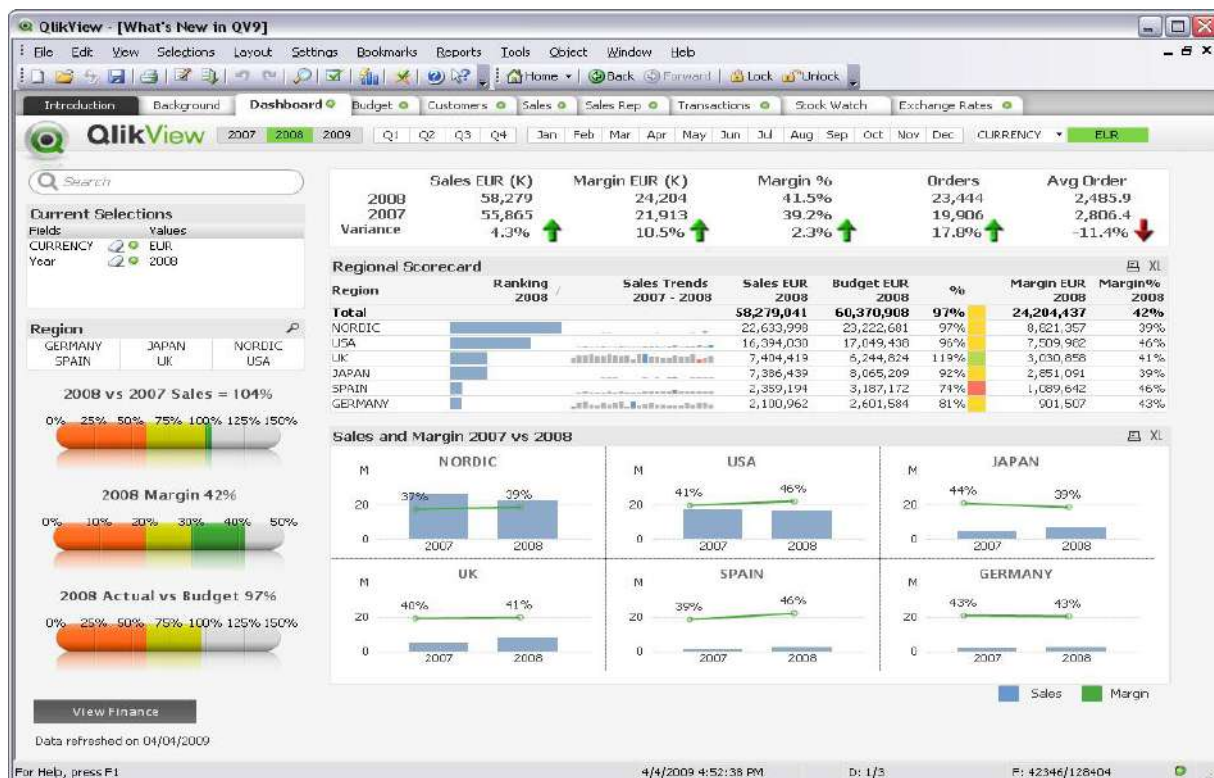
Source: <https://blog.drbi.com.br/blog/tour-pelo-editor-de-relatorio/>

- Power BI:** It is a business analytics tool by Microsoft for sharing insights. It converts raw data into interactive dashboards, reports, charts, and visualizations that help organizations analyze business performance and make data-driven decisions. Power BI is widely used in finance, accounting, banking, marketing, human resource management, healthcare, manufacturing, and research analytics.



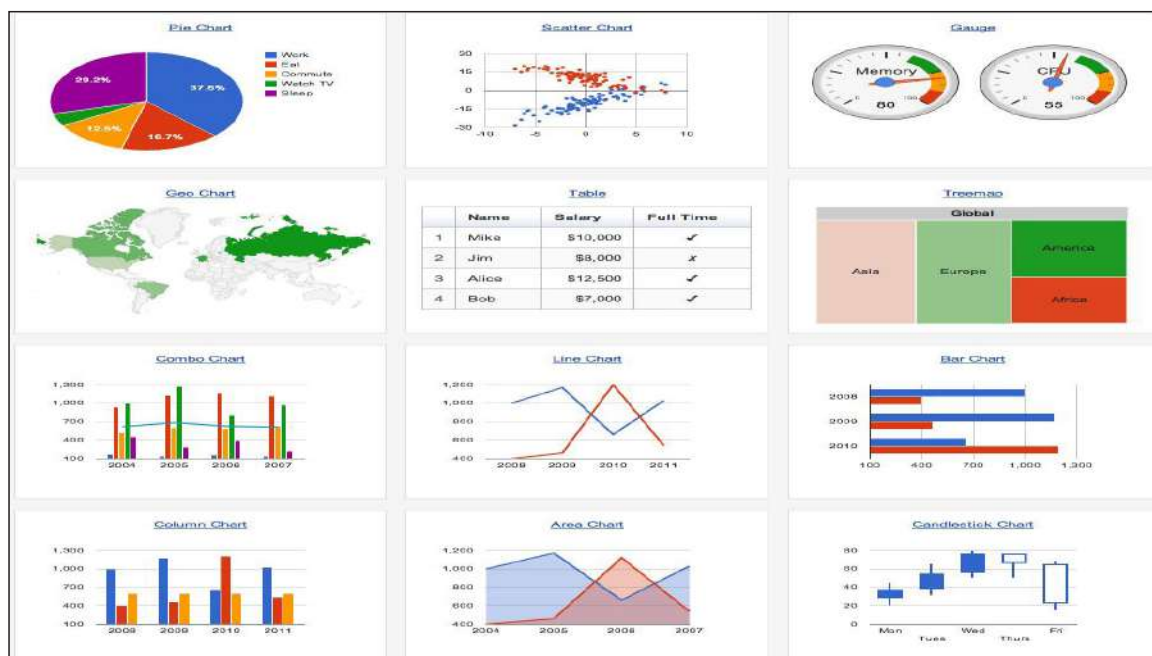
Source: <https://blog.drbi.com.br/blog/tour-pelo-editor-de-relatorio/>

- QlikView: QlikView is a Business Intelligence (BI) and Data Visualization software developed by Qlik. It helps users transform raw data into interactive dashboards, charts, graphs, reports, and analytics for better business decision-making. It is widely used in finance, accounting, banking, insurance, marketing, supply chain, healthcare, and education for analyzing large datasets quickly.



Source: <https://blog.drbi.com.br/blog/tour-pelo-editor-de-relatorio/>

- Google Charts:** It is a web tool to embed interactive charts using HTML5 and developed by Google. It is widely used for business reports, financial analysis, research presentations, and web dashboards.



Source: <https://blog.drbi.com.br/blog/tour-pelo-editor-de-relatorio/>

Topic

Module 6:
Standard Costing
and Variance
Analysis

INTERMEDIATE

Group II - Paper-12

Management Accounting (MA)

Module 6: Standard Costing and Variance Analysis

The most crucial objective of cost accounting is effective cost ascertainment and cost control. Historical costing is largely ineffective for exercising cost control because it is not applied according to a planned course of action, and it fails to provide a yardstick for evaluating actual performance. To overcome these limitations, it is essential to know what the cost “should be” before production begins, so that the exact reasons for failure can be identified and responsibilities fixed.

Standard costing is defined as the ascertainment and use of standard costs and the measurement of analysis of variances. Standard costs are scientifically predetermined costs for manufacturing a single unit or a number of units during a specified future period. The system is most suited to organizations whose activities consist of a series of repetitive operations, allowing the input required for each unit of output to be clearly specified.

Standard Costing vs. Budgetary Control and Estimated Costs

While both standard costing and budgetary control aim to control business operations through predetermined targets, they possess significant conceptual differences. Budgetary control operates on a “total concept” and deals with the business or departments as a whole, covering capital, sales, and financial expenses. In contrast, standard costing is intensive, operates on a “unit concept,” and is specifically concerned with controlling the elements of manufacturing costs. Furthermore, budgetary control can be implemented partially for specific departments, whereas standard costing cannot be used partially and must be applied wholly to all cost elements.

It is also important to distinguish standard costs from estimated costs. Estimated costs determine what costs “will” be, based on past averages adjusted for anticipated future changes, including built-in allowances for expected wastes and spoilage. Standard costs, however, aim to determine what costs “should” be, planned on a scientific basis under assumed conditions of efficiency.

Types of Standards and Their Establishment

Setting standard costs requires a deep understanding of technical and operational aspects, an analysis of manufacturing methods, and a proper classification of accounts. Standards are classified into three primary categories:

- **Current Standards:** Established for a short period (normally one year) and related to current conditions. These are further divided into:
 - **Ideal Standards:** Represent a maximum degree of efficiency with no allowances for waste, lost time, or machine breakdowns. They are practically unattainable and can negatively impact worker morale.
 - **Expected (Attainable) Standards:** Based on efficient but not perfect conditions. They include allowances for normal waste, human error, and fatigue, providing realistic and motivating targets.
- **Basic Standards:** Established for an indefinite or long period and revised only when there are changes in material specifications or production technology.
- **Normal Standards:** Anticipated to be attained over a long future period, usually covering an entire trade cycle to average out ups and downs in production.

Advantages and Limitations

Standard costing offers immense benefits: it guides management in evaluating performance, formulates pricing policies, acts as an effective tool for cost control, and facilitates the principle of “Management by Exception”. However, it has limitations. The system is expensive, making it difficult for small concerns to adopt, and it relies heavily on technical expertise. It is also unsuitable for non-standardized products and can be disrupted by frequent technological changes or severe inflation.

Variance Analysis Framework

Variances represent the deviations of the actual cost from the standard cost. When actual results are better than expected (e.g., lower costs), a “Favourable” (F) variance arises. When actual performance is worse than the standard, an “Adverse” or “Unfavourable” (A) variance occurs. Variance analysis evaluates these deviations, pinpointing responsibilities so management can take corrective actions.

Material and Labour Variances

1. **Material Variances:** The Material Cost Variance is the total difference between the standard cost of materials for the actual output and the actual cost incurred. It consists of:

- **Material Price Variance:** Arises due to the difference between the standard price specified and the actual price paid. It is typically the responsibility of the Purchase Manager and is caused by market fluctuations, changes in bulk discounts, or inefficient purchasing systems.
 - **Material Usage (Quantity) Variance:** Measures efficiency in the use of materials. It is primarily the responsibility of the Production Manager and arises from inefficient handling, defective machinery, or poor storage.
 - o **Material Mix Variance:** A sub-variance of usage that occurs when the actual composition (ratio) of materials differs from the standard mix.
 - o **Material Yield Variance:** Arises due to the difference between the standard yield specified and the actual yield obtained, often caused by spoilage or defective planning.
2. **Labour Variances:** The Labour Cost Variance is the difference between the standard labour cost allowed for the actual output and the actual wages paid. It comprises:
- **Labour Rate Variance:** Caused by paying a rate different from the standard. The Personnel Manager is usually responsible for this variance, which arises from changes in wage structures, overtime, or deploying different grades of workers.
 - **Labour Efficiency Variance:** Arises due to the difference between standard labour hours specified and actual hours spent. The Production Manager handles this variance, which is caused by poor supervision, machine breakdowns, or lack of worker training.
 - o **Labour Idle Time Variance:** Arises from abnormal situations like power failures, strikes, or machine breakdowns.
 - o **Labour Mix (Gang) Variance:** Caused by differences between the actual gang composition and the standard composition.
 - o **Labour Yield Variance:** Reflects the variation in labour cost due to an increase or decrease in actual output compared to the standard output expected from the hours worked.
3. **Overhead Variances**
- a. **Variable Overhead Variances:** The Variable Overhead Cost Variance is the difference between the standard variable overhead for actual production and the actual variable overheads incurred. It is split into two components:
- **Expenditure (Rate) Variance:** The difference between the allowed variable overheads based on actual hours and the actual overheads incurred.
 - **Efficiency Variance:** The difference between the standard hours for actual output and actual hours worked, multiplied by the standard variable overhead rate.
- b. **Fixed Overhead Variances:** The Fixed Overhead Cost Variance is the difference between recovered (absorbed) fixed overheads and actual fixed overheads incurred. It is sub-divided into:
- **Expenditure Variance:** The simple difference between budgeted fixed overheads and actual fixed overheads.
 - **Volume Variance:** The difference between budgeted fixed overheads and standard fixed overheads recovered on actual production. The Volume Variance further breaks down into:
 - o **Efficiency Variance:** Arising from the efficiency or inefficiency of workers.
 - o **Capacity Variance:** Caused by unexpected holidays, machine breakdowns, strikes, or power failures affecting scheduled capacity.
 - o **Calendar Variance:** Arises from the difference between the actual number of working days and the budgeted working days.
4. **Sales Variances and Control Ratios**
- a. **Sales Variances:** Sales variances can be analyzed based on Turnover (Value) or Profit Margin.
- **Based on Turnover:** The Sales Value Variance measures the difference between budgeted and actual sales value. It is split into the Sales Price Variance and the Sales Volume Variance. The Volume variance is further divided into the Sales Mix Variance and the Sales Quantity Variance.

- **Based on Profit Margin:** The Sales Margin Value Variance evaluates the difference between budgeted and actual profit. It is subdivided into Sales Margin Price Variance and Sales Margin Volume Variance, which also breaks down into Margin Mix and Margin Quantity variances.
- b. **Control Ratios:** Management uses specific percentage-based control ratios to monitor operations, where a ratio of 100% or above generally indicates a favourable position:
- **Efficiency Ratio:** $(\text{Standard hours for actual output} \div \text{Actual hours worked}) \times 100$.
 - **Activity Ratio:** $(\text{Standard hours for actual output} \div \text{Budgeted hours}) \times 100$.
 - **Capacity Ratio:** $(\text{Actual hours worked} \div \text{Budgeted hours}) \times 100$.

Management by Exception and Conclusion

Standard costing systems deeply empower the principle of “Management by Exception”. This is the practice of concentrating exclusively on activities that require attention—specifically those generating significant variances—while ignoring activities conforming to expectations. Because investigating every minor variance incurs unnecessary costs, management often sets tolerance limits or filter rules (such as only investigating variances exceeding 10% of standard costs) to focus their analytical efforts. Ultimately, variances are not ends in themselves but springboards for further action, providing yardsticks to measure fairness, redirect effort, and intelligently control operations within the modern business environment.

Multiple Choice Questions (MCQs):

1. CIMA Official Terminology defines ‘management by exception’ as:
 - A) The elimination of all inefficiencies by taking continuous corrective measures universally across all departments.
 - B) The practice of completely rewriting standard cost benchmarks whenever an adverse variance arises.
 - C) The practice of concentrating on activities that require attention and ignoring those which appear to be conforming to expectations.
 - D) Identifying unforeseen costs such as spoilage and adding them directly to the budgeted profit limits.
2. A product uses a standard mix of 20% Material A (2 kg at ₹ 2.00/kg) and 80% Material B (8 kg at ₹ 1.00/kg). One unit was produced using an actual mix of 8 kg of A at ₹ 2.00/kg and 4 kg of B at ₹ 1.25/kg. What is the total Material Mix Variance?
 - A) ₹ 5.60 (Adverse)
 - B) ₹ 5.60 (Favorable)
 - C) ₹ 11.20 (Adverse)
 - D) ₹ 16.80 (Adverse)
3. The standard gang to produce 50 units in one hour comprises 80 Men (at ₹ 45/hr) and 40 Women (at ₹ 40/hr). Actual production of 2400 units took an actual gang of 64 Men (paid ₹ 50/hr) and 56 Women (paid ₹ 25/hr) working 40 hours. What is the Labour Cost Variance?
 - A) ₹ 65,600 (Adverse)
 - B) ₹ 65,600 (Favourable)
 - C) ₹ 49,920 (Favourable)
 - D) ₹ 20,800 (Favourable)
4. Using the data from the previous question (Standard Men rate: ₹ 45/hr, Women: ₹ 40/hr; Actual gang: 64 Men, 56 Women), if the gang was paid for 40 hours but actually worked 39 hours due to a power failure, what is the Labour Idle Time Variance?
 - A) ₹ 2,880 (Adverse)
 - B) ₹ 2,240 (Adverse)
 - C) ₹ 5,120 (Favourable)
 - D) ₹ 5,120 (Adverse)
5. AB Ltd. budgeted fixed overheads of ₹ 30,000 for 20,000 units of production over 25 days (budgeted rate ₹ 1.00/hour). In July, actual hours worked were 31,500 producing 22,000 units over 27 days. What is the Fixed Overhead Efficiency Variance?
 - A) ₹ 1,500 (Favourable)
 - B) ₹ 1,500 (Adverse)
 - C) ₹ 3,000 (Favourable)
 - D) ₹ 900 (Adverse)

6. Product A has a budgeted sales quantity of 1,000 units, a selling price of ₹ 15, and a standard profit margin of ₹ 8 per unit. Actually, 800 units were sold for ₹ 9,600. What is the Sales Margin Volume Variance for Product A?
- A) ₹ 1,600 (Favourable)
 B) ₹ 1,600 (Adverse)
 C) ₹ 2,400 (Adverse)
 D) ₹ 3,000 (Adverse)
7. Continuing with Product A (budgeted SP ₹ 15, standard margin ₹ 8; actual sales 800 units for ₹ 9,600), what is the Sales Margin Price Variance?
- A) ₹ 1,600 (Adverse)
 B) ₹ 2,400 (Adverse)
 C) ₹ 2,400 (Favourable)
 D) ₹ 5,600 (Adverse)
8. Budgeted production is 80 units with a standard time of 8 hours per unit. Actual production is 60 units, and actual hours worked are 500 hours. What is the Capacity Ratio?
- A) 96.00%
 B) 75.00%
 C) 78.12%
 D) 104.16%
9. Using the same data as the previous question (Budgeted prod 80 units, standard time 8 hrs/unit; Actual prod 60 units, actual hours 500), what is the Activity Ratio?
- A) 96.00%
 B) 78.12%
 C) 133.33%
 D) 75.00%
10. Three products are sold. Product A's budgeted sales are 1,500 units at ₹ 15. Total budgeted quantity for all products is 4,500 units. The total actual quantity sold for all products combined is 6,000 units. What is the Sales Quantity Variance for Product A?
- A) ₹ 6,000 (Favourable)
 B) ₹ 7,500 (Favourable)
 C) ₹ 7,500 (Adverse)
 D) ₹ 10,000 (Favourable)
11. A firm budgeted production of 600 units with variable overheads of ₹ 15,600. Actual production was 500 units with actual variable overheads of ₹ 14,000. What is the Variable Overhead Cost Variance?
- A) ₹ 1,600 (Adverse)
 B) ₹ 1,000 (Favourable)
 C) ₹ 1,000 (Adverse)
 D) ₹ 2,600 (Adverse)
12. A company budgets 2,000 units of production, variable overhead of ₹ 4,000, and 1 standard hour per unit. Actual production is 1,500 units taking 1,800 actual hours, with actual variable overhead of ₹ 2,500. What is the Variable Overhead Efficiency Variance?
- A) ₹ 1,100 (Favourable)
 B) ₹ 600 (Adverse)
 C) ₹ 600 (Favourable)
 D) ₹ 500 (Adverse)

Answers

1. C
 2. A
 3. B
 4. D
 5. A
 6. B
 7. B
 8. C
 9. D
 10. B
 11. C
 12. B

Fill in the blanks

1. The difference between the actual costs and the standard costs, called the _____, is calculated for individual cost centers to evaluate performance.

2. Standard Costing is a system in which the cost of each unit of batch or job is predetermined on the basis of _____ levels of activity and efficiency.
3. Material Usage Variance is the sum of material mix variance and materials _____ variance.
4. Labour Mix Variance is otherwise known as _____ Composition Variance, as it arises due to the differences between the actual and standard composition of workers.
2. A firm may choose to implement a standard costing system partially across just a few departments, exactly as it can selectively apply budgetary controls.
3. Ideal standards are practically unattainable because they make no allowances for inefficient conditions such as lost time, normal waste, or machine spoilage.
4. Material Price Variance is computed by taking the difference between Standard Price and Actual Price and multiplying it by the Standard Quantity.
5. Fixed Overhead Calendar Variance represents the portion of Capacity Variance that is caused by the difference between actual working days and budgeted working days.

Answer

1. variance
2. normal
3. yield
4. Gang

True and False

1. Estimated costs aim to determine what costs 'should' be, while Standard costs are intended to determine what costs 'will' be in the future.

Answer

1. False
2. False
3. Higher
4. False
5. True

CMA FINAL COURSE

Syllabus 2022

Topic

Module 1 :
The Companies Act,
2013

FINAL

Group III - Paper-13

Corporate and
Economic Laws
(CEL)

Hierarchy of Management, Types of Directors, and Functioning of the Board

Shareholders are the owners of the company. They can anytime decide to run themselves or may like persons to act on their behalf for management of the company, and the highest level of such inclusion of outside person is a director, who will be a member of the board of directors.

Management powers to be exercised by:	Type of Powers	Reference
Shareholders	Powers not given/delegated to the Board of Directors.	Section 180 of the Companies Act, 2013 and Articles of Association of the company.
Board of Directors	All powers of decision making about the company unless reserved for the shareholders.	Section 179 of the Companies Act, 2013.
Chairman	Executive/ Non- Executive functions of the company. Chairing the Company meetings.	Section 104 of the Companies Act, 2013.
C.M.D	Exercises both the Chairman's and the Managing Director's Power.	
Managing Director - Should be of 21-70 years - is an undischarged insolvent - has not suspended payment to its creditors - has not been convicted of any offence for a period of more than 6 months.	Has substantial powers of the management of the company. Works under the supervision and control of the Board of Directors.	Section 196 of the Companies Act, 2013.
Whole Time Director/Functional Director	Full time employee of the company. Looks after specified functions of the company.	

Type of Directors	Appointing Authority	Situation of appointment	Tenure of Office
First Directors	Articles of Association	At the time of registration	Upto first AGM
Normal Directors	Shareholders in the Annual General Meeting.	Normal	To retire on the basis of seniority
Additional Directors	Board of Directors	In between two AGMs	Till the next AGM or the last date on which the AGM should have been held, whichever is earlier.
Alternate Directors	Board Of Directors	When the original Director is out of India for more than 3 months	Till the return of the original Director.
Directors appointed by the Central Government	Central Government	Inspection and Investigation Oppression and Mismanagement	As per the order

Type of Directors	Appointing Authority	Situation of appointment	Tenure of Office
Director appointed/nominated by Financial Institute/Government	Nominated by the Financial Institute (Appointed by shareholders at AGM)	The company has taken a loan from the institution and an equity investment in the company.	As per FI/ Bank
Independent directors (Section 149)	For all listed companies at AGM.	Paid up capital 10cr/turnover 100cr/outstanding loan 50cr.	5 consecutive terms, but can be re-appointed by passing a special resolution.
Directors appointed by small shareholders.	A small shareholder who holds shares of nominal value of not more than twenty thousand rupees.	In AGM. Any listed company may or shall, in case of notice by 1000 small shareholders (or 1/10th of such category of shareholders having holdings of face value of Rs. 20000)	Up to 3 years. Shall be rotational. Considered to be independent.
Shadow Directors	Legally not a director.	Persons who control the affairs or control the majority of directors.	

Appointing Retiring Director

The nomination for appointment of a Director who retires in an AGM and is eligible for reappointment automatically comes up in the said meeting unless a resolution to the effect that he will not be appointed or someone else will be appointed in his place is moved.

Appointment of a person as a director for the first time.

Apart from the above provision Under Section 160 of the Companies Act, 2013 a person who is not a retiring director can also be eligible for appointment as a director of a company provided he deposits his candidature in writing, himself or through some other member of the company at least 14 days before the meeting along with a fee of ₹ 1 lakh which shall be refunded if the candidate gets minimum 25% of the votes casted.

The following are the duties of the Board:

1. A director of a company should act in accordance with the articles of the company.
2. A director should act in good faith in order to promote the objects of the company for the benefit of its members, its employees, its shareholders, its community, for the protection of the environment and in the best interest of the company.
3. A director shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
4. A director shall not be involved in a situation in which he is directly or indirectly interested and which conflicts with the interest of the company.
5. A director shall not achieve any undue advantage or gain either by himself or through his relatives.

6. A director shall not assign his office; any assignment so made will be void.

Functioning of the Board :

1. The Chairman of the Board chairs the meetings of the Board. If the regular chairman is not present and the Articles of Association permit, a director may be appointed as the chairman of the meeting.
2. Quorum: the minimum number of directors to be present to make the meeting valid. If the quorum is not present, the meeting shall be automatically adjourned to the same place, time and venue on the same day next week.
3. Each director has one vote. In case of a tie, the Chairman will have a casting vote, subject to the provisions in the Articles of Association.
4. An interested director shall not vote. (Interest means personal interest) (Disclosure of interest under Section 184 is compulsory at the time of joining)
5. All decisions shall be simple majority decisions. However, a unanimous decision shall be taken in case of ;
 - (a) Inter-corporate investments above a certain limit.
 - (b) Appointing any person as an MD of the company if he is already an MD or a manager of one and not more than one company.
6. Leave of absence: If a director is absent from 3 consecutive Board meetings without taking leave of absence, he will be disqualified from remaining a director of the company.
7. Voluntary adjournment; The Board can voluntarily

adjourn its meeting. In case of automatic adjournment, the meeting stands adjourned to next week, same day, same time and same venue unless another venue is fixed.

8. Adjournment of meeting and deferment of consideration/decision of an item.
9. One Board meeting in each quarter is a must. No limit for the maximum number of meetings. There shall not be a gap of 120 days between two meetings.
10. Minimum 7 days notice of the Board meeting must be given to all directors staying even outside India.
11. Preponement and postponement of meetings can be done with the proper authority of the company.

Board meeting through Video Conference/Virtual Board Meeting

Conducting Board Meetings through Video Conference has been one of the key highlights of the Companies Act, 2013. With Information Technology becoming more readily accessible to a large section of the corporate sector in India, conducting all kinds of meetings through video conference is now a viable option for corporate houses. Realizing this fact and keeping in pace with the new technology, the Ministry of Corporate Affairs gave a major push under the Companies Act, 2013, to conduct Board Meetings through Video conference. Directors of the company may participate in a Board meeting either in person or through video conference or other audiovisual means, provided that the company follows the procedure mentioned below.

1. The company should ensure effective video connections and make necessary arrangements to avoid failures.
 - i. The Chairperson of the meeting and the Company secretary shall take due and reasonable care to safeguard the integrity of the meeting, ensuring sufficient security and identification procedures.
 - ii. to store for safekeeping and marking the tape recording(s) at least before the time of completion of the audit of that particular year.
 - iii. to ensure no person other than the concerned director is attending or has access to the proceedings of the meeting.
 - iv. to ensure that participants attending the meeting through video conferencing are able to hear and see the other participants clearly during the course of the meeting.

The notice of the meeting shall inform the directors regarding the option available to them to participate through video conferencing mode and also provide all necessary information for enabling them to participate through such mode.

A director intending to participate through video conference mode shall communicate his intention to the Chairperson or the Company Secretary of the company by giving prior intimation sufficiently in advance.

Topic

Module 2:
Evaluation of Risky
Proposals for
Investment
Decisions

Module 13:
Financial
Derivatives –
Instruments for
Risk Management

FINAL

Group III - Paper-14

Strategic Financial
Management (SFM)

Topic: Evaluation of Risky Proposals for Investment Decisions

• Multiple Choice Questions

1. A project has a higher expected NPV than another project, but also a much higher standard deviation. Which measure is most appropriate for comparing their relative risk?

a) Payback Period
b) Internal Rate of Return
c) Coefficient of Variation
d) Profitability Index

Answer: c) Coefficient of Variation

2. In capital budgeting, the expected value of a project is calculated by:

a) Multiplying all cash flows by the discount rate
b) Averaging the highest and lowest cash flows
c) Weighting each possible outcome by its probability
d) Dividing total cash flow by project life

Answer: c) Weighting each possible outcome by its probability

3. Which risk evaluation technique is particularly useful when management wants to examine the combined effect of changes in sales volume, selling price, and operating cost simultaneously?

a) Sensitivity Analysis
b) Scenario Analysis
c) Payback Analysis
d) Accounting Rate of Return

Answer: b) Scenario Analysis

4. A project has an expected NPV of ₹6,00,000 and a coefficient of variation of 0.40. The project may be regarded as:

a) High return with relatively low risk
b) Low return with high risk
c) Risk-free investment
d) Unacceptable irrespective of return

Answer: a) High return with relatively low risk

5. The certainty equivalent coefficient for a highly risky cash flow is generally:

a) Greater than 1
b) Equal to 1

c) Less than 1
d) Equal to zero in every case

Answer: c) Less than 1

6. Which of the following techniques converts risky cash inflows into risk-free equivalent cash inflows before discounting?

a) Risk-adjusted discount rate
b) Sensitivity analysis
c) Certainty equivalent approach
d) Decision tree analysis

Answer: c) Certainty equivalent approach

7. If the standard deviation of Project X is ₹90,000 and Project Y is ₹1,50,000, which statement is correct?

a) Project X is necessarily more profitable.
b) Project Y has a greater dispersion of possible outcomes.
c) Project X has a higher expected value.
d) Project Y is always preferable.

Answer: b) Project Y has greater dispersion of possible outcomes.

8. A decision tree is most appropriate for projects involving:

a) Identical annual cash inflows
b) Sequential investment decisions and future choices
c) No uncertainty
d) Zero initial investment

Answer: b) Sequential investment decisions and future choices

9. Which of the following is the primary objective of simulation in capital budgeting?

a) Eliminate project risk
b) Generate numerous possible project outcomes using random values
c) Calculate IRR directly
d) Replace discounted cash flow techniques

Answer: b) Generate numerous possible project outcomes using random values

10. A manager changes only the discount rate while keeping all cash flows unchanged. This represents analysis under:

- a) Simulation
- b) Scenario Analysis
- c) Sensitivity Analysis
- d) Decision Tree

Answer: c) Sensitivity Analysis

11. A project has the following NPVs:

Outcome	Probability	NPV (₹)
Good	0.30	5,00,000
Normal	0.50	3,00,000
Poor	0.20	1,00,000

The expected NPV is:

- a) ₹2,80,000
- b) ₹3,20,000
- c) ₹3,60,000
- d) ₹4,00,000

Answer: b) ₹3,20,000

12. Expected NPV = ₹4,00,000; Standard Deviation = ₹80,000. The coefficient of variation is:

- a) 0.20
- b) 0.50
- c) 2.00
- d) 5.00

Answer: a) 0.20

13. A risky cash inflow of ₹1,20,000 has a certainty equivalent coefficient of 0.75. The certainty equivalent cash flow equals:

- a) ₹90,000
- b) ₹1,20,000
- c) ₹1,60,000
- d) ₹45,000

Answer: a) ₹90,000

14. A project requires an initial investment of ₹5,00,000. Its expected present value of future cash inflows is ₹5,65,000. The expected NPV is:

- a) ₹65,000
- b) ₹5,65,000
- c) ₹60,000
- d) ₹1,65,000

Answer: a) ₹65,000

15. Two mutually exclusive projects have the following characteristics:

Particulars	Project A	Project B
Expected NPV	₹8,00,000	₹6,00,000
Standard Deviation	₹4,00,000	₹1,80,000

Based on the coefficient of variation, which project has a lower relative risk?

- a) Project A
- b) Project B
- c) Both have equal risk
- d) Cannot be determined

Answer: b) Project B (CV: A = 0.50; B = 0.30)

• Comprehensive Problem

X Ltd. is considering two mutually exclusive projects A and B. Project A costs ₹6,00,000 and Project B ₹7,20,000. You have been given below the net present value, probability distribution for each project:

Project A		Project B	
NPV Estimate (₹)	Probability	NPV Estimate (₹)	Probability
60,000	0.1	60,000	0.2
1,20,000	0.4	1,20,000	0.3
2,40,000	0.4	2,40,000	0.3
3,00,000	0.1	3,00,000	0.2

- (i) Compute the expected net present value of Projects A and B.
- (ii) Compute the risk attached to each project, i.e., the standard deviation of each probability distribution.
- (iii) Which project do you consider riskier and why?

Solution:

Project A

NPV Estimate (N _i) (₹)	Probability (P _i)	NPV Estimate × Probability (N _i × P _i) (₹)	Deviation from Expected NPV (₹)	Square of the deviation (₹)	Square of the deviation × Probability (₹)
60,000	0.1	6,000	– 1,20,000	1,44,00,00,000	14,40,00,000
1,20,000	0.4	48,000	– 60,000	36,00,00,00,000	14,40,00,000
2,40,000	0.4	96,000	60,000	36,00,00,00,000	14,40,00,000
3,00,000	0.1	30,000	1,20,000	1,44,00,00,00,000	14,40,00,000
		1,80,000			57,60,00,000

Project B

NPV Estimate (N _i) (₹)	Probability (P _i)	NPV Estimate × Probability (N _i × P _i) (₹)	Deviation from Expected NPV (₹)	Square of the deviation (₹)	Square of the deviation × Probability (₹)
60,000	0.2	12,000	– 1,20,000	1,44,00,00,00,000	28,80,00,000
1,20,000	0.3	36,000	– 60,000	36,00,00,00,000	10,80,00,000
2,40,000	0.3	72,000	60,000	36,00,00,00,000	10,80,00,000
3,00,000	0.2	60,000	1,20,000	1,44,00,00,00,000	28,80,00,000
Expected NPV		1,80,000			79,20,00,000

(i) The expected NPV of projects A and B is ₹ 1,80,000.

(ii) Standard deviation of NPV for project A = $\sqrt{57,60,00,00,000} = ₹75,895$

Standard deviation of NPV for project B = $\sqrt{79,20,00,00,000} = ₹88,994$

(iii) Coefficient of variation = Standard Deviation / Expected NPV

For project A: Coefficient of variation = $75,895/1,80,000 = 0.42$

For project B: Coefficient of variation = $88,994/1,80,000 = 0.4944$ i.e., 0.50

Therefore, Project B is riskier since it has a higher coefficient of variation.

Topic: Financial Derivatives – Instruments for Risk Management

Option Strategies – Stock and Option Combination

A Covered Call is an options strategy in which an investor owns the underlying shares and simultaneously sells (writes) a call option on those same shares. The strategy generates premium income while limiting the upside potential of the stock.

It is called covered because the obligation arising from the written call is covered by the investor's ownership of the underlying shares.

A covered call is most effective in a neutral to moderately bullish market. It is suitable when the investor expects the share price to remain stable or rise only slightly, because the premium provides additional income while allowing limited appreciation up to the strike price.

• Comprehensive Problems

Illustration

Mr X has bought shares of REL Ltd. @ ₹7,700 per share. In order to protect himself from a possible price decline, he has written a call option with a strike price of ₹8,000 for 3 months at a premium of ₹160. He expects that the price rise, if at all, won't be beyond ₹8,000. Show his expiration day payoff within a range of ₹7,000 to ₹9,000.

Solution:

Expiration day pay-off of Mr X

Spot Price (S_t) (₹)	Pay-off on Stock (₹)	Status of Short Call (₹)	Pay-off on Short Call (₹)	Total Pay-off (₹)
(1)	(2)	(3)	(4)	(5) = (2) + (4)
7,000	(-)700	OTM	+ 160	(-)540
7,200	(-)500	OTM	+ 160	(-)340
7,400	(-)300	OTM	+ 160	(-)140
7,480	(-)220	OTM	+ 160	(-)60
7,540	(-)160	OTM	+ 160	0
7,600	(-)100	OTM	+ 160	60
7,800	100	OTM	+ 160	260
8,000	300	ATM	+ 160	460
8,400	700	ITM	(-) 240	460
9,000	1,300	ITM	(-) 480	460

Note: Pay-off on short call includes the premium received.

It can be seen that a small price fall up to ₹7,540 is protected, while a small price increase up to ₹8,000 has given additional income. However, large price increase opportunities could not be realized as the gain was capped at ₹460 only.

Topic

Module 3:
Grievance Redressal

FINAL

Group III - Paper-15

Direct Tax Laws
and International
Taxation (DIT)

Revision

Under the Income Tax Act, 1961, the right to appeal is a remedy available to an assessee aggrieved by an assessment. However, the Act also establishes parallel administrative mechanisms allowing higher authorities to review and correct errors in orders passed by subordinate authorities. These mechanisms are provided in Sections 263 and 264. While they both deal with “revision,” their objectives are diametrically opposite: Section 263 empowers the revenue authorities to revise orders that cause a loss to the exchequer, whereas Section 264 serves as a remedy allowing assessee to seek relief against erroneous orders.

Section 263: Revision of Orders Prejudicial to the Revenue

Section 263 serves as a supervisory safeguard for the Income Tax Department, allowing higher authorities to protect tax revenue from legally flawed or poorly investigated assessment orders.

Basic Conditions for Invoking Section 263

The Principal Chief Commissioner, Chief Commissioner, Principal Commissioner, or Commissioner possesses the authority to revise any order passed by an Assessing Officer (AO) or a Transfer Pricing Officer (TPO) if the order satisfies twin conditions. The order must be:

- Erroneous; **and**
- Prejudicial to the interests of the revenue.

If an order is erroneous but does not cause prejudice (financial loss) to the revenue, or if it causes prejudice but is entirely legally valid and not erroneous, the jurisdiction under Section 263 cannot be invoked.

Scope of Orders Covered

The revisionary power applies to any order passed by an authority subordinate to the Principal Commissioner or Commissioner. This explicitly includes:

- An assessment order passed by an Assistant Commissioner based on directions issued by a Joint Commissioner under section 144A.
- Orders made by a Joint Commissioner acting in the capacity of an Assessing Officer or a Transfer Pricing Officer.
- Transfer pricing orders passed under section 92CA by a TPO.

Importantly, if an Assessing Officer has passed an order after making proper inquiries, considering all relevant details, and applying binding decisions of the Supreme Court, that order cannot be classified as erroneous and prejudicial to the revenue, thus barring revision under this section.

Statutory Meaning of “Erroneous and Prejudicial”

An order is deemed to be erroneous and prejudicial to the interests of the revenue if the Principal Commissioner or Commissioner forms a view that:

- The order was passed without making necessary inquiries or verifications that should have been made.
- The order allowed relief to the assessee without

inquiring into the claim.

- The order was not made in accordance with any order, direction, or instruction issued by the Central Board of Direct Taxes (CBDT) under Section 119.

Doctrine of Partial Merger

An important aspect of Section 263 is its interplay with appellate proceedings. The law restricts the Commissioner from revising an order that is already the subject matter of an appeal. However, Section 263 operates strictly on the “doctrine of partial merger”. This doctrine dictates that the Commissioner can revise those specific issues in an order that have *not* been considered and decided in an appeal.

For example, consider an assessment order containing Point A (decided against the assessee) and Point B (decided in favor of the assessee). If the assessee files an appeal before the Commissioner (Appeals) regarding Point A, the Principal Commissioner can still invoke Section 263 to revise Point B, assuming it is erroneous and prejudicial to revenue. Point A, being the subject of the appeal, merges with the appellate authority’s jurisdiction and becomes immune to Section 263 revision. Furthermore, an order is not considered the subject of an appeal if the appellate authority disposes of the appeal without passing an actual order.

Procedural Requirements

- **Examination of Records:** The authority may call for and examine the records of any proceeding under the Act. The term “record” encompasses all materials relating to any proceeding available at the time of examination by the Commissioner; this means materials that were not available during the original assessment but are available during the revision examination can be considered.
- **Inquiry:** The authority must make, or cause to be made, necessary inquiries.
- **Opportunity of Being Heard:** Following the principles of natural justice, no revision order can be passed without giving the assessee a formal opportunity of being heard.
- **Final Order:** The authority may pass an order enhancing, modifying, or cancelling the assessment and directing a fresh assessment; alternatively, they may modify or cancel a TPO’s order under section 92CA and direct a fresh order.

Time Limits and Appellate Remedies

- **Time Limit for Order:** The revision order must be passed within 2 years from the end of the financial year in which the targeted order was passed.
- **Exclusions:** In computing this 2-year limitation, the time taken to give the assessee an opportunity of being re-heard under Section 129, and any period during which a court injunction or stay was active on the proceedings, shall be excluded.
- **Exceptions:** There is no time limit for passing a revision order to give effect to, or in consequence of, an order of

the ITAT, the High Court, or the Supreme Court.

- **Appeals:** An assessee aggrieved by a Section 263 revision order can appeal it directly before the Income Tax Appellate Tribunal (ITAT).
- **Contrast with Section 154:** While rectification under Section 154 is limited to mistakes apparent from the record, the revisional power under Section 263 is much broader and can be exercised even if the issue is legally debatable.

Section 264: Revision of Orders Not Prejudicial to the Revenue

Section 264 serves as an alternative dispute resolution mechanism primarily benefiting the taxpayer. It allows authorities to revise orders that are erroneous but do not meet the criteria of Section 263.

Basic Conditions for Invoking Section 264

Section 264 provides a mechanism to revise any order passed by a subordinate authority that is erroneous but *not* covered under Section 263 (i.e., the order is not prejudicial to the interests of the revenue). This section is fundamentally assessee-favorable. No order under this section can be passed which is prejudicial to the assessee. Moreover, orders that are not appealable before the Joint Commissioner (Appeals) or Commissioner (Appeals) can be taken up for revision under this section.

Initiation of Proceedings

Unlike Section 263, which is exclusively a revenue-driven administrative action, revision under Section 264 can be initiated via two distinct paths:

- **Suo Moto:** By the Principal Chief Commissioner, Chief Commissioner, Principal Commissioner, or Commissioner acting on their own motion.
- **Application by Assessee:** Initiated upon a formal application filed by the assessee seeking revision of an order.

Doctrine of Total Merger (Exceptions to Revision)

Section 264 places rigid limitations on when an order can be revised, relying heavily on the “doctrine of total (or complete) merger”. An order *cannot* be revised under Section 264 in the following scenarios:

- If the order is appealable, no appeal has been made, and the time limit within which such an appeal can be filed has not yet expired.
 - If an appeal lies to the JCIT(A), CIT(A), or ITAT and the assessee formally waives that right of appeal, the Commissioner may revise the order even before the appeal time limit expires).
- If the order has been made the subject of an appeal to the Joint Commissioner (Appeals), Commissioner (Appeals), or the Appellate Tribunal.

Under the doctrine of total merger, if an assessee is aggrieved by both Point A and Point B in an assessment order, and files an appeal before the JCIT(A) regarding Point A, they are completely barred from filing a revision petition under Section 264 for Point B. For the purposes of Section 264, the entire order merges with the appellate proceedings, forcing the assessee to choose one specific

route of redressal.

Procedural Requirements

- **Examination of Records:** Once proceedings are initiated, the authority may call for and examine the record of any proceeding.
- **Inquiry:** The authority must make, or cause to be made, such inquiry as deemed necessary.
- **Final Order:** The authority passes a revision order justified by the circumstances, ensuring the outcome is not prejudicial to the assessee. If the Commissioner declines to interfere with the original order, this refusal is not deemed to be an order prejudicial to the assessee.

Time Limits

The time limits under Section 264 vary based on how the revision was initiated:

- **Time Limit for Assessee Application:** When initiated by the assessee, the application must be made within 1 year from the date the order was communicated to them, or the date they otherwise came to know of it (whichever is earlier). The authority can admit a belated application if the assessee demonstrates sufficient cause for the delay. The day the order was served and the time required to obtain a copy of the order are excluded from this calculation.
- **Time Limit for Passing Order (Suo Moto):** Within 1 year from the date of the original order.
- **Time Limit for Passing Order (On Application):** Within 1 year from the end of the financial year in which the assessee’s application is made.
- **Exclusions and Exceptions:** Time taken for a re-hearing under Section 129 and any period during which a court has stayed the proceedings are excluded. Similar to Section 263, there is no time limit for passing an order required to give effect to an ITAT, High Court, or Supreme Court decision.

Remedies Against Section 264 Orders

A revisional order passed under Section 264 is administrative and final. It *cannot* be appealed to the ITAT or the High Court. The only legal recourse available to an aggrieved assessee is to file a writ petition before the High Court under Article 226 of the Constitution. It should also be noted that an assessee cannot claim the right of revision for an earlier year based solely on a favorable finding issued by the Tribunal for a subsequent year.

Conclusion

Understanding the precise application of Section 263 and Section 264 is imperative for tax professionals and assessee alike. While Section 263 serves as a robust tool for the revenue department to safeguard the exchequer against administrative oversights, Section 264 acts as a vital safety valve for taxpayers to rectify grievances when traditional appellate avenues are unavailable or have lapsed. The critical differentiator remains the “Doctrine of Merger”—taxpayers must carefully evaluate their strategy when choosing between an appeal and a revision under Section 264, as opting for an appeal permanently closes the door on this revisionary remedy.

Topic

Module 8:
Assignment

FINAL

Group III - Paper-16

Strategic Cost
Management (SCM)

Assignment

1.0 Introduction:

Assignment is a special kind of linear programming problem. There are many situations where the assignment of people or machines etc. may be called for. Assignment of workers to machines, clerks to various check-out counters, salesmen to different sales areas are typical examples of these. The Assignment is a problem because people possess varying abilities for performing different jobs and therefore the costs of performing jobs by different people are different. Thus, in an assignment problem, the question is how the assignments should be made in order that the total cost involved is minimized or profit earned is maximised.

There are four methods of solving an assignment problem. These are:

- i. Complete Enumeration Method
- ii. Simplex Method
- iii. Transportation Method and
- iv. Hungarian Method

Here we will discuss mainly the Hungarian Method to solve assignment problems.

1.1 Steps involved to solve assignment problem through Hungarian method:

The following steps are involved in minimization of an assignment problem under this method:

Step 1: Row Operation: Locate the smallest cost element in each row of the given cost table. Now subtract this smallest element from each element in that row. As a result, there shall be at least one zero in each row of this new table, called the reduced cost table.

Step 2: Column Operation: In the reduced cost table obtained, consider each column and locate the smallest element in it. Subtract the smallest value from every entry in the column. As a consequence of this action, there would be at least one zero in each of the rows and columns of the second reduced cost table.

Step 3: Test of Optimality: Draw the minimum no. of horizontal and vertical lines (not the diagonal ones) that are required to cover all the zero elements. If the no. of lines drawn is equal to 'n' (the no. of rows/columns of the given Cost Matrix) the solution is optimal and proceed to step 6. If the no. of lines drawn is smaller than 'n' go to step 4.

Step 4: Improved Matrix: Select the smallest uncovered (by the lines) cost element. Subtract this element from all uncovered elements including itself and add this element to each value located at the intersection of any two lines. The cost elements through which only one line passes remain unaltered.

Step 5: Repeat Step 3 and 4 until an optimal solution is obtained.

Step 6: Optimal solution making Job Assignment:

- (a) Locate a row which contains only one zero element. Assign the job corresponding to this element to its corresponding person. Cross out the zero's if any in the column corresponding to the element, which is indicative of the fact that the particular job and person are no more available.
- (b) Repeat (a) for each of such rows which contain only one zero. Similarly, perform the same operation in respect of each column containing only one 'zero' element, crossing out the zero(s), if any, in the row in which the elements lies.
- (c) If there is no row or column with only a single 'zero' element left, then select a row/column arbitrarily and choose one of the jobs (or persons) and make the assignment. Thus in such a case, alternative solutions exist.

1.2 Special cases in Assignment Problem:

Some special cases of Assignment problem which are explained as under:

1. **Maximization Problem:** Such problems arise when it is a case of revenue maximisation or profit maximisation. Methodology adopted for such problem is as follows:
 - Convert the supplied profit matrix to a Relative loss Matrix by subtracting the entry of each cell from the highest one among all entries of matrix,
 - Now use Hungarian method to minimize the relative loss by using steps for minimisation problem,
 - Once assignments are available, find out maximum value of the total profit by considering the supplied values of profits against the assigned cells.
2. **Unbalanced Assignment problem:** A problem is said to be unbalanced if number of its rows and columns are unequal. To solve such problems additional row or columns has to be introduced with all zero entries that is known as Dummy Row or Dummy Column. After inserting dummy row or column, problem can be solved like a balanced problem.
3. **Problems with Multiple Optimum Solution:** Such solutions exist if while assigning it is seen that neither any rows nor column is having single zero. In this case one has to firstly check the rows and columns to find one with two zeros. One of these should be

chosen arbitrarily and a square to be drawn around it to mark an assignment at that cell. The other zero in the same row or column should be crossed out (same for situations with more than two zeros). Alternatively the cell whose zero is bounded by drawing a square around it should be crossed out and other one should be assigned. This will lead to two alternative solutions. This kind of solution can be understood with the help of Illustration given below.

4. **Problems with Restriction on Assignment or Prohibited Assignment:** Sometimes in an assignment problem there is a case where particular person or a resource cannot be assigned to a particular activity or job. To handle such problem a very high cost (or time which is to be minimized) is assigned to that cell of the matrix which is meant for this restricted or prohibited assignment. This automatically restricts any assignment at that cell. Very high cost or infeasible assignment is generally represented by ∞ or M.

1.3 Illustration: Problem Multiple Assignments

Find the optimal solution for the assignment problem with the following cost matrix

	Sales Territories (Cost in ₹ Lakhs)				
		I	II	III	IV
	A	30	25	26	28
	B	26	32	24	20
	C	20	22	18	27
	D	23	20	21	19

Solution:

Step 1: Row Operation:

	Sales Territories (Cost in ₹ Lakhs)				
		I	II	III	IV
	A	5	0	1	3
	B	6	12	4	0
	C	2	4	0	9
	D	4	1	2	0

Step 2: Column Operation:

	Sales Territories (Cost in ₹ Lakhs)				
		I	II	III	IV
	A	3	0	1	3
	B	4	12	4	0
	C	0	4	0	9
	D	2	1	2	0

Step 3: Optimality:

	Sales Territories (Cost in ₹ Lakhs)				
		I	II	III	IV
	A	3	0	1	3
	B	4	12	4	0
	C	0	4	0	9
	D	2	1	2	0

Here the number of rows or columns is 4, and no of lines are 3, this solution is not optimal.

Step 4: Improved Matrix

The smallest uncovered element is 1. Subtract 1 from all those elements which are not covered. Add 1 in all elements which are at the intersection of two lines. Then proceed with the new matrix.

	Sales Territories (Cost in ₹ Lakhs)				
		I	II	III	IV
Salesmen	A	2	0	0	3
	B	3	12	3	0
	C	0	5	0	10
	D	1	1	1	0

Here the number of rows or columns is 4, and no of lines are 3, this solution is not optimal.

Step 5: Repetition of Step 3 and 4 until an optimal solution is obtained.**Improved Matrix 2**

The smallest uncovered element is 1. Subtract 1 from all those elements which are not covered. Add 1 in all elements which are at the intersection of two lines. Then proceed with the new matrix.

Here improved matrix is being arise **in the form of three matrices** mentioned as below:

	Sales Territories (Cost in ₹ Lakhs)				
		I	II	III	IV
Salesmen	A	2	0	0	4
	B	2	11	2	0
	C	0	5	0	11
	D	0	0	0	0

OR

	Sales Territories (Cost in ₹ Lakhs)				
		I	II	III	IV
Salesmen	A	2	0	0	4
	B	2	11	2	0
	C	0	5	0	11
	D	0	0	0	0

OR

	Sales Territories (Cost in ₹ Lakhs)				
		I	II	III	IV
Salesmen	A	2	0	0	4
	B	2	11	2	0
	C	0	5	0	11
	D	0	0	0	0

In all 3 matrices, the number of rows or columns is 4, and number of lines covering zeros are also 4. Hence the solution is optimal. Now assignments can be made as follows:

Step 6: Optimal solution making Job Assignment: Option 1

Salesmen	Sales Territories	Minimum Cost in ₹ Lakhs
A	II	₹ 25
B	IV	₹ 20
C	III	₹ 18
D	I	₹ 23
Total Minimum Cost in ₹ is		₹ 86

OR**Optimal solution making Job Assignment: Option 2**

Salesmen	Sales Territories	Minimum Cost in ₹ Lakhs
A	II	₹ 25
B	IV	₹ 20
C	I	₹ 20
D	III	₹ 21
Total Minimum Cost in ₹ is		₹ 86

OR**Optimal solution making Job Assignment: Option 3**

Salesmen	Sales Territories	Minimum Cost in ₹ Lakhs
A	III	₹ 26
B	IV	₹ 20
C	I	₹ 20
D	II	₹ 20
Total Minimum Cost in ₹ is		₹ 86

Learning Take: In case of multiple assignments, total minimum cost or maximum profit will be same for all alternative options.

Topic

Module 11:
Management
Audit in Different
Functions

FINAL

Group IV - Paper-17

Cost and
Management Audit
(CMAD)

Audit of Different Service Organizations / Management Audit in Different Functions

Audit of Different Service Organizations

What are Service Organizations?

A service organization is an entity whose principal activity is to provide services rather than producing and selling tangible physical goods. The output of a service organization is generally intangible and is consumed either immediately or over a period of time. Unlike manufacturing organizations, where the primary output is a physical product, service organizations primarily provide solutions, access, convenience, information, financial intermediation, transportation, communication, healthcare, education, hospitality, professional advice, or other forms of intangible value.

Service organizations operate across almost every segment of the Indian economy. Important examples include banks and financial institutions, insurance companies, hospitals, educational institutions, hotels, restaurants, transport companies, telecommunications companies, IT and IT-enabled service companies, consulting and professional firms, logistics companies, e-commerce platforms, entertainment organizations, utilities, and government service providers.

Key Characteristics of Service Organizations

Service organizations possess certain characteristics that distinguish them from product-oriented organizations:

Intangibility: Services generally cannot be physically touched, stored, but effect can be felt since they are intangible in nature.

Customer feeling and involvement are key to success in any service industry: the customer frequently participates in the delivery of the service. In healthcare, education, hospitality, and banking, the quality of the service may depend partly on interaction between the customer and the service provider.

Service delivery and consumption are simultaneous: Many services are produced and consumed simultaneously. For example, a passenger consumes transportation services while the transportation is being provided.

Dependence on human resources: Although technology has significantly transformed the service delivery style and pattern, still many services continue to depend heavily on human knowledge, judgment, communication, and professional competence.

Quality variability: The quality of a service may vary according to the provider, location, time, technology, and customer interaction. Therefore, maintaining consistent service quality is an important managerial challenge.

Non-storability: Unused service capacity generally cannot be stored for future use. Unoccupied hotel room and airline seat, or vacant hospital beds, represent capacity that may be lost once the relevant period has passed.

The growth of the service sector is essential for the country's growth. Good Governance practices is one of the prerequisite

to improve profitability and cost concerns for the Service Sector. Strong Management / Internal Audit can establish better governance practices. Below, some of the service areas pertaining are considered.

Port and Bulk Terminal Services:

Vessels/ Ships used to anchor at Port and Bulk Terminals to load and /or unload cargo. The service provider has the infrastructure to handle such bulk cargo at a specific rate agreed to. The Auditor is to take the following points into account to ensure the accuracy of revenue and related expenses.

- ⊙ Available facilities (loading, unloading, anchoring, dry-docking etc) and applicable tariff structure against each;
- ⊙ Agency agreements for a specified period and with a facility-wise tariff structure;
- ⊙ Pass-on cost and inclusion/exclusion in Agreement;
- ⊙ Accounting for services delivered and billing;
- ⊙ Cost for dredging and creek cleaning for maintaining floatation;
- ⊙ Maintenance expenses for Capital Assets - Floating Cranes, Mechanical Berths, Weighment Facilities, etc.
- ⊙ Pilotage facility and related cost for recovery
- ⊙ Force majeure and coverage in agreements;
- ⊙ Adequate Security arrangements to protect goods and facilities with related cost thereon;
- ⊙ Sourcing of technical grade staff like swimmers, anchoring labour, etc. and cost for the same;
- ⊙ Financing Cost due to long gestation period.

Shipping and Chartering Services: The Ship owners allow their vessels to carry cargo for others, against which they earn revenue. The following points should be noted while performing an audit of such entities.

- ⊙ Fleet size, including owned Vessels and Chartered Vessels;
- ⊙ Flag of chartered Vessels and related fees;

- ⊙ Third Party Chartering Agreements (Time and Cargo Charter) with financial exposure;
- ⊙ Type/Capacity of Vessels/Tankers (Suez Max, Panamax, VLCC etc.) and related capacity with cargo specification;
- ⊙ Vessel Registration and charges;
- ⊙ Insurance and depreciation;
- ⊙ Computation of 'Demurrage and Detention' vs. 'Despatch' as per lay can period;
- ⊙ Force majeure and delays (without penalty);
- ⊙ Loading and unloading charges as per volume;
- ⊙ Portage and other charges paid/payable;
- ⊙ Benchmarking of freight against Baltic index;
- ⊙ Ballasting and fueling cost;
- ⊙ On board crew and legal formalities.

Logistic support services: As the very name suggests, such service providers offer transportation of goods, Rake clearance, warehousing, handling, and distribution, etc.

- ⊙ Own fleet and market hiring cost and recovery;
- ⊙ Fleet with national and local permits for Cargo availability;
- ⊙ Loading and Unloading volume and recovery of charges;
- ⊙ Delivery and confirmation of acceptance;
- ⊙ Volume certification by User;
- ⊙ Rate Contract/Agreement;
- ⊙ Billing and Collection;
- ⊙ Tax implications;
- ⊙ Recovery for Short/Defective deliveries and mishandling;
- ⊙ Payment to Staff, Driver, Office bearer, etc.
- ⊙ Fuel and Vehicle maintenance cost, hire charges;
- ⊙ Security Deposited with User and recovery on discontinuance.

Passenger Transport Services: Such Service providers own/hire Buses, Motor Cars to carry passengers locally or nationally, for which they own/hire transport Vehicles, recover charges from Users on a pre-agreed basis, trip basis, covering a route, hourly basis, etc. While auditing such organisations, the following points should be considered:

- ⊙ Capital Budget (Growth and/or Replacement) for Vehicle Purchases;

- ⊙ Budget for major overhauling and actual spent;
- ⊙ Vehicle Registration and Ownership rights;
- ⊙ Obtaining Rout permit/s for operating with State/ National destinations;
- ⊙ Monitoring of running expenses like Fuel, Tyre, Spare Parts, etc., life cycle vs. Replacement and cost thereon;
- ⊙ Operating Staff (Driver, Helper, Cleaner, etc.) their attendance and Services for payment purposes;
- ⊙ Sale of Tickets (number control over tickets) and booking charges;
- ⊙ Passenger per Km. Cost and Revenue (guidance to fix Ticket rate and Revenue);
- ⊙ Vehicle-wise Log Book to check mileage vs. Fuel consumption, spare replacement timing vs. actual, etc.
- ⊙ Finance cost and allocation to Vehicles for cost accumulation purposes;
- ⊙ Compliance w.r.t PUC (Pollution Under Control) certification, Certificate of Fitness, etc.
- ⊙ Cash and Petty Cash expenses and physical count.

Electricity Distribution: Power distribution companies (DISCOMs) in India began operating in their modern form during **early 2000s**. This followed a process called “unbundling”, where old State Electricity Boards (SEBs) were split into separate entities for generation, transmission, and distribution under the Electricity Act 2003. Odisha is the first state in this model.

- ⊙ Ensure applicable provisions of the Electricity Act 2003 in connection with the maintenance of Accounts, Reserves are adhered;
- ⊙ Recording and data collection for the consumption of electricity by registered consumers;
- ⊙ The applicable tariff for different consumer grades as registered are perused for billing;
- ⊙ Collection from Consumers at collection points, from collection Agents, online credits, etc.
- ⊙ Consumer number-wise collection reconciliation;
- ⊙ Installation and equipment /meter sale, reconciliation of proceeds;
- ⊙ Overdue Consumer Numbers and initiation of necessary steps, e.g. Disconnection, Re-connection charges, etc.
- ⊙ Reconciliation of Rebates, applicability/eligibility and availing the same;

- ⊙ Accounting for Security Deposits received, enhancement due to higher level of average consumption, refund, etc.;
- ⊙ Security deposits received;
- ⊙ Booking of expenses and payments;
- ⊙ Fund allocation for Capex and actual spent;
- ⊙ Fuel Surcharge, computation and claims;
- ⊙ Depreciation and other applicable charges.

Management Audit in Different Functions: Mining (Coal/Lime Stone)

The following Program can be followed to review Mining functions.

- | | |
|---|---|
| <ul style="list-style-type: none"> ⊙ Participation in bidding process to acquire mining rights; ⊙ Documentation as to 'right to carry out 'mining operations; ⊙ Conditions as to stowing and plantations during mining operations; ⊙ Permission for operations with specific conditions, e.g., digging instead of blasting; ⊙ Lifting volume and royalty and Govt. levies as maintained in 'lifting register'; | <ul style="list-style-type: none"> ⊙ Expenses on removal of overburdens, stowing operations and greenery; ⊙ Contractual arrangements for lifting and transportation from the pit to the Weigh Bridge and onwards ⊙ Listing of owned capital assets used in operations and depreciation thereon; ⊙ Maintenance expenditure and fuel cost for equipment and vehicles; ⊙ Payments made to Contractors (lifting basis, manpower basis); ⊙ Equipment hiring charges (lifting volume/period-based); ⊙ Estimation of mined products lying near the pit (not removed); ⊙ Safety measures at the site; ⊙ Appointment for Statutory positions, e.g. Mining Safety Officer, Mines Manager; ⊙ Quality assessment (off spec exclusion) of lifted material. |
|---|---|

Topic

Module 5:
Accounting
for Business
Combinations and
Restructuring

FINAL

Group IV - Paper-18

Corporate Financial
Reporting (CFR)

Topic: Accounting for Business Combinations and Restructuring

1. The fundamental principle of Ind AS 103 is that every business combination shall be accounted for using the:

- a) Pooling of Interests Method
- b) Purchase Method
- c) Acquisition Method
- d) Equity Method

Answer: c) Acquisition Method

2. Under Ind AS 103, the acquirer is the entity that:

- a) Pays the highest amount of cash
- b) Obtains control of the acquiree
- c) Has the larger turnover
- d) Has more shareholders

Answer: b) Obtains control of the acquiree

3. Which of the following is NOT one of the four steps in applying the acquisition method?

- a) Identify the acquirer
- b) Measure identifiable assets and liabilities
- c) Prepare consolidated cash flow statement
- d) Recognize and measure goodwill or bargain purchase gain

Answer: c) Prepare consolidated cash flow statement

4. The acquisition date is the date on which the acquirer:

- a) Signs the purchase agreement
- b) Pays the consideration
- c) Obtains control of the acquiree
- d) Completes statutory audit

Answer: c) Obtains control of the acquiree

5. Acquisition-related costs, such as legal and professional fees, are generally:

- a) Included in the consideration transferred
- b) Capitalized as goodwill
- c) Recognized as an expense in the Statement of Profit and Loss
- d) Added to retained earnings

Answer: c) Recognized as an expense in the Statement of Profit and Loss

6. Contingent consideration in a business combination is measured initially at:

- a) Historical cost
- b) Fair value
- c) Net realizable value
- d) Present value of dividends

Answer: b) Fair value

7. Which of the following is recognized separately from goodwill if it is identifiable?

- a) Internally generated goodwill of the acquiree
- b) Brand name acquired in the business combination
- c) Future expected synergies
- d) Management expertise

Answer: b) Brand name acquired in the business combination

8. Goodwill arises when:

- a) Net identifiable assets exceed consideration transferred
- b) Consideration transferred exceeds the net identifiable assets acquired
- c) The acquiree incurs losses after acquisition
- d) Shares are issued at a premium

Answer: b) Consideration transferred exceeds the net identifiable assets acquired

9. If the fair value of net identifiable assets acquired exceeds the consideration transferred, the difference is recognized as:

- a) Capital Reserve (OCI)
- b) Goodwill
- c) Gain on Bargain Purchase in Other Comprehensive Income and accumulated in Equity as Capital Reserve
- d) Revenue from Operations

Answer: c) Gain on Bargain Purchase in Other Comprehensive Income and accumulated in Equity as Capital Reserve

10. An acquirer pays ₹180 lakh for a business. The fair value of identifiable assets is ₹250 lakh, liabilities assumed are ₹90 lakh, and Non-controlling Interest is measured at ₹20 lakh. What is the amount of goodwill?

- a) ₹20 lakh
- b) ₹40 lakh

c) ₹50 lakh

d) Nil

Answer: b) ₹40 lakhWorking: Net identifiable assets = $250 - 90 = ₹160$ lakhGoodwill = $180 + 20 - 160 = ₹40$ lakh

11. Under Ind AS 103, Non-controlling Interest (NCI) at the acquisition date may be measured:

a) Only at historical cost

b) Only at the book value of net assets

c) Either at fair value or at the proportionate share of identifiable net assets

d) At nominal value

Answer: c) Either at fair value or at the proportionate share of identifiable net assets

12. In a step acquisition, the acquirer's previously held equity interest is remeasured at:

a) Historical cost

b) Book value

c) Fair value on the acquisition date

d) Face value

Answer: c) Fair value on the acquisition date

13. Which of the following contingent liabilities of the acquiree is recognized separately in a business combination?

a) Only those probable under Ind AS 37

b) All possible obligations irrespective of measurement

c) Those that represent a present obligation and whose fair value can be measured reliably

d) None of the contingent liabilities

Answer: c) Those that represent a present obligation and whose fair value can be measured reliably

14. Which of the following items is not included while calculating goodwill?

a) Fair value of consideration transferred

b) Fair value of Non-controlling Interest

c) Acquisition-related legal and professional fees

d) Fair value of previously held equity interest (in a step acquisition)

Answer: c) Acquisition-related legal and professional fees

15. Goodwill recognized in a business combination is subsequently:

a) Amortized over 10 years

b) Written off against reserves immediately

c) Tested annually for impairment under Ind AS 36

d) Revalued to fair value every year

Answer: c) Tested annually for impairment under Ind AS 36

• Comprehensive Problem on Internal Reconstruction

The following is the Balance Sheet of Qualcomm Ltd. as at 31.03.2023:

Particulars	Notes	₹
Assets		
<i>Non-current assets</i>		
Property, plant and equipment		2,50,00,000
<i>Non-current investment</i>	5	20,00,000
Current assets		<u>2,00,00,000</u>
Total		<u>4,70,00,000</u>
Equity and Liabilities		
<i>Equity</i>		
Share capital		3,00,00,000
Other Equity	1	(12,00,000)
<i>Non-current liabilities</i>	2	
Long-term borrowings		80,00,000
<i>Current liabilities</i>	3	
Trade Payables		1,00,00,000
Short-term provisions		<u>2,00,000</u>
Total	4	<u>4,70,00,000</u>

Notes to accounts:

	Particulars	₹
1.	Share Capital 2,00,000 Equity Shares of ₹100 each 1,00,000 12% Preference shares of ₹100 each (treated as equity)	2,00,00,000 <u>1,00,00,000</u> 3,00,00,000
2.	Other Equity Retained Earnings: Debit balance of Profit and Loss Account	(12,00,000) <u>(12,00,000)</u>
3.	Long-term borrowings 80,000, 10% debentures of ₹100 each	80,00,000 <u>80,00,000</u>
4.	Short-term provisions Provision for taxation	2,00,000 <u>2,00,000</u>
5.	Non-current investments Investments	20,00,000 <u>20,00,000</u>

The following scheme of reconstruction is duly approved and sanctioned by the appropriate authority.

- (i) All the existing equity shares are reduced to ₹40 each.
- (ii) All preference shares are reduced to ₹60 each.
- (iii) The rate of interest on debentures is increased to 12%. The debenture holders surrender their existing debentures of ₹100 each and exchange the same for fresh debentures of ₹70 each for every debenture held by them.
- (iv) One of the creditors of the company to whom the company owes ₹40,00,000 decides to forgo 40% of his claim. He is allotted 60,000 equity shares of ₹40 each in full satisfaction of his claim.
- (v) Property, plant and equipment are to be written down by 30%.
- (vi) Current assets are to be revalued at ₹90,00,000.
- (vii) The taxation liability of the company is settled at ₹3,00,000.
- (viii) Investments are to be written down to their market value, which is ₹19,00,000.
- (ix) It is decided to write off the debit balance of the Profit and Loss account in full.

Pass journal entries to give the effect of the scheme of reconstruction.

Solution:**In the books of Qualcomm Ltd.****Journal**

			₹	₹
(i)	Equity share capital (₹100) A/c To Equity Share Capital (₹40) A/c To Capital Reduction A/c (Being conversion of equity share capital of ₹100 each into ₹40 each as per the reconstruction scheme)	Dr.	2,00,00,000	80,00,000 1,20,00,000
(ii)	12% Preference Share capital (₹100) A/c To 12% Preference Sh. Capital (₹60) A/c To Capital Reduction A/c (Being conversion of 12% cumulative preference share capital of ₹100 each into ₹60 each as per reconstruction scheme)	Dr.	1,00,00,000	60,00,000 40,00,000

			₹	₹
(iii)	10% Debentures A/c To 12% Debentures A/c To Capital Reduction A/c (Being 12% debentures issued to 10% debenture-holders for 70% of their claims. The balance transferred to capital reduction account as per reconstruction scheme)	Dr.	80,00,000	56,00,000 24,00,000
(iv)	Trade payables A/c To Equity Share Capital A/c To Capital Reduction A/c (Being a creditor of ₹40,00,000 agreed to surrender his claim by 40% and was allotted 60,000 equity shares of ₹40 each in full settlement of his dues as per construction scheme)	Dr.	40,00,000	24,00,000 16,00,000
(v)	Provision for Taxation A/c Capital Reduction A/c To Current Assets (Bank A/c) A/c (Being liability for taxation settled)	Dr. Dr.	2,00,000 1,00,000	3,00,000
(vi)	Capital Reduction A/c To P & L A/c To Property, plant and equipment A/c To Current Assets A/c To Investments A/c (Being the amount of Capital Reduction utilised in writing off P&L A/c (Dr.) Balance, Property, plant and equipment, Current Assets, Investments through capital reduction account)	Dr.	1,98,00,000	12,00,000 75,00,000 1,10,00,000 1,00,000
(vii)	Capital Reduction A/c To Capital Reserve A/c (Being balanced in the capital reduction account transferred to the capital reserve account)	Dr.	1,00,000	1,00,000

Topic

Module 8:
E-WAY BILL

FINAL

Group IV - Paper-19

Indirect Tax Laws
and Practice (ITLP)

E-WAY BILL

Think back to the pre-GST era: transporting goods across state lines often meant trucks stranded for hours or even days at state border check-posts, buried under multiple physical waybills and transit passes. The introduction of the Electronic Way Bill (e-way bill) completely revolutionized this landscape. Far more than just a digital transit pass, the e-way bill is a powerful tracking mechanism generated directly on the GST portal to authorize and evidence the movement of goods. By capturing the complete digital footprint of a consignment, including the consignor, consignee, origin, destination, and route, this system leverages real-time technology to eliminate logistical bottlenecks, ensure absolute transparency, and safeguard government revenue by preventing tax evasion. For any aspiring tax professional, understanding the mechanics of the e-way bill is essential to mastering modern supply chain compliance.

Legal Framework

The e-way bill system is governed by Section 68 of the Central Goods and Services Tax Act, 2017, and Rule 138 of the CGST Rules, 2017. These provisions mandate that any registered person causing the movement of goods of consignment value exceeding ₹ 50,000 must generate an e-way bill prior to the commencement of such movement.

Purpose and Importance

- **Prevention of Tax Evasion:** By tracking the movement of goods, tax authorities can ensure that taxable supplies are duly reported and taxes are paid.
- **Simplification of Logistics:** The e-way bill replaces the need for multiple transit passes and waybills, reducing paperwork and delays at checkpoints.
- **Transparency:** Real-time tracking and centralized data enhance transparency in supply chain operations.
- **Compliance and Uniformity:** A standardized system across all states promotes ease of doing business and consistent compliance requirements.

When is an E-Way Bill Required?

An e-way bill is required when there is a movement of goods:

- In relation to a supply (sale)
- For reasons other than supply (e.g., return, job work)
- Due to inward supply from an unregistered person

The movement can be:

- **Inter-state:** Between different states
- **Intra-state:** Within the same state (subject to state-specific rules)

Threshold Limit:

- The consignment value must exceed ₹ 50,000.
- While the national portal has standardized the procedure, certain states have notified different monetary threshold limits (e.g., ₹ 1,00,000 instead of the standard ₹ 50,000) for the intra-state movement of goods.

Components of an E-Way Bill

An e-way bill consists of two parts:

1. **Part A:** This part contains details about the consignment, such as:
 - o GSTIN of the recipient
 - o Place of delivery (PIN Code)
 - o Invoice or challan number and date
 - o Value of goods
 - o HSN code
 - o Reason for transportation
2. **Part B:** This part contains details about the transporter, such as:
 - o Vehicle number
 - o Transporter ID
 - o Transport document number

Generation of E-Way Bill

Who Can Generate?

- **Registered Person:** Consignor or consignee who is registered under GST.
- **Unregistered Person:** If the supply is from an unregistered person to a registered recipient.
- **Transporter:** If neither the consignor nor the consignee generates it, the transporter can do so.

Modes of Generation:

- **Online Portal:** The primary method is through the GST e-way bill portal.
- **SMS:** E-way bills can be generated via SMS for small businesses or in case of emergencies.
- **Bulk Upload:** A facility provided for businesses to generate multiple e-way bills at once.
- **API Integration:** Large businesses can integrate their systems with the e-way bill portal for seamless generation.
- **Android App:** Registered users can generate e-way bills through the mobile app.

Steps

Here are the steps to generate an e-way bill:

1. **Login:** Access the e-Way Bill System and log in using your credentials.
2. **Enter Details:** Fill in the required details in Part A and Part B of the e-way bill form.
3. **Generate:** Once the details are entered, click on the 'Generate' button to create the e-way bill.
4. **Print:** The generated e-way bill can be printed and should be carried along with the goods during transportation.

Validity of E-Way Bill

The validity of an e-way bill depends on the distance the goods need to be transported. The validity period is calculated from the date and time of generation of the e-way bill. Here is a general guideline for the validity:

Type of conveyance	Distance	Validity of EWB
Other than over-dimensional cargo	Less Than 200 Kms	1 Day
	For every additional 200 Kms or part thereof	additional 1 Day
For over-dimensional cargo	Less Than 20 Kms	1 Day
	For every additional 20 Kms or part thereof	additional 1 Day

Exceptions and Exemptions

An e-way bill is not required to be generated in the following major scenarios:

A. Specific Goods

- Liquefied petroleum gas (LPG) for supply to household and Non-Domestic Exempted Category (NDEC) customers.
- Kerosene oil sold under PDS.
- Postal baggage is transported by the Department of Posts.
- Currency, used for personal and household effects.
- Precious items: Natural/cultured pearls, precious/semi-precious stones, precious metals, and jewellery.
- Alcoholic liquor for human consumption, petroleum crude, high-speed diesel, motor spirit (petrol), natural gas, or aviation turbine fuel.

B. Specific Modes & Distances

- Where goods are transported by a non-motorised conveyance.

- Movement of goods up to 20 kilometres from the consignor's place of business to a weighbridge (and back), provided it is accompanied by a delivery challan.

C. Customs & International Transit

- Goods transported under customs bond or customs supervision/seal from an inland container depot (ICD) or container freight station (CFS) to a customs port/airport/station.
- Transit cargo moving to or from Nepal or Bhutan.

D. Government & Defence

- Any movement of goods caused by a defence formation under the Ministry of Defence as a consignor or consignee.
- Where the consignor is the Central Government, State Government, or a local authority, and the transport is by rail.

Challenges and Issues

Despite its benefits, the e-way bill system has faced some challenges:

1. **Technical Glitches:** The online system has experienced technical glitches, causing delays in the generation of e-way bills.
2. **Compliance Burden:** Small businesses and transporters have found it challenging to comply with the e-way bill requirements due to a lack of resources and technical know-how.

Recent Updates and Amendments

The government has made several updates and amendments to the e-way bill system to address these challenges and improve its efficiency. Some of the recent updates include:

1. **Auto Calculation of Distance:** The system now auto-calculates the distance between the source and destination based on the PIN codes entered.
2. **Blocking of E-Way Bill Generation:** If a taxpayer has not filed their GST returns for two consecutive tax periods, they will be blocked from generating e-way bills.
3. **Extension of Validity:** The validity of the e-way bill can be extended if the goods cannot be transported within the original validity period due to exceptional circumstances.

Conclusion

Ultimately, the e-way bill is much more than a mandatory compliance checkbox—it is the digital backbone of a fast-moving Indian economy. While technical glitches and initial learning curves are part of any massive technological shift, the system successfully balances the government's need to secure tax revenue with the trade sector's demand for logistical speed. For you, as future tax professionals, mastering this isn't just about knowing how to generate a document on a portal. It is about developing the foresight to strategically advise businesses, optimize their supply chains, and prevent costly penalties. By commanding the nuances of the e-way bill system today, you are stepping into the industry fully equipped to navigate and shape the future of transparent trade in India

Test your knowledge

- Under which section of the CGST Act is the requirement to generate an e-Way Bill mandated?
 - Section 67
 - Section 68
 - Section 70
 - Section 71

☒ Correct: B
- For Over Dimensional Cargo (ODC), an e-Way Bill is valid for:
 - 1 day per 200 kms
 - 1 day per 50 kms
 - 1 day per 20 kms
 - 2 days fixed

☒ Correct: C
- If an e-way bill for non-ODC cargo is generated at 4:00 PM on Tuesday for a distance of 350 km, when will it expire?
 - Wednesday midnight
 - Thursday midnight
 - Friday midnight
 - Exactly 48 hours from generation

☒ Correct: B

Topic

Module 2:
Performance
Measurement,
Evaluation and
Improvement Tools

Module 7:
Business Valuation
Methods and
Approaches

ELECTIVES

Paper-20A

Strategic
Performance
Management and
Business
Valuation (SPMBV)

Performance Measurement, Evaluation and Improvement Tools

In order to sustain and survive in a dynamic business world, it is essential for an organization to outgrow its competitors. Performance management assists organization to move along the strategic direction towards securing its pre-determined strategic goal(s). It creates an enabling environment where everyone in the organization acts in a manner that achieves its competitive advantage. In this context, it is essential that organizational performance needs to be properly measured, evaluated and reported. Further, while managing performance at various levels in an organization, it is desirable that necessary direction is created for their continuous improvement.

Two elements merit attention in this context:

- **People performance management (PPM)** - It acts as a focal point for the communication process, standard setting and the performance measurement techniques/tools agreed upon.
- **Corporate Performance Management (CPM)** – It focuses on the entire organizational performance and is also referred to as Enterprise Performance Management (EPM). It is understood as a set of management processes that helps the organization define and execute its strategy.

The following tools and techniques are generally used to measure/evaluate / appraise corporate performance under a given set of conditions and in a given context, and to further initiate corporate performance improvement at various activity levels where possible scope for improvement exists:-

1. Balance Score Card (BSC)
2. Designing appropriate KPI (s) - Key Performance Indicators
3. Budgeting and Forecasting
4. Benchmarking & Bench Trending
5. Business Excellence Model
6. Statistical Quality Control
7. Six Sigma
8. Total Quality Management
9. Total Productive Maintenance
10. Enterprise Risk Management
11. Performance Reporting
12. Responsibility Accounting & Responsibility reporting

Let us briefly discuss some of the above tools and techniques-

BSC (Balance Score Card) –

A company's success is related to the realisation of its vision and mission. BSC augments the process of

translation of a business vision and strategy into tangible objectives and measures. BSC stresses that financial and non-financial measures must be a part of the performance measurement system at the strategic level as well as at the operational level. The basic premise of the measure is that it endeavours a balance between the financial measures for shareholders' wealth maximisation, operational measures for customer satisfaction and internal business processes. It is a set of financial and non-financial measures relating to a company's critical success factors. As a management tool, it helps companies to assess overall performance, improve operational processes, and enable management to develop better plans for long-term improvements. The aim of BSC is to provide a comprehensive framework for translating a company's strategic objectives into a coherent set of performance measurement indicators.

The four perspectives of BSC –

1. **Customer perspective** – How do customers see the entity
2. **Internal Business perspective** – What must the entity excel at
3. **Learning and Growth perspective** – Can the entity continue to improve and create value
4. **Financial perspective** - Under this perspective, the focus will be on financial measures like operating profit, ROI, residual income, EVA, revenue growth, cost reduction, asset utilization, growth in net worth, working capital management, etc

Main Benefits of BSC –

- Better strategic planning initiatives
- Improved strategy execution and communication
- Better alignment of projects/programs and initiatives
- Designing a better management information system
- Improved performance reporting
- Better organizational alignment
- Better process alignment

KPIs (Key Performance Indicators) –

These are Key Performance Indicators set by management to evaluate performance standards and their reliability or acceptance. Different KPIs are fixed over time in a given context depending on the nature of the organization, its size, authority structure and strategic goals & objectives.

Benchmarking and Bench Trending-

Benchmarking is the process of evaluating the business performance with the standard business metrics of the industry. The business processes that are measured for

their performance include productivity (both overall & factorial), cycle time, cost and quality. Bench trending is used for monitoring the performance and operations for bringing improvements and setting a direction. Bench trending is a technique used for bridging the gaps and improving performance levels through new technological methods.

Six Sigma and Lean Management & Lean Manufacturing–

Six Sigma is a tool for process improvement and is prima facie quality focused, identifies defects, and finds ways and means to remove them to ensure processes are efficient, effective and economical under a given set of conditions. Lean Manufacturing, on the other hand, refers to systematised reduction of time within the production/ process cycle, including response times of customers & suppliers. Lean manufacturing focuses on the reduction of inventory cost & wastages and increased productivity. It eliminates all such activities that do not add value to the finished product.

Five principles of Lean Manufacturing are: Value, Value Stream, Flow, Pull and Perfection

Statistical Quality Control (SQC) –

SQC is a technique of applying appropriate statistical methods (probability and sampling) to establish a quality standard and to sustain a minimum qualitative process at least cost.

Techniques of SQC -

- Statistical process control (control charts)
- Acceptance sampling (related to products)

Management Information System –

Properly designed MIS, depending on the size of the organization, authority structure, nature of the entity's business, technology impact, management objectives, etc., contributes significantly towards performance measurement, evaluation and initiating performance improvement.

Performance Reporting / Responsibility Accounting & Responsibility Reporting –

The frequency, nature, information coverage and reliability of management reports related to key responsibility areas highlight responsibility accounting and help management to identify performance gaps or weaknesses in a given situation and help to initiate suitable performance improvement measures to attain the desired objectives & goals with due earnest.

Total Productivity Maintenance (TPM) –

Adoption of a well-designed TPM in an organization helps performance improvement in the following manner:

- Improving overall equipment effectiveness & productivity

- Involving operators in a meaningful way with routine & preventive maintenance of equipment(s) and, thus, improving employee safety
- Improving maintenance efficiency and thereby overall machinery effectiveness
- Lifecycle equipment management and reducing breakdown maintenance.
- Reducing overall maintenance cost over time.

Total Quality Management and Business Excellence Model -

In the context of performance evaluation & improvement, TQM contributes as under :-

- An integrated organizational effort to improve quality at all levels
- It is an organizational vision
- It is a part of long-term business performance planning
- Is also a part of Annual Quality Plan of an organization and forms a part of overall Business Improvement Plan.

Essentials of TQM in the context of Performance Improvement –

- (a) Customer focus
- (b) Continuous Improvement
- (c) Employee empowerment
- (d) Use of appropriate Tools & Equipment
- (e) Appropriate product design
- (f) Process management
- (g) Suppliers' quality management

The core concepts of TQM are -

- (a) Quality Control
- (b) Quality Assurance
- (c) Quality Management

Essentially, TQM trades off between quality control costs (quality prevention costs & quality appraisal costs) and quality failure costs (internal failure costs & external failure costs)

TQM is a part of the Business Excellence Model (BEM), whilst BEM covers more comprehensive business functions, including quality of overall management performance & decisions, and focuses on how excellence in key business performances may be attained over a period of time.

Budgeting and Variance Analysis –

It is also an important performance improvement tool and can give impressive results if budgets are prepared covering all key responsibility centres, considering possible limiting factors and proper participation of all responsible officials in the implementation and running of the budgetary process is assured.

More importantly, it is the promptness of the management to identify and take necessary action to rectify the budget variances at the earliest opportunity that determines how effectively this tool can control and improve performance with reference to predetermined standards or yardsticks under a given set of conditions.

Enterprise Risk Management (ERM) –

It is a process of identifying, analysing, evaluating and prioritising business risks followed by integrated application of resources to reduce and control the probability or impact of unwanted events or to maximise the realization of possible opportunities commensurate with the overall & long-term objectives of an organization.

Main elements of ERM –

- Risk Identification
- Risk Analysis & Assessment
- Risk Response

- Risk Prioritization
- Risk Mitigation & Avoidance
- Risk Sharing & Transfer
- Risk Avoidance
- Risk Acceptance
- Risk Governance (Communication & Monitoring)

If effectively implemented and monitored, ERM can be a very significant performance-enhancing tool in an organisation over a period of time by eliminating various risk-driven unwanted events/incidents that diminish organisational productivity and further redirecting enterprise resources (including cost & manpower) toward better attainment of organisational goals.

Concluding Remarks

The tools/methods discussed above are all uniquely significant to measure, evaluate and improve organisational performance, but it is the top management's understanding as to which tools and methods to use under a given set of conditions and circumstances, depending on the purpose, objectives, goals and in the overall interest of the various stakeholders. Finally, continuous review of the performance improvement tools is required so that the required performance evaluation becomes more meaningful and acceptable to the management.

Business Valuation Methods & Approaches

Valuation Approaches –

Valuation Approaches provide structured frameworks to determine the economic worth of an asset or a business entity. The three recognized valuation approaches are –

The Income Approach (Future Earning Capability):

This approach is based on the premise that an asset value is determined by the future income it will generate. It is highly forward-looking and focuses on the intrinsic value of the assets.

Discounted Cash Flow and Capitalization of Earnings are two major methods used under this approach.

Best used for profitable and predictable business having reasonably stable future cash flows.

The Market Approach (Relative Peer Comparison):

This approach determines value by comparing the target asset or company to similar ones that have recently been sold or are publicly traded.

Comparable Company Analysis (CCA), Precedent Transaction Analysis (PTA) are two major methods under this approach.

Best used for industries with active trading markets, readily available peer data and having active M&A environments.

Asset-based / Cost-based Approach (Based on the worth of net tangible or intangible assets):

This approach assesses value based on the economic principles of substitution, namely, an investor will pay no more for an asset than the cost to replace or recreate it.

Net asset Value and Liquidation value are the two major methods used under this approach.

Best used for holding companies, real estate firms, start-ups with inconsistent earnings but high asset value or distressed businesses with idle assets undergoing liquidation.

Detailed discussion on Valuation Approaches and Valuation Methods: -

Major Valuation Approaches are -

1. Market Approach -

It compares the company to similar publicly traded companies or recent comparable transactions to establish a relative value. A minority interest market value is provided in the market approach

2. Income Approach -

This approach values the company based on its ability to generate future income under the DCF method.

The method analyses future cash flows and discounts them back to their present value.

3. Asset-based Approach or Cost-based Approach–

This approach focuses on the net value of the Company's underlying assets, which can be the sum of its tangible and intangible assets. The net asset value is determined by subtracting total liabilities from total assets. The approach is employed for valuations in going concern entities as well as for companies in liquidation.

Important Methods of Valuation –

Based on the above-mentioned approaches, the following valuation methods may be stated -

1. Net Asset Method –

This method comes under the asset-based approach.

It determines the fair market value of every asset and liability on the date of valuation. In this method, the equity value is estimated based on adjusted assets minus the adjusted liabilities. Usually, the underperforming assets are considered by the acquiring company through this method.

2. Excess Earnings Treasury Method-

This method considers the concept of both asset-based and income-based approaches.

It differentiates between intangible assets and adjusted net tangible assets. The estimation of intangible value is done by capitalizing those earnings of the company that are more than the earnings related to a reasonable return on the fair market value of its net assets. The total value of the Company is calculated by combining the tangible net adjusted assets at fair market value with the intangible value as estimated. This method makes use of the average return on equity from similar companies or industry averages to estimate a reasonable return while determining the right capitalization rate.

3. Excess Earnings Reasonable Rate Method-

This method considers both asset-based and income-based approaches.

In this method, a reasonable rate of return is applied to the adjusted net assets. The estimation of intangible value is done by capitalising those earnings of the company that are more than the earnings relating to a reasonable return on the fair market value of its net assets. To estimate the total value of the company, the intangible value is combined with the fair market value of the adjusted net assets.

4. Capitalization of Earnings Method –

This method comes under the income-based approach.

This method is used to determine the value of a profitable company when the investor aims to facilitate an annual rate of return on investment over reasonable compensation of the owner. The future estimated earnings are determined and divided by a capitalization rate to obtain a value. In this method, no separation is made between the tangible and intangible assets. This method is not appropriate for capital-intensive companies.

5. Discounted Cash Flow Method (DCF) –

This method comes under income-based approach.

This method is also known as Discounted Earning Method (DEM). In this method, to determine the value of a company, its earnings are defined, which may be post-tax cash flow or cash flow from operations. The assumption in this method is that the total value of the company is estimated by determining the current value of the projected future earnings and the current value of the terminal value by using a suitable capitalisation rate. The valuer in this method must be satisfied that the projected earnings are backed by the assumptions of the management and constitute reasonable future earnings.

6. Price Earnings Ratio Method –

This method is a combination of both income-based and market-based approaches.

In this method, market comparison is used to estimate the multiple to be applied against post-tax earnings. A weighted average price-earning ratio of similar publicly traded companies helps in capitalizing the future estimated net income (post-tax). The main problem in making market comparisons is finding publicly traded companies that are similar to the target company. This method is generally used to determine the value of large and diversified companies.

7. Dividend -Paying capacity Method-

This method is a combination of both income-based and market approaches.

This method is usually employed to determine the value of large companies that pay dividends.

A weighted average of dividend yields for a given number of years of similar companies helps in capitalizing the future estimated dividend to be paid. When the valuation of a larger and more diversified company is required, this method may be used.

8. Guideline Method-

This method is based on a market-based approach.

It draws a qualitative and quantitative comparison between the target company and the public companies (guideline companies) that are similar to it. The valuer must be satisfied that the public companies and the target company carry out similar functions, have similar products & services and are based in the same geographical locations. The required adjustment to the financial statements of the public companies held for comparison must be made by the valuer.

9. Direct Market Data Method

This method is based on a market-based approach.

It uses the sales transaction of an entity to compare with the acquisition entity. However, it is not an easy task to compare the sales transactions as they often get consummated due to favourable purchase terms, acquired synergies, etc. Thus, the valuer is required to adjust the direct market data if used for a premium or discount market pricing.

10. Rule of Thumb Method –

This method is based on a market-based approach.

It is derived from the direct market data method. A formula is determined based on industry-wide experience. This formula is used to ascertain the relations between the sales price and the operational unit of measurement regarding a particular industry. This method provides an effective test to check whether the value estimates determined from other methods are reasonably correct or not.

Concluding Observations:

The valuation of a business is done based on income, market or cost / asset-based approaches. These approaches further lead to the selection of suitable methods of valuation, which are carried out in a given context that justifies the purpose and intent of the stakeholders under a given set of conditions & circumstances.

Topic

Module 3:
Credit Risk and
Liquidity Risk

Module 7:
Insurance
Intermediaries,
General Insurance,
Health Insurance
and Life Insurance

ELECTIVES

Paper-20B

Risk Management
In Banking and
Insurance (RMBI)

Risk Management in Banking

Credit Risk and Liquidity Risk

Banking is fundamentally a business of accepting deposits, providing credit and managing financial resources. These activities expose banks to several risks, of which credit risk and liquidity risk are among the most significant. Effective risk management is therefore essential for protecting depositors, maintaining capital adequacy, ensuring profitability and preserving confidence in the banking system.

Risk management is not merely a regulatory requirement. It is a continuous process of identifying, measuring, monitoring and controlling risks while maintaining an appropriate balance between risk and return.

Credit Risk: Credit risk is the risk of financial loss arising from a borrower's failure or inability to meet contractual obligations in accordance with agreed terms. Since lending constitutes a major portion of a bank's assets, credit risk is generally one of the most important risks faced by banks.

Credit risk can arise from various sources, including term loans, working-capital facilities, housing loans, vehicle loans, credit cards, agricultural advances, MSME loans and investments in debt instruments.

Major Causes of Credit Risk: Credit risk may arise because of:

- ✓ Weak credit appraisal and inadequate due diligence;
- ✓ Overdependence on collateral rather than repayment capacity;
- ✓ Deterioration in the borrower's financial position;
- ✓ Economic slowdown or sector-specific stress;
- ✓ Poor monitoring of loan accounts;
- ✓ Diversion or misuse of funds;
- ✓ Concentration of lending to a particular borrower, group or industry; and
- ✓ Fraud, misrepresentation or inadequate documentation.

Management of Credit Risk: Effective credit risk management begins before the loan is sanctioned. Banks should undertake comprehensive Know Your Customer (KYC), credit appraisal, financial analysis, cash-flow assessment, credit scoring and due diligence.

After a sanction, continuous monitoring is equally important. Banks should track repayment behaviour, financial performance, stock statements, drawing power, covenant compliance and changes in the borrower's business environment.

Banks should also maintain appropriate credit concentration limits, sectoral exposure limits and

borrower-wise exposure limits. Diversification of the loan portfolio reduces the possibility that deterioration in one sector or borrower group will significantly affect the bank.

Modern banking is increasingly adopting Expected Credit Loss (ECL) methodologies for forward-looking measurement of credit losses. ECL models generally consider factors such as Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), together with historical experience and reasonable forward-looking information. Strong data governance, model validation and periodic back-testing are essential for reliable ECL estimation.

Liquidity Risk: Liquidity risk is the risk that a bank may not be able to meet its financial obligations when they become due without incurring unacceptable losses. A bank may be solvent but still face serious difficulties if it does not have sufficient liquid resources to meet immediate obligations.

Liquidity risk is particularly important because banks accept deposits that may be withdrawn while lending funds for longer periods. This creates a natural maturity mismatch between assets and liabilities.

Sources of Liquidity Risk: Liquidity risk may arise from:

- ✓ Sudden and large-scale withdrawal of deposits;
- ✓ Excessive dependence on short-term market borrowings;
- ✓ Inability to renew or obtain funding;
- ✓ Significant asset-liability maturity mismatches;
- ✓ Unexpected cash outflows;
- ✓ Deterioration in market confidence;
- ✓ Large contingent liabilities becoming payable; and
- ✓ Market disruption affecting the sale or funding of assets.

Management of Liquidity Risk: Banks should maintain adequate high-quality liquid assets and a well-diversified funding base. Regular monitoring of cash flows and the maturity profile of assets and liabilities helps identify potential liquidity gaps.

Banks should undertake Asset-Liability Management (ALM) on a continuous basis. ALM enables management to assess maturity mismatches, interest-rate sensitivity and funding requirements. Liquidity positions should be monitored through appropriate indicators and regulatory liquidity standards.

Liquidity stress testing is another important tool. Banks should assess their ability to withstand adverse situations

such as substantial deposit withdrawals, deterioration in market funding, credit-rating downgrades or a sudden increase in cash requirements.

Every bank should also maintain a comprehensive Contingency Funding Plan (CFP) identifying alternative sources of liquidity and the actions to be taken during a liquidity crisis.

Relationship Between Credit Risk and Liquidity Risk: Credit risk and liquidity risk are closely interconnected. A significant deterioration in asset quality can reduce cash inflows, increase provisions and weaken profitability and capital. This may adversely affect market confidence and make it more difficult for the bank to obtain funding.

Conversely, liquidity pressure may force a bank to sell assets quickly, potentially at distressed prices, resulting in losses and further weakening its financial position. Thus, credit risk and liquidity risk should not be managed in isolation.

Role of Technology in Risk Management: Technology has transformed banking risk management. Banks can now use data analytics, artificial intelligence, machine learning, early-warning systems and automated dashboards to identify emerging risks.

For credit risk, technology can assist in borrower scoring, fraud detection, portfolio monitoring and identification of early signs of financial stress. For liquidity risk, real-time cash-flow monitoring and scenario analysis can help management identify potential liquidity gaps quickly.

However, technology also creates model risk, cyber

risk and data-quality challenges. Therefore, technology-based risk management must be supported by strong governance, controls and human oversight.

Governance and Role of the Board: Effective risk management ultimately depends upon strong governance. The Board of Directors and senior management should establish a clear risk appetite and ensure that risk-taking remains consistent with the bank's financial capacity.

Independent risk management functions, internal controls, internal audit, regulatory compliance and periodic stress testing should form an integral part of the risk-management framework. A strong risk culture, in which employees understand that sustainable banking is more important than short-term growth, is equally essential.

To Sum Up: Credit risk and liquidity risk are fundamental challenges in banking. Credit risk affects the quality and recoverability of a bank's assets, while liquidity risk affects its ability to meet obligations on time. Both risks can reinforce each other and, if inadequately managed, can threaten the stability of an otherwise sound institution.

The way forward is to combine prudent lending, continuous monitoring, forward-looking ECL assessment, robust ALM, adequate liquidity buffers, stress testing, technology-driven early-warning systems and strong governance. Ultimately, effective risk management is not about eliminating risk; it is about understanding risk, pricing it appropriately, controlling it effectively and ensuring that the bank remains resilient under both normal and stressed conditions.

Insurance Intermediaries

General Insurance, Health Insurance and Life Insurance

Insurance is an important pillar of a modern financial system. It provides financial protection against unforeseen events, mobilises long-term savings, supports economic development and promotes financial security for individuals and businesses. In India, the insurance sector has evolved significantly with increasing digitalisation, wider product choices, greater regulatory oversight and growing awareness of risk protection.

Insurance can broadly be understood through four interconnected components: **insurance intermediaries, general insurance, health insurance and life insurance**. Each has a distinct role, but together they contribute to financial stability, risk transfer and social security.

Insurance Intermediaries: Insurance is a specialised financial product and many customers require professional assistance to understand, select and purchase appropriate insurance policies. **Insurance intermediaries** perform this important connecting role between insurers and policyholders.

Major categories of insurance intermediaries include **insurance agents, corporate agents, insurance brokers, web aggregators, insurance marketing firms and other regulated distribution channels**. They assist customers in understanding policy features, comparing products, completing documentation and, in appropriate cases, supporting the claims process.

Role of Insurance Intermediaries: The principal functions of intermediaries include:

- ✓ Creating awareness about insurance and the importance of risk protection;
- ✓ Identifying the insurance requirements of customers;
- ✓ Explaining policy terms, coverage, exclusions, conditions and premium obligations;
- ✓ Assisting customers in selecting suitable insurance products;
- ✓ Facilitating proposal submission and policy issuance;

- ✓ Supporting policy servicing and renewals;
- ✓ Assisting policyholders during the claims process; and
- ✓ Promoting insurance penetration among underserved sections of society.

An intermediary has a significant responsibility to act professionally and transparently. Mis-selling, inadequate disclosure, inappropriate product recommendations and failure to explain exclusions can result in customer dissatisfaction and disputes. Therefore, **customer-centric conduct, transparency, ethical selling and regulatory compliance** are essential.

Digital platforms have also transformed insurance distribution. Customers can compare products, calculate premiums, purchase policies and initiate claims online. While digitalisation improves convenience, intermediaries must continue to provide appropriate guidance, particularly for complex insurance products.

General Insurance: General insurance, also known as non-life insurance, provides protection against risks other than those primarily covered by life insurance. It protects individuals, businesses and institutions against a wide range of financial losses.

Important categories include:

- ✓ Motor insurance;
- ✓ Property and fire insurance;
- ✓ Marine insurance;
- ✓ Engineering insurance;
- ✓ Travel insurance;
- ✓ Personal accident insurance;
- ✓ Liability insurance;
- ✓ Agriculture and crop insurance; and
- ✓ Commercial and specialised insurance.

Importance of General Insurance: General insurance supports economic activity by transferring significant financial risks from individuals and businesses to insurance companies. For example, a manufacturing company may suffer a substantial loss because of fire or machinery breakdown. Appropriate insurance can reduce the financial impact and enable the business to recover.

Motor insurance provides protection against specified losses arising from accidents, theft and third-party liabilities, subject to policy terms. Property insurance protects physical assets against specified risks. Marine insurance facilitates domestic and international trade by covering specified risks associated with the transportation of goods.

Businesses also require liability insurance to protect against claims arising from third-party injury, property damage or other covered liabilities.

Risk-Based Pricing: The premium charged under general insurance should broadly reflect the nature and probability of risk, the extent of coverage, claims experience and other relevant factors. Sound underwriting is therefore essential.

Insurance companies must balance two objectives: **adequate protection for policyholders and sustainable underwriting for the insurer.** Poor underwriting can lead to excessive claims and financial stress, while inappropriate pricing can make insurance unaffordable or inadequate.

Health Insurance: Health insurance provides financial protection against specified medical and healthcare expenses, subject to the terms and conditions of the policy. Rising healthcare costs make health insurance increasingly important for individuals and families.

Health insurance products may cover hospitalisation, specified medical procedures, day-care treatment and other eligible healthcare expenses. Depending on the product, policies may be offered on an individual or family basis.

Importance of Health Insurance: A serious illness or hospitalisation can impose a substantial financial burden on a family. Health insurance helps reduce the possibility that medical expenses will exhaust household savings.

However, policyholders should understand important features such as:

- ✓ Sum insured;
- ✓ Premium;
- ✓ Waiting periods;
- ✓ Pre-existing disease provisions;
- ✓ Room-rent restrictions, where applicable;
- ✓ Co-payment;
- ✓ Deductibles;
- ✓ Sub-limits;
- ✓ Network hospitals;
- ✓ Exclusions; and
- ✓ Claim procedures.

Customers should not select a health policy solely on the basis of the lowest premium. The **adequacy of coverage, scope of protection, exclusions, claim conditions and service quality** are equally important.

Claims and Customer Service: The claims process is one of the most important aspects of health insurance. Timely communication, proper documentation and efficient claim settlement contribute significantly to customer confidence.

Insurance companies and intermediaries should explain the claim process clearly and avoid creating unnecessary confusion for policyholders. Technology-enabled claims processing, digital documentation and electronic communication can improve efficiency while maintaining appropriate controls.

Life Insurance: Life insurance provides financial protection against specified risks relating to human life. It is particularly important because the death or loss of earning capacity of a breadwinner can create significant financial hardship for dependents.

Life insurance products may provide protection through various forms, including **term insurance, savings-oriented products and other long-term insurance solutions**, depending upon the product structure and applicable regulations.

Importance of Life Insurance: The primary purpose of life insurance should be understood as **financial protection**. A suitable life insurance policy can help a family meet future financial requirements such as household expenses, children's education, housing liabilities and other obligations following the death of the insured.

Term insurance is a straightforward example of protection-oriented life insurance. It generally provides a specified amount of cover for a specified period, subject to policy terms.

Life insurance can also play a role in long-term financial planning. Certain products combine insurance protection with savings or investment-related features. However, customers should clearly understand the benefits, costs, liquidity restrictions, guarantees, risks and conditions before purchasing such products.

Importance of Insurance Awareness: Insurance is effective only when customers understand what they are purchasing. A policy document is a legal contract, and the customer should carefully review the **coverage, exclusions, premium, policy period, conditions, deductibles, waiting periods and claim requirements**.

Insurance literacy should therefore become an integral part of financial literacy. Customers should avoid purchasing policies merely because of aggressive sales practices or short-term incentives.

Intermediaries and insurers have an important responsibility to ensure that customers receive accurate, simple and understandable information.

Technology and Digital Transformation: Technology is rapidly changing the insurance industry. Digital platforms enable online proposals, electronic policy documents, premium payments, customer service and claims processing.

Artificial intelligence, data analytics and automation can assist insurers in underwriting, fraud detection, customer segmentation and claims management. Digital health records and data-driven underwriting may also improve

risk assessment, subject to applicable privacy and regulatory requirements.

At the same time, digitalisation creates challenges relating to **cybersecurity, data privacy, fraud, algorithmic bias and operational resilience**. Insurance companies must therefore ensure that technological innovation is accompanied by strong governance and controls.

Role of Insurance in Economic Development: Insurance contributes significantly to economic development. By transferring risks, it encourages entrepreneurship, investment and business expansion. Businesses are more willing to undertake productive activities when major insurable risks can be appropriately managed.

Insurance companies also mobilise substantial funds over time, particularly through life insurance. These funds can contribute to the development of financial markets and long-term investment, subject to regulatory requirements.

Insurance, therefore, serves not merely as a mechanism for compensating losses but as an important component of **financial stability and economic resilience**.

Way Forward: The future of insurance should focus on **greater insurance penetration, customer protection, product suitability, faster claims settlement, digital innovation and financial inclusion**.

Insurers should develop simple and affordable products that meet the requirements of different segments of society. Intermediaries should move from product-oriented selling towards **needs-based advisory and responsible distribution**.

Greater awareness among customers, improved transparency, strong grievance-redressal mechanisms and effective regulatory supervision will strengthen public confidence in insurance.

To Sum Up:

Insurance is an essential instrument for managing financial uncertainty. **Insurance intermediaries** connect customers with insurers and play a vital role in distribution and service. **General insurance** protects individuals and businesses against diverse non-life risks. **Health insurance** provides financial support against specified healthcare expenses, while **life insurance** protects families against financial consequences associated with loss of life and supports long-term financial planning.

The sustainable growth of the insurance sector depends on a balanced approach involving **customer-centric products, responsible intermediation, prudent underwriting, efficient claims management, technological innovation and strong governance**. Ultimately, the true value of insurance lies not merely in selling policies but in providing meaningful financial protection when policyholders need it most.

Topic

Module 4:
Value Addition

ELECTIVES

Paper-20C

Entrepreneurship
and Start Up (ENTS)

Idea to Action/ Value Edition

Product Positioning

According to Philip Kotler, Product Positioning is “the act of designing the company’s offering and image to occupy a distinctive place in the mind of the target market”.

Kotler explains that product positioning is about creating a unique perception of a product in the minds of consumers compared with competing products. It helps customers understand:

- What the product offers.
- Why is it different?
- Why they should choose it over competitors.

Product positioning is the strategic foundation that dictates how a startup’s target audience perceives its product relative to alternatives. In the startup ecosystem, where resources are scarce and brand awareness is low, clear positioning acts as a force multiplier for value creation.

Startup product positioning is the process of defining how a startup’s product is different from competitors and communicating its unique value to a specific target market.

Kotler explains that product positioning is about creating a unique perception of a product in the minds of consumers compared with competing products. It helps customers understand:

- What the product offers.
- Why is it different?
- Why they should choose it over competitors.

Positioning Formula

**Target Customer → Problem Solved →
Unique Value → Brand Image**

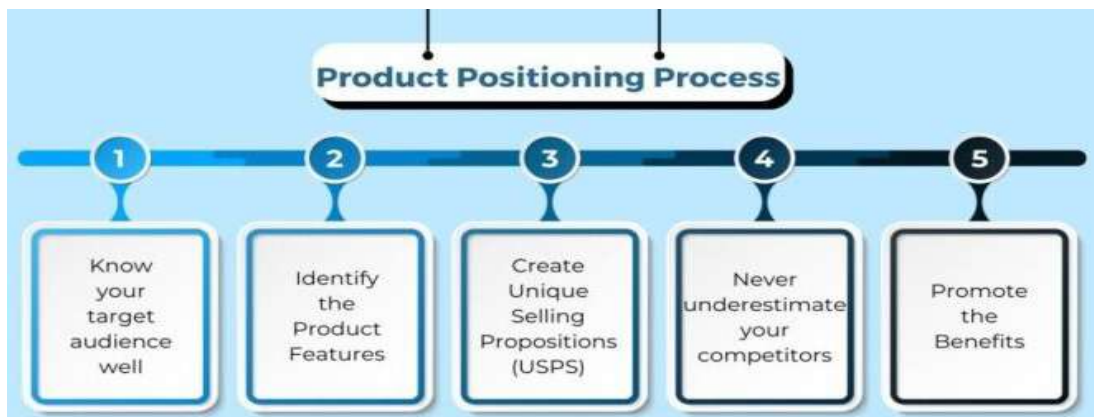
Kotler maps positioning directly to how mature a product is in the marketplace:

1. **Introduction Stage:** Focus positioning on establishing brand awareness and highlighting your unique, core benefit.
2. **Growth Stage:** Shift positioning toward differentiating your brand from fast-following competitors.
3. **Maturity Stage:** Focus on reinforcement, brand loyalty, and adding specialised values.
4. **Decline Stage:** Reposition the product to target a niche market or begin a phased walk away.

How Positioning Drives Value Addition in Startups

1. **Unlocks Premium Pricing:** Positioning shifts the conversation from features to high-value outcomes. When a startup positions its product as a critical solution to an expensive problem rather than a generic tool, customers willingly pay a premium.
2. **Accelerates Product-Market Fit (PMF):** Startups often fail by trying to build something for everyone. Positioning forces a startup to narrow its focus to a specific, high-value niche (a beachhead market), ensuring the initial product delivers undeniable utility to its first users.
3. **Maximizes Resource Efficiency:** Clear positioning aligns every department—engineering builds only what matters, marketing targets the exact right audience, and sales handles objections before they happen. This drastically reduces wasted capital.
4. **Builds Sustainable Enterprise Value:** For investors, a startup with distinct positioning owns a clear “mental real estate” in the market. This creates a competitive moat (defensibility) that drives up the startup’s valuation during funding rounds.

Steps in Product Positioning



Source: <https://www.productleadership.com/blog/5-easy-steps-product-positioning-process/>

1. Know Your Target Audience

- (a) **Definition:** Identify exactly who your buyers are and uncover their specific pain points. Delivering the right message to the wrong crowd is a waste of time.
- (b) **Example:** Netflix tracks viewing habits to understand its audience. Instead of marketing all shows to everyone, they target anime fans with anime trailers and reality-TV fans with dating show clips.

2. Master the Product Features

- (a) **Definition:** Marketers must completely understand and believe in what they sell. Authenticity builds trust, and first-hand experience makes a salesperson convincing.
- (b) **Example:** Apple Store employees use iPhones and iPads daily to assist customers. Because they use the tech natively, they can enthusiastically demonstrate hidden features to shoppers.

3. Establish Unique Selling Propositions (USPs)

- (a) **Definition:** Highlight distinct, stand-out features that separate your product from previous models or current market alternatives.
- (b) **Example:** Lush Cosmetics stands out in a crowded beauty market by emphasizing their strict 100% vegetarian, handmade, and packaging-free (naked) product line.

4. Respect and Outmanoeuvre Competitors

- (a) **Definition:** Study rival offerings to prove why your product is the superior choice. Consistently work to maintain a competitive advantage.
- (b) **Example:** Monday.com creates dedicated landing pages titled “Monday vs. Asana” or “Monday vs. Trello” to directly show software buyers why their layout and automation tools are better.

5. Sell the Benefits, Not Just Features

- (a) **Definition:** Translate technical specifications into real-world value. Features explain what a product is, but benefits explain how it improves the buyer’s life.

- (b) **Example:** iPod’s iconic launch campaign skipped technical jargon like “5GB of storage” (the feature) and instead sold the ultimate benefit: “1,000 songs in your pocket.”

Case Study: Zepto – Speed Positioning

Background

Zepto is an Indian quick-commerce company headquartered in Bengaluru. It was founded in July 2021 by Aadit Palicha and Kaivalya Vohra. As of August 2024, the company is valued at over \$5 billion and operates over 250 dark stores across ten metropolitan areas in India.

Business Model

Zepto operates an inventory-led quick commerce business model designed to deliver groceries and daily essentials in 10 minutes. Customers get to choose from thousands of popular items, including fresh farm vegetables and fruits, groceries, dairy & more, at the best prices from Zepto & a Zeptonian Rider will be at the door in about 10 minutes.

Core Pillars of Zepto’s Product Positioning

1. **The 10-Minute Promise:** Speed is the primary differentiator. While traditional e-commerce focuses on deep discounts or massive variety, Zepto positions itself as the immediate solution for “instant gratification” and emergency needs.
2. **Tech-First Convenience:** The product is positioned not just as a grocery app, but as a frictionless technology platform. Its UI/UX is built to minimise friction, allowing users to check out in seconds.
3. **Consistency over Discounts:** Zepto shifts the consumer mindset from price-hunting to time-saving. The positioning implies that a predictable 10-minute delivery is worth more to the modern consumer than waiting hours for a cheaper deal.

Source: <https://www.goteso.com/blog/zepto-business-model-how-zepto-makes-money/>



Source: <https://www.goteso.com/blog/zepto-business-model-how-zepto-makes-money/>

Key Positioning Strategies

1. **The Dark Store Model:** Zepto commands its quick-commerce positioning through a dark store model. It places micro-warehouses within a 2-3 km radius of high-demand areas, managing inventory with proprietary AI to predict buying patterns.
2. **Expanding Beyond Groceries:** While remaining fast, Zepto has expanded its positioning to include electronics, beauty products, and toys via Zepto Cafe and specialized categories, proving that “quick commerce” isn’t limited to milk and vegetables.
3. **Culturally Fluent Marketing:** Zepto leverages youth-centric, high-energy marketing campaigns. Their advertising often highlights relatable, high-stakes micro-emergencies—like running out of ice during a party or missing an ingredient mid-cook—to reinforce their core utility.

Types of Product Positioning Used by Zepto

Type of Positioning	Explanation
Benefit-Based Positioning	Saves customers’ time through ultra-fast delivery.
Convenience Positioning	Groceries delivered without leaving home.
Service Positioning	Reliable app, live order tracking, and quick service.
Lifestyle Positioning	Designed for busy urban lifestyles where time is valuable.

PPB Formula used by Zepto:

Picking:

All of the Zepto stores are quick to complete this process. Every dark store employee is endowed with a tablet; whenever someone places an order, it goes to a central hub. From this central hub, the order goes to the dark store, where the employees see the order on their tablets. The tablet also tells which item is present on which shelf.

Packing:

This step corresponds to employees collecting the concerned items and swiftly packing them.

Bagging:

The last step involves agents exiting the warehouse as soon as they receive the order. Zepto receives a sixty-second advance time at all three stages: choosing, packaging, and bagging.

Why the Zepto Business Model Works

- **Speed as a USP:** Fast delivery = higher customer retention
- **High Order Frequency:** Daily needs lead to more frequent purchases
- **Tech Efficiency:** Tech-led backend reduces operational costs
- **Focused Inventory:** Reduced SKUs = faster fulfillment and less inventory loss
- Strong Unit Economics (in select locations)

How Zepto Makes Money

Because they give deep discounts and offer fast delivery, they rely on four main income streams to cover costs:

1. **Product Margins:** Buying items at low wholesale prices and selling them to you at standard retail prices.
2. **In-App Ads:** Charging big brands (like Coke or Unilever) a fee to feature their products prominently at the top of your screen.
3. **Private Labels:** Selling their own in-house brands of snacks and household staples, which have much higher profit margins.
4. **Fees:** Charging extra convenience or surge fees during heavy rain, high traffic hours, or for very small orders.



Ref No.:DoS-Academics/09/2026

Dated: 15/09/2026

Sub: Clarification for the December 2026 term of Examination

This is to bring to the notice of all concerned that the following shall be applicable for the December 2026 term of the examination.

Sl. No.	Issue	Applicable for	Reference Papers for Syllabus 2022	Facilities Provided
1	Companies (Cost Records and Audit) Rules, 2014 ; as (amended upto 31 st May, 2026)	Intermediate and Final under Syllabus 2022	Paper 10- Corporate Accounting and Auditing (Intermediate), Paper 17 - Cost & Management Audit (Final)	For Paper 10 and Paper 17 Study Materials, refer to the following links: https://dwpivt501gtb6.cloudfront.net/upload/students/P10_0904_2026.pdf and https://dwpivt501gtb6.cloudfront.net/upload/students/Study-Materials/Paper_17_Reprint_July_2026_20260818152806.pdf Supplementary Link: https://icmai.in/CIntStudents/Supplementarycurrentterm
2	CAS 1-24 (amended upto 31 st May, 2026)	Intermediate and Final under Syllabus 2022	Paper 8 - Cost Accounting (Intermediate) Paper 17 - Cost & Management Audit(Final)	For Paper 8 and Paper 17 Study Materials, refer to the following links https://dwpivt501gtb6.cloudfront.net/upload/students/P8_0904_2026.pdf and https://dwpivt501gtb6.cloudfront.net/upload/students/Study-Materials/Paper_17_Reprint_July_2026_20260818152806.pdf Supplementary Link: https://icmai.in/CIntStudents/Supplementarycurrentterm

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3	Companies Act 2013 (amended upto 31 st May, 2026)	Intermediate and Final under syllabus 2022	Paper 5- Business Laws and Ethics (Intermediate) Paper 10 - Corporate Accounting and Auditing (Intermediate) Paper 13 - Corporate and Economic Laws (Final) Paper 17- Cost & Management Audit(Final) Paper 18- Corporate Financial Reporting(Final)	The provisions of Companies Act, 2013 along with significant Rules / Notifications / Circulars / Orders issued by the Ministry of Corporate Affairs and the laws covered under Other Corporate Laws as amended by the concerned authority, including significant amendments upto 31 st May, 2026 would be applicable for December 2026 term of examination For Study Materials: https://icmai.in/CIntStudents/StudyMaterials/2 and https://icmai.in/CIntStudents/StudyMaterials/3 Supplementary Link: https://icmai.in/CIntStudents/Supplementarycurrentterm
4	Finance Act 2025	Intermediate and Final under syllabus 2022	Paper 7- Direct and Indirect Taxation (Intermediate) Paper 15- Direct Tax Laws and International Taxation (Final) Paper 19- Indirect Tax Laws & Practice(Final)	Amendments up to 31 st May, 2026 would be applicable for December 2026 term of examination which are available under the given link as Supplementary: https://icmai.in/CIntStudents/Supplementarycurrentterm Updated Study Materials are available under this link: https://icmai.in/CIntStudents/StudyMaterials/2 and https://icmai.in/CIntStudents/StudyMaterials/3
5	GST	Intermediate and Final under syllabus 2022	Paper 7- Direct and Indirect Taxation (Intermediate) and Paper 19- Indirect Tax Laws & Practice(Final)	Amendments up to 31 st May, 2026 would be applicable for December 2026 term of examination which are available under the given as Supplementary: https://icmai.in/CIntStudents/Supplementarycurrentterm Updated Study Materials are available under



				this link: https://icmai.in/CIntStudents/StudyMaterials/2 and https://icmai.in/CIntStudents/StudyMaterials/3
6	IND AS (In Intermediate and Final) and Reporting through XBRL and Corporate Social Responsibility Reporting in India (In Final) (amended upto 31 st May, 2026)	In Intermediate – Comparative Provisions for Specific Ind AS and in Final - which are covered by the Syllabus 2022	Paper 6 – Financial Accounting (Intermediate) Paper 10 - Corporate Accounting and Auditing(Intermediate) Paper 18 – Corporate Financial Reporting(Final)	For Supplementary of Paper 10 https://icmai.in/CIntStudents/Supplementarycurrentterm For updated Study Materials of Paper 6 , Paper 10 and Paper 18 refer to the following link https://icmai.in/CIntStudents/StudyMaterials/2 and https://icmai.in/CIntStudents/StudyMaterials/3

All concerned are requested to provide appropriate guidance and necessary assistance to facilitate the students.

CMA Avijit Mondal

Joint Director and H.O.D Studies (Academics & Administration)

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Dear CMA Student,

We are excited to extend an invitation to you to contribute an article for the **CMA Student E-Bulletin**, our esteemed monthly e-journal exclusively crafted for CMA students. This platform, managed by the Directorate of Studies at ICAI, aims to provide a space for your insights, experiences and knowledge-sharing within the CMA community.

Submission Guidelines:

- ⦿ **Article Length:** Please prepare articles ranging between 1200 to 1500 words.
- ⦿ **Topic:** The articles can cover a wide spectrum of subjects, including but not limited to advancements in finance, industry insights, case studies, personal experiences and emerging trends in the field.
- ⦿ **Originality:** We encourage you to share your unique perspectives and experiences. Ensure that your submission has not been published elsewhere.

Submission Deadline: We kindly request you to submit your article by 20th of the previous month of publication. This will allow us ample time to review and prepare the upcoming issues of the CMA Student E-Bulletin.

Submission Process: Please send your article to studies.ebulletin@icmai.in with the subject line "CMA Student E-Bulletin Submission - [Your Name, Registration No.]". Include a brief author bio and a high-resolution photograph to be featured alongside your article.

Recognition and Rewards: Selected articles will be featured prominently in the CMA Student E-Bulletin, providing you with a valuable platform to showcase your expertise. Additionally, authors of published articles will be acknowledged and the top contributors may be eligible for special recognition and rewards.

We believe that your unique insights and experiences will contribute significantly to the enrichment of the CMA Student E-Bulletin. Your participation will not only enhance your visibility within the CMA community but also foster a culture of knowledge-sharing and collaboration.

Best Regards,

Team DoS

The Institute of Cost Accountants of India

E-mail – studies.ebulletin@icmai.in

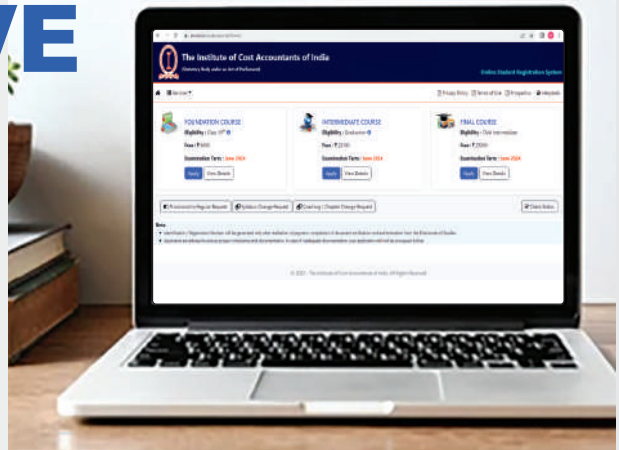


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Check the status
of their online
applications

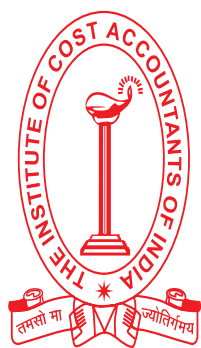
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