



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. 04 | APRIL 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 सदगमय
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

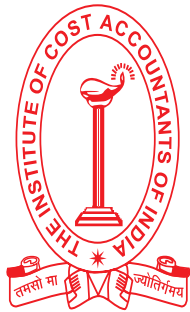
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CHAIRMAN'S COMMUNIQUE

Dear CMA Students,

It gives me immense pleasure to connect with you through the APRIL 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 2026

Topic

Module 3.
Sale of Goods Act,
1930

Module 5:
Business
Communication

FOUNDATION

Paper-1

Fundamentals of
Business Laws
and Business
Communication
(FBLC)

SECTION – A: FUNDAMENTALS OF BUSINESS LAWS

1. A contract of sale is a contract whereby:
 - a) Possession is transferred
 - b) Ownership in goods is transferred or agreed to be transferred
 - c) Goods are delivered
 - d) Price is negotiated

2. A agrees to sell 100 bags of sugar out of a bulk of 1000 bags. Before separation, fire destroys all bags. Who bears the loss?
 - a) Buyer
 - b) Seller
 - c) Both
 - d) Insurer

3. Existing goods include:
 - a) Specific goods
 - b) Ascertained goods
 - c) Unascertained goods
 - d) All of the above

4. A sells goods describing them as “pure wool.” They turn out to be mixed fabric. This is breach of:
 - a) Warranty
 - b) Condition
 - c) Representation
 - d) Guarantee

5. The buyer has a right to examine goods:
 - a) Before delivery
 - b) After acceptance
 - c) Before acceptance
 - d) After resale

6. A sells a laptop stating it has 16GB RAM. Buyer later finds it has 8GB but continues using it. Buyer can:
 - a) Reject goods
 - b) Cancel contract
 - c) Claim damages
 - d) No remedy

7. Delivery of goods may be made by:
 - a) Doing anything agreed
 - b) Physical transfer
 - c) Symbolic transfer
 - d) All of the above

8. Seller delivers goods to a wrong address due to his own mistake. Who bears the loss?
 - a) Buyer
 - b) Seller
 - c) Carrier
 - d) Both

9. A contract where property passes immediately is:
 - a) Agreement to sell
 - b) Bailment
 - c) Sale
 - d) Hire purchase

10. A buyer refuses to pay after accepting goods. Seller may:
 - a) Repossess goods
 - b) Sue for price
 - c) Stop goods in transit
 - d) Reject goods

11. An unpaid seller can exercise lien when:
 - a) Goods delivered
 - b) Possession retained
 - c) Buyer solvent
 - d) Price paid

12. A sells goods and delivers to carrier but reserves right of disposal. Ownership passes when:
 - a) Goods delivered
 - b) Payment made
 - c) Buyer receives goods
 - d) Contract made

13. Which is NOT a document of title?
 - a) Bill of lading
 - b) Dock warrant

- c) Invoice
d) Warehouse receipt
14. A contract provides that goods shall be delivered in instalments, and one instalment is defective while others are satisfactory. What is the buyer's right?
- a) The buyer must accept all instalments
b) The buyer can reject only the defective instalment
c) The buyer can cancel the whole contract in all cases
d) The contract automatically becomes void
15. Risk passes:
- a) With delivery
b) With ownership
c) With payment
d) With acceptance
16. A seller exercises the right of stoppage in transit after the buyer becomes insolvent. What is the legal effect?
- a) Ownership reverts back to the seller
b) Seller regains possession of goods
c) Contract becomes void
d) Buyer loses all rights permanently
17. Which of the following is an implied warranty?
- a) Fitness
b) Title
c) Quiet possession
d) Sample
18. A sells a defective car but buyer was aware of defect before purchase. Buyer can:
- a) Reject goods
b) Claim damages
c) No remedy
d) Cancel contract
19. Sale by sample requires:
- a) Bulk equals sample
b) Bulk resembles sample
c) Bulk better than sample
d) Bulk cheaper
20. A sells goods to B but keeps documents of title. Goods damaged before payment. Who bears loss?
- a) A
b) B
c) Both
d) Carrier
21. Acceptance of goods occurs when:
- a) Buyer uses goods
b) Buyer rejects goods
c) Buyer resells goods
d) Both (a) and (c)
22. A agrees to sell specific goods to B, but before the contract is completed, the goods are destroyed without the knowledge of the seller. What is the legal effect?
- a) The contract is valid
b) The contract is void
c) The contract is voidable
d) Seller is liable for damages
23. Right of stoppage in transit ends when:
- a) Goods delivered to carrier
b) Buyer becomes insolvent
c) Buyer takes delivery
d) Seller gives notice
24. A buys goods on approval and keeps them beyond reasonable time without rejecting. Ownership:
- a) Remains with seller
b) Passes to buyer
c) Joint ownership
d) Void
25. Communication is complete only when:
- a) Message is sent
b) Message is received and understood
c) Message is written
d) Message is delivered
26. Which is an example of upward communication?
- a) Manager instructs employee
b) Employee reports to manager

- c) Peer discussion
d) External communication
27. Noise in communication refers to:
a) Loud sound only
b) Any interference
c) Feedback
d) Channel
28. Written communication is preferred because it:
a) Is quick
b) Provides record
c) Avoids clarity
d) Is informal
29. Non-verbal communication includes:
a) Emails
b) Reports
c) Body language
d) Circulars
30. Feedback ensures:
a) Delay
b) Understanding
c) Confusion
d) Formality

Answers:

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

Topic

Module 2.
Accounting for
Special Transactions

Module 4:
Fundamentals of
Cost Accounting

FOUNDATION

Paper-2

Fundamentals of
Financial and Cost
Accounting (FFCA)

1. Normal loss in consignment:
 - A. Is credited to P&L
 - B. Reduces stock quantity and increases per-unit cost
 - C. Is compensated by insurance
 - D. Is treated as bad debt
2. When goods are sent above cost, the excess is called:
 - A. Reserve
 - B. Commission
 - C. Loading
 - D. Premium
3. Unsold stock lying with consignee appears in:
 - A. Trading account
 - B. Balance sheet of consignee
 - C. Balance sheet of consignor
 - D. Profit and loss account
4. Goods destroyed by fire during transit is:
 - A. Normal loss
 - B. Abnormal loss
 - C. Trading loss
 - D. Capital loss
5. Closing stock on consignment is valued at:
 - A. Selling price
 - B. Cost price only
 - C. Cost plus proportionate non-recurring expenses
 - D. Cost plus proportionate expenses
6. In consignment, the ownership of goods remains with:
 - A. Consignee
 - B. Customer
 - C. Consignor
 - D. Banker
7. Goods sent by one person to another for sale on behalf of the sender is called:
 - A. Joint Venture
 - B. Hire Purchase
 - C. Consignment
 - D. Agency
8. The persons entering into a joint venture are called:
 - A. Consignors
 - B. Debtors
 - C. Co-venturers
 - D. Partners
9. Memorandum Joint Venture Account is prepared when:
 - A. Separate books are maintained
 - B. No separate books are maintained by venturers
 - C. Company accounts are prepared
 - D. Audit is conducted
10. When unsold goods are taken over by a co-venturer, they are valued at:
 - A. Nil
 - B. Market value / agreed value
 - C. Historical cost only
 - D. Selling price always
11. In joint venture accounting, Joint Bank Account is generally used when:
 - A. Separate set of books is maintained
 - B. No records are kept
 - C. Only one venturer records transactions
 - D. Sales are on credit only
12. Unsold stock in joint venture taken over by one co-venturer is:
 - A. Credited to Joint Venture Account
 - B. Debited to P&L
 - C. Written off
 - D. Debited to Bank
13. A draws a bill on B for ₹20,000, accepted by B. Which entry is passed in A's books?
 - A. Bills Payable A/c Dr. To B
 - B. Bills Receivable A/c Dr. To B
 - C. B A/c Dr. To Bills Receivable
 - D. Cash A/c Dr. To B
14. When drawer keeps bill till maturity and receives payment, the entry to be passed:
 - A. Cash Dr. To Bills Receivable
 - B. Bills Receivable Dr. To Cash
 - C. Bills Payable Dr. To Cash
 - D. Debtor Dr. To Cash
15. When A endorses bill to C:
 - A. C Dr. To Bills Receivable
 - B. Bills Receivable Dr. To C
 - C. C A/c Dr. To Bills Receivable
 - D. Bills Payable Dr. To C
16. When bill is sent to bank for collection:
 - A. Bank A/c Dr. To Bills Receivable
 - B. Bills for Collection A/c Dr. To Bills Receivable

- C. Cash Dr. To Bank
D. Bills Payable Dr. To Bank
17. Bill ₹12,000 dishonoured, noting charges ₹300 paid by holder. Total recoverable:
A. ₹12,000
B. ₹12,300
C. ₹11,700
D. ₹300
18. Retirement of bill means:
A. Bill dishonoured
B. Bill paid before maturity
C. Bill lost
D. Bill renewed
19. Rebate allowed on retirement is:
A. Gain to drawer
B. Loss to acceptor
C. Gain to acceptor
D. Bad debt
20. On insolvency, debtor pays only part of amount. Unpaid part is:
A. Reserve
B. Bad debt/deficiency
C. Capital
D. Discount
21. A bill drawn without trade transaction is:
A. Trade bill
B. Inland bill
C. Accommodation bill
D. Demand bill
22. Cost control aims to
A. Increase wastage
B. Minimize cost without compromising quality
C. Ignore standards
D. Raise prices only
23. Abnormal cost should
A. Be included in product cost
B. Be transferred to Costing P&L
C. Be capitalized
D. Be ignored
24. Marginal cost includes
A. Fixed cost only
B. Variable cost only
C. Profit only
D. Sunk cost
25. Standard cost means
A. Actual cost
B. Estimated predetermined cost
C. Historical cost
D. Opportunity cost
26. Cost unit means
A. Cost Accounting centre
B. Unit for measuring output/service cost
C. Detail cost
D. Factory , Office , and Works
27. Conversion cost equals
A. Direct Material + Labour
B. Direct Labour + Factory Overheads
C. Prime Cost + Admin Cost
D. Sales – Profit
28. Opportunity cost means
A. Historical cost
B. Cost of next best alternative forgone
C. Factory cost
D. Selling cost
29. Which is not an element of Cost
A. Material
B. Labour
C. Expenses
D. Profit
30. Variable cost
A. Remains fixed
B. Changes with output
C. Is always indirect
D. Is always selling cost

Answers:

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

Topic

Module 2.
Algebra

Module 7.
Probability

FOUNDATION

Paper-3

Fundamentals
of Business
Mathematics and
Statistics (FBMS)

In this issue we will carry out MCQs on Algebra and probability--Refer Module 2 and Module 7 of Study guide

1. If $A = \{1, 2, 3, 4\}$, $B = \{3, 4, 5, 6\}$, then $A \cap B$ is
 - (a) $\{1, 2\}$
 - (b) $\{3, 4\}$
 - (c) $\{1, 2, 3, 4, 5, 6\}$
 - (d) $\{5, 6\}$
2. If $U = \{1, 2, 3, 4, 5, 6\}$ is the universal set and $A = \{2, 4, 6\}$ then A' is
 - (a) $\{1, 2, 3, 4, 5\}$
 - (b) $\{1, 2\}$
 - (c) $\{1, 3, 5\}$
 - (d) \emptyset
3. If $A = \{1, 2, 3\}$, $B = \{3, 4, 5\}$, then $A \cup B$
 - (a) $\{1, 2\}$
 - (b) $\{3, 4\}$
 - (c) $\{1, 2, 3, 4, 5\}$
 - (d) $\{3\}$
4. The quadratic equation $x^2 - 5x + 6 = 0$ has
 - (a) Two imaginary roots
 - (b) Two equal roots
 - (c) Two distinct negative real roots
 - (d) Two distinct positive real roots
5. If $A = \{1, 2, 3, 4\}$, $B = \{2, 3\}$, then $B \subseteq A$ means
 - (a) B is equal to A
 - (b) Every element of B is in A
 - (c) A is a subset of B
 - (d) $B \cap A = \emptyset$
6. For the quadratic equation $x^2 - 4x + k = 0$, if the equation has equal roots, then the value of k is
 - (a) 2
 - (b) 8
 - (c) 4
 - (d) 6
7. If one root of the quadratic equation $x^2 - 7x + 10 = 0$ is 5, then the other root is:
 - (a) 2
 - (b) -2
 - (c) 5
 - (d) -5
- Q8. For what value of k does the quadratic equation $x^2 - kx + 9 = 0$ have real and distinct roots?
 - (a) $k = 6$
 - (b) $k = -6$
 - (c) $|k| < 6$
 - (d) $|k| > 6$
- Q9. If the product of the roots of the quadratic equation $2x^2 - 5x + k = 0$ is $\frac{3}{2}$ then the value of k is
 - (a) $\frac{3}{2}$
 - (b) 1
 - (c) 3
 - (d) 2
10. If the roots of the equation $x^2 - 6x + 8 = 0$ are α and β , then the value of $\alpha^2 + \beta^2$ is
 - (a) 28
 - (b) 20
 - (c) 48
 - (d) 40
11. If the equation $x^2 + px + 9 = 0$ has roots that are equal in magnitude but opposite in sign, then the value of p is:
 - (a) 3
 - (b) 1
 - (c) 0
 - (d) -1
12. If $n(A) = 20$, $n(B) = 15$ and $n(A \cap B) = 5$, then $n(A \cup B)$ is
 - (a) 5
 - (b) 35
 - (c) 30
 - (d) 40
13. If $P(A) = \frac{6}{9}$ then the odds against the event is
 - (a) $\frac{3}{9}$
 - (b) $\frac{6}{3}$
 - (c) $\frac{3}{6}$
 - (d) $\frac{3}{15}$
14. If p:q are the odds in favour of an event, then the probability of that event is
 - (a) $\frac{p}{q}$
 - (b) $\frac{p}{p+q}$
 - (c) $\frac{q}{p+q}$
 - (d) None of these

15. The odds in favour of one student passing a test are 3:7. The odds against another student passing at are 3:5. The probability that both pass is
(a) $7/16$
(b) $21/80$
(c) $9/80$
(d) $3/16$
16. The odds in favour of one student passing a test are 3:7. The odds against another student passing at are 3:5. The probability that both fail is
(a) $7/16$
(b) $21/80$
(c) $9/80$
(d) $3/16$
17. A bag contains 20 discs numbered 1 to 20. A disc is drawn from the bag. The probability that the number on it is a multiple of 3 is
(a) $5/10$
(b) $2/5$
(c) $1/5$
(d) $3/10$
18. A number is selected from the set $S = \{1, 2, 3, 4, \dots, 25\}$. The probability, that it would be divisible by 4 or 7, is
(a) 0.26
(b) 0.46
(c) 0.36
(d) None of these
19. A bag contains 30 balls numbered from 1 to 30. One ball is drawn at random. The probability that the number of the drawn ball will be multiple of 3 or 7 is
(a) $7/15$
(b) $13/30$
(c) $1/2$
(d) None of these
20. If an unbiased coin is tossed twice, the probability of obtaining at least one tail is
(a) 0.25
(b) 0.50
(c) 0.75
(d) 1.00
21. Two unbiased coins are tossed. The probability of obtaining one head and one tail is
(a) $1/4$
(b) $2/4$
(c) $3/4$
(d) None
22. Three coins are tossed together. The probability of getting exactly two heads is
(a) $5/8$
(b) $3/8$
(c) $1/8$
(d) None
23. 4 coins are tossed. The probability that there are 2 heads is
(a) $1/2$
(b) $3/8$
(c) $1/8$
(d) None of these
24. Probability of throwing an even number with an ordinary six faced die is
(a) $1/2$
(b) 1
(c) 0
(d) $-1/2$
25. If two unbiased dice are rolled, what is the probability of getting points neither 6 nor 9?
(a) 0.25
(b) 0.50
(c) 0.75
(d) 0.80
26. If events A and B are such that $P(A|B) = P(A)$, then which of the following is necessarily true?
(a) $A \subseteq B$
(b) A and B are mutually exclusive
(c) A and B are independent
(d) $P(B|A) = 0$
27. Probability theory is often referred to as
(a) Science of prediction
(b) Science of uncertainty

- (c) Science of chance
(d) Science of decision making
28. A golfer has 12 golf shirts in his closet. Suppose 9 of these shirts are white and the others blue. He gets dressed in the dark. So he just grabs a shirt and puts it on. He plays golf three days in a row and does not launder and return the used shirts to the closet. The likelihood that all the three shirts selected are white is
- (a) 0.38
(b) 0.55
(c) 0.75
(d) 0.16
29. All possible outcomes of a random experiment forms the
- (a) Events
(b) Sample
(c) Both
(d) None
30. When we use relative frequency approach to establish probabilities, our probability figure
- (a) Will lose accuracy as we increase the number of observations
(b) Will gain accuracy as we decrease the number of observations
(c) Will gain accuracy as we increase the number of dependent observations
(d) Will gain accuracy as we increase the number of observations

Answers:

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

Suggestions:

The study guide needs to be read 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.

Topic

Module 1.
Basic Concepts

Module 2.
Forms of Market

Module 5.
Fundamentals of
Management

FOUNDATION

Paper-4

Fundamentals of
Business Economics
and Management
(FBEM)

TIPS FOR THE MONTH OF APRIL 2026

FUNDAMENTALS OF BUISNESS ECONOMICS AND MANAGEMENT

Let us start our usual mock test:

I. Choose the correct answer:

1. Who proposed the growth definition of economics?
 - A. Keynes
 - B. Marshall
 - C. Samuelson
 - D. Pigou
2. What is the normal shape of the PPF curve?
 - A. Concave to the origin
 - B. Convex to the origin
 - C. Straight line rising upward to the right
 - D. None of the above
3. If the seller sells at a fixed market price, then the MR curve will be
 - A. Vertical
 - B. Horizontal
 - C. Upward rising
 - D. Downward falling
4. If the seller has to reduce the price to increase sales, then with an increase in sales
 - A. Both AR & MR will rise
 - B. AR falls & MR rises
 - C. Both AR & MR will fall
 - D. MR falls & AR rises
5. Ceteris paribus means other things remaining
 - A. Negatively changed
 - B. Positively changed
 - C. Constant
 - D. None of the above
6. If the quantity demanded for good X is given by: $Q_x = K/P_x$, where, $K > 0$, $P_x = \text{Price of good X}$, Then the MR curve is
 - A. Downward sloping
 - B. Indeterminate
 - C. Flat (horizontal) and lies above the horizontal axis
 - D. Coincides with the horizontal axis
7. For a normal demand curve the MR curve will
 - A. Appear below the demand curve
 - B. Appear above the demand curve
 - C. Parallel to the demand curve
 - D. None of the above
8. When both AR and MR are downward sloping straight lines, then the absolute slope of the AR curve will be
 - A. Twice that of the MR curve
 - B. Half of that of the MR curve
 - C. Equal to that of the MR curve
 - D. None of the above
9. The third phase of returns to a variable factor shows
 - A. Diminishing returns
 - B. Increasing returns
 - C. Negative returns
 - D. None of the above
10. When TP curve becomes an upward sloping straight line passing through the origin, then the $MP = AP$ curve becomes
 - A. Horizontal
 - B. Vertical
 - C. Upward sloping
 - D. Downward sloping
11. In the long run, the possibility of greater technical division of labour in any factory leads to
 - A. Decreasing returns to scale
 - B. Constant returns to scale
 - C. Increasing returns to scale
 - D. None of the above
12. The MR curve of a competitive firm becomes
 - A. Vertical
 - B. Horizontal
 - C. Upward rising
 - D. None of the above

13. The long run equilibrium of a firm under perfect competition indicates that the plant size will be
- Below optimum size
 - Over optimum size
 - Optimum size
 - None of the above
14. If $SAC=AR$ of a competitive firm at its short-run equilibrium point, then it is called
- Shut down point
 - Break-even point
 - Turning point
 - None of the above
15. A monopoly firm sells equilibrium quantity corresponding to which the price elasticity of demand is
- Relatively inelastic
 - Relatively elastic
 - Unit elastic
 - Perfectly inelastic
16. At the profit maximizing output level of a monopolist, the marginal cost curve has to be upward rising
- True
 - False
 - Not necessarily true
 - Usually false
17. A monopolist does not have a supply curve for its product because
- It is a price taker in the product market
 - It can select both its output and its price
 - The price is always fixed by the Govt.
 - None of the above
18. Inflation means
- High price situation
 - Stable price situation
 - Rising price situation
 - None of these
19. Monetary policy means
- Change in money supply of the economy
 - Change in the tax rate of the economy
 - Change in the Govt. expenditure of the economy
 - All of these
20. Product differentiation is the other name of which one of the following market form?
- Perfect competition
 - monopoly
 - monopolistic competition
 - none of the above
21. OPEC countries form a cartel under
- monopoly
 - oligopoly
 - monopolistic competition
 - None of the above
22. Leadership is a part of
- Organization
 - Management
 - Both A & B
 - None of the above
23. Accountability is the liability created for the use of
- Authority
 - Responsibility
 - Accountability
 - All of the above
24. The process of co-ordination must begin in the early stages of
- Control
 - Planning
 - Organizing
 - Staffing
25. The premises which can be controlled by the management are known as
- Internal premises
 - External premises
 - Controllable premises
 - Tangible premises
26. Which of the following is not an agency cost?
- Residual loss

- B. Bonding costs
C. Concurrent loss
D. Monitoring costs
27. Introduction of a person to the job and the organization is called
A. Induction
B. Placement
C. Orientation
D. None of the above
28. Which of the following are the methods of off-the-job training?
A. Role playing
B. Case studies
C. Lectures and classroom instruction
D. All of the above
29. Selection of language in which the message is to be given is called
A. Medium
B. Decoding
C. Encoding
D. Feedback
30. Informal means of circulating the information is called as
A. Grapevine
B. Verbal
C. Horizontal
D. Written

Answers:

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

So friends!

Hope you have enjoyed this mock test. But please do not consult the key before you finish off solving all the problems given in this mock test. Keep a record of the test result so that you can measure your progress yourself. Best of luck for your exam !!!

CMA INTERMEDIATE COURSE

Syllabus 2026

Topic

Module 9.
Employees
Provident Fund
and Miscellaneous
Provisions Act, 1952

Module 10.
Employees State
Insurance Act, 1948

INTERMEDIATE

Group I - Paper-5

Business Laws and Ethics (BLE)

Overview of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952

Introduction

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act) is one of the most important social security legislations in India. The Act was enacted to provide financial security and retirement benefits to employees employed in factories and other establishments. It establishes compulsory contributory schemes relating to provident fund, pension, and insurance for employees working in the organized sector.

Before the enactment of the Act, industrial workers had limited financial protection after retirement, disablement, or death. Industrialization after independence increased the need for a statutory social security system to provide economic protection to employees and their families. The Act therefore reflects the constitutional principles of social justice and labour welfare.

The Employees' Provident Fund Organisation (EPFO), functioning under the Ministry of Labour and Employment, administers the Act and the schemes framed under it. The EPF system presently covers millions of employees across India.

Objectives of the Act

The major objectives of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 are:

- To provide provident fund benefits to employees after retirement.
- To encourage compulsory savings among employees.
- To provide pension benefits to employees and their dependants.
- To provide insurance benefits in case of death during service.
- To provide financial security during old age, disablement, and emergencies.
- To promote labour welfare and industrial stability.

The Act seeks to ensure long-term economic protection to employees and their families.

Scope and Applicability

The Act extends to the whole of India.

Under Section 1(3), the Act applies to:

- Every establishment which is a factory engaged in any industry specified in Schedule I and employing 20 or more persons;
- Any other establishment employing 20 or more

persons which the Central Government may notify in the Official Gazette.

The Central Government has extended the provisions of the Act to various establishments such as:

- Educational institutions;
- Hospitals;
- Hotels;
- Restaurants;
- Transport establishments;
- Commercial establishments;
- Other notified establishments.

Under Section 1(4), establishments employing less than 20 persons may voluntarily seek coverage under the Act with the consent of the employer and majority of employees.

Under Section 16, the Act does not apply to:

- Cooperative societies employing less than 50 persons and working without the aid of power;
- Certain establishments set up under Central or State Acts whose employees are entitled to contributory provident fund or pension benefits under those Acts.

Once the Act becomes applicable to an establishment, it continues to apply notwithstanding reduction in the number of employees below the statutory limit.

Important Definitions

(i) Employee

Under Section 2(f), employee means any person employed for wages in any kind of work, manual or otherwise, in or in connection with the work of an establishment.

(ii) Employer

Under Section 2(e), employer means:

- In relation to a factory, the owner or occupier of the factory;
- In relation to any other establishment, the person who has ultimate control over the affairs of the establishment.

(iii) Basic Wages

Under Section 2(b), basic wages means all emoluments earned by an employee while on duty or on leave in accordance with the terms of employment and paid or payable in cash.

Basic wages exclude:

- Cash value of food concession;
- Dearness allowance;
- House rent allowance;
- Overtime allowance;
- Bonus;
- Commission;
- Any other similar allowance.

(iv) Exempted Establishment

Under Section 2(ff), exempted establishment means an establishment granted exemption under Section 17 from the operation of any scheme under the Act because the benefits provided are not less favourable than the statutory benefits.

Major Schemes under the Act

The Act provides three major schemes:

1. Employees' Provident Fund Scheme, 1952
2. Employees' Pension Scheme, 1995
3. Employees' Deposit Linked Insurance Scheme, 1976

1. Employees' Provident Fund Scheme, 1952

The Employees' Provident Fund Scheme is framed under Section 5 of the Act.

Under Section 6 of the Act:

- The employer and employee are each required to contribute 10% of basic wages, dearness allowance, and retaining allowance (if any).
- Under the proviso to Section 6, the Central Government may specify by notification that the contribution rate shall be 12% for specified establishments or classes of establishments.

Accordingly, in respect of establishments notified by the Central Government, both employer and employee contribute 12% of basic wages, dearness allowance, and retaining allowance (if any).

The contributions are credited to the provident fund account of the employee.

The accumulated amount becomes payable in cases of:

- Retirement;
- Permanent and total disablement;
- Migration abroad for permanent settlement;
- Termination of service in specified circumstances;
- Death of the employee.

Partial Withdrawals

Partial withdrawals from provident fund accumulation are permitted under the Scheme for specified purposes, including:

- Purchase or construction of house;
- Repayment of housing loan;
- Medical treatment;
- Marriage expenses;
- Higher education.

The conditions and limits for withdrawal are governed by the Employees' Provident Fund Scheme, 1952.

2. Employees' Pension Scheme, 1995

The Employees' Pension Scheme is framed under Section 6A of the Act.

Under Paragraph 3 of the Employees' Pension Scheme, 1995:

- Out of the employer's contribution, 8.33% of the employee's pay is contributed towards the Pension Fund.
- Under Paragraph 2(21) of the Scheme, "pay" means basic wages, dearness allowance, and retaining allowance (if any).
- The wage ceiling prescribed under the Employees' Pension Scheme is ₹15,000 per month pursuant to the Employees' Pension (Amendment) Scheme, 2014 with effect from 1 September 2014.

Accordingly, the maximum monthly contribution towards the Pension Fund is calculated as follows:

$$8.33\% \times 15000 = 1249.50$$

Therefore, the maximum monthly contribution towards the Employees' Pension Scheme is ₹1,249.50.

The balance of the employer's contribution is credited to the Provident Fund account.

The pension scheme provides:

- Superannuation pension;
- Reduced pension;
- Disablement pension;
- Widow pension;
- Children pension;
- Orphan pension.

An employee becomes eligible for superannuation pension after rendering 10 years of eligible service and attaining the age of 58 years.

Reduced pension may be availed after attaining the age of 50 years.

3. Employees' Deposit Linked Insurance Scheme, 1976

The Employees' Deposit Linked Insurance Scheme is framed under Section 6C of the Act.

Under the Scheme:

- The employer contributes towards the insurance fund at the rate prescribed by the Central Government, not exceeding 1% of wages.
- The present rate prescribed under the Scheme is 0.5% of wages.
- No contribution is payable by the employee.

The Scheme provides insurance benefits to the nominee or family members of an employee who dies while in service.

The maximum benefit payable under the Scheme is prescribed under the Scheme provisions.

Contributions under the Act

The contribution system forms the foundation of the EPF framework.

(i) Employer's Contribution

Under Section 6:

- The employer contributes 10% of basic wages, dearness allowance, and retaining allowance (if any).
- In establishments notified by the Central Government under the proviso to Section 6, the contribution rate is 12%.

Out of the employer's contribution:

- 8.33% of the employee's pay, subject to the wage ceiling of ₹15,000 per month, is contributed towards the Employees' Pension Scheme;
- The balance is credited to the Provident Fund account.

The employer is also required to contribute towards the Employees' Deposit Linked Insurance Scheme at the prescribed rate.

(ii) Employee's Contribution

The employee contributes an amount equal to the employer's contribution towards the provident fund account.

Employees may voluntarily contribute a higher amount under the Voluntary Provident Fund (VPF) Scheme.

(iii) Interest on Provident Fund

Interest is credited annually to provident fund accounts at the rate declared by the Central Government in consultation with the Central Board of Trustees.

Duties and Responsibilities of Employers

Employers are required to:

- Register eligible establishments under the Act;
- Deduct employee contributions;
- Deposit employer and employee contributions within the prescribed time;
- Maintain records and registers;
- File statutory returns;
- Assist employees in obtaining benefits;
- Cooperate with inspection authorities.

Failure to deposit provident fund contributions deducted from employees' wages constitutes an offence under the Act.

Administration and Enforcement

The Act is administered by the Employees' Provident Fund Organisation (EPFO).

The Central Board of Trustees administers the EPFO and consists of representatives of:

- Central Government;
- State Governments;
- Employers;
- Employees.

The Act provides for appointment of:

- Central Provident Fund Commissioner;
- Additional Central Provident Fund Commissioners;
- Deputy Provident Fund Commissioners;
- Regional Provident Fund Commissioners;
- Enforcement Officers.

These authorities ensure compliance with the provisions of the Act and Schemes.

Offences and Penalties

Under Section 14 of the Act:

- Failure to pay contributions, administrative charges, or inspection charges may result in imprisonment up to 3 years and fine.
- Default in payment of employee contribution

deducted from wages attracts imprisonment for a term not less than 1 year and fine of ₹10,000, unless the court records adequate and special reasons for imposing lesser punishment.

The Act also permits:

- Recovery proceedings;
- Attachment of bank accounts and property;
- Levy of damages and interest for delayed payment.

Important Judicial Decisions

Organo Chemical Industries v. Union of India

The Supreme Court held that damages imposed for delayed payment of provident fund contributions are intended to ensure employer discipline and protect employee welfare.

Regional Provident Fund Commissioner v. Hooghly Mills Co. Ltd.

The Supreme Court held that the EPF Act is a beneficial social welfare legislation and must be interpreted liberally in favour of employees.

Daily Partap v. Regional Provident Fund Commissioner

The Court held that employees satisfying the statutory conditions are entitled to provident fund benefits under the Act.

Recent Developments and Reforms

The EPFO has introduced several digital reforms, including:

- Universal Account Number (UAN);
- Online transfer and withdrawal facilities;
- Aadhaar-based verification;
- Online grievance redressal system;
- Digital compliance portals.

The Code on Social Security, 2020 seeks to consolidate various labour welfare legislations, including the EPF Act.

Conclusion

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 is a landmark social welfare legislation providing provident fund, pension, and insurance benefits to employees. Through compulsory contributions made by employers and employees, the Act provides financial security during retirement, disablement, and death.

The legislation reflects the constitutional objective of social justice by protecting the long-term economic interests of employees and their families. Judicial interpretation and administrative reforms have strengthened the implementation of the Act and expanded social security protection to millions of workers in India.

Overview of the Employees' State Insurance Act, 1948

Introduction

The Employees' State Insurance Act, 1948 (ESI Act) is one of the most important social welfare legislations in India. The Act was enacted to provide medical care and cash benefits to employees in cases of sickness, maternity, disablement, employment injury, and death arising out of employment. It establishes a contributory social insurance system funded by employers and employees.

The Act came into force on 24 February 1952 and is administered by the Employees' State Insurance Corporation (ESIC), an autonomous body established under the Act. The legislation reflects the constitutional objective of social justice and labour welfare by ensuring financial and medical protection to employees and their dependants.

Prior to the enactment of the ESI Act, industrial workers had limited access to healthcare and no organized system of compensation during illness or workplace accidents. The growth of industries after independence created the need for a statutory social insurance mechanism to protect workers against economic hardship caused by health-related contingencies.

Objectives of the Act

The major objectives of the Employees' State Insurance Act, 1948 are:

- To provide medical care to insured employees and their dependants.
- To provide cash benefits during sickness and maternity.
- To compensate employees for employment injury and occupational disease.
- To provide financial assistance during temporary or permanent disablement.
- To provide dependants' benefits in case of death due to employment injury.
- To promote labour welfare and social security.

The Act seeks to ensure that employees and their families are protected against financial hardship arising from health-related risks.

Scope and Applicability

The Employees' State Insurance Act extends to the whole of India.

Under Section 2(12), the Act applies to:

- Factories employing 10 or more persons and carrying on a manufacturing process with the aid of power;

- Non-power using factories and notified establishments employing 20 or more persons, subject to State Government notification.

The appropriate government may extend the provisions of the Act to shops, hotels, restaurants, cinemas, road transport undertakings, newspaper establishments, educational institutions, medical institutions, and other establishments under Section 1(5).

Once the Act becomes applicable to a factory or establishment, it continues to apply notwithstanding reduction in the number of employees below the statutory limit.

Wage Limit for Coverage

The ESI scheme applies to employees whose wages do not exceed the wage ceiling prescribed by the Central Government.

At present:

- Employees earning wages up to ₹21,000 per month are covered under the Act.
- Employees with disabilities earning wages up to ₹25,000 per month are covered under the Act.

There is no minimum service requirement for coverage under the Act. An employee becomes an insured person from the date of insurable employment.

Important Definitions

(i) Employee

Under Section 2(9), an employee means any person employed for wages in or in connection with the work of a factory or establishment to which the Act applies.

The term includes:

- Persons directly employed by the principal employer;
- Persons employed through an immediate employer or contractor;
- Persons whose services are temporarily lent or hired to the principal employer.

(ii) Employer

Under Section 2(17), principal employer means:

- The owner or occupier of the factory;
- The head of the department in a government establishment;
- The person responsible for supervision and control of the establishment.

(iii) Insured Person

Under Section 2(14), an insured person means a person who is or was an employee in respect of whom contributions are payable under the Act.

(iv) Wages

Under Section 2(22), wages include all remuneration paid or payable in cash to an employee if the terms of the contract of employment are fulfilled.

Wages include:

- Basic pay;
- Dearness allowance;
- City compensatory allowance;
- Incentive allowance;
- House rent allowance.

Wages exclude:

- Employer contribution to provident fund or pension;
- Travelling allowance;
- Gratuity payable on discharge.

Contributions under the Act

The ESI scheme operates through contributions made by employers and employees.

(i) Employer's Contribution

The employer contributes 3.25% of wages payable to the employee.

(ii) Employee's Contribution

The employee contributes 0.75% of wages.

(iii) Exemption from Employee Contribution

Employees earning average daily wages up to ₹176 are exempt from payment of employee contribution under the Employees' State Insurance (Central) Rules. However, the employer is required to pay his contribution.

Contribution Period and Benefit Period

The scheme operates through contribution periods and corresponding benefit periods.

Contribution Period	Benefit Period
1 April – 30 September	1 January – 30 June
1 October – 31 March	1 July – 31 December

Eligibility for benefits is determined on the basis of

contributions paid during the corresponding contribution period.

Benefits under the Act

The ESI Act provides medical and cash benefits to insured persons and their dependants.

1. Medical Benefit

Under Section 56, medical benefit is provided to insured persons and their family members.

Medical benefit includes:

- Outpatient treatment;
- Hospitalization;
- Specialist services;
- Supply of medicines;
- Diagnostic services.

Medical facilities are provided through ESI hospitals, dispensaries, and empanelled institutions.

2. Sickness Benefit

Under Section 49, sickness benefit is payable to an insured person in case of certified sickness resulting in absence from work.

- The benefit is payable at the rate of 70% of average daily wages.
- The benefit is payable for a maximum period of 91 days in two consecutive benefit periods.
- The insured person must have contributed for at least 78 days in the corresponding contribution period.

3. Extended Sickness Benefit

Extended Sickness Benefit is payable to insured persons suffering from specified long-term diseases.

- The benefit is payable at the rate of 80% of average daily wages.
- The benefit is payable for a period of 124 days, extendable up to two years for specified diseases.
- The insured person must satisfy the prescribed contribution conditions.

Specified diseases include tuberculosis, cancer, chronic renal failure, and mental diseases notified under the ESI Regulations.

4. Maternity Benefit

Under Section 50, maternity benefit is payable to insured women employees.

Maternity benefit is payable in cases of:

- Confinement;
- Miscarriage;
- Sickness arising out of pregnancy, confinement, premature birth of child, or miscarriage.
- The benefit is payable at the rate of 100% of average daily wages.
- Maternity benefit is payable for a period of 26 weeks in case of confinement.
- In case of miscarriage, the benefit is payable for 6 weeks.
- Additional benefit for sickness arising out of pregnancy is payable for a period not exceeding one month.
- The insured woman must have contributed for at least 70 days in the immediately preceding two contribution periods.

5. **Disablement Benefit**

Disablement benefit is payable in case of employment injury or occupational disease.

Temporary Disablement Benefit

- The benefit is payable from the first day of entering insurable employment.
- The benefit is payable at the rate of 90% of average daily wages.
- The benefit continues so long as the temporary disablement lasts and is medically certified.

Permanent Disablement Benefit

- Permanent Disablement Benefit is payable where the employment injury results in permanent loss of earning capacity.
- The benefit is payable at the rate of 90% of average daily wages.
- The amount payable is proportionate to the loss of earning capacity determined by the Medical Board.

6. **Dependants' Benefit**

Under Section 52, dependants' benefit is payable to the dependants of an insured person who dies due to employment injury or occupational disease.

- The benefit is payable at the rate of 90% of average daily wages.
- The benefit is distributed among eligible dependants in accordance with the Act and Regulations.

Eligible dependants include:

- Widow;
- Legitimate or adopted children;
- Widowed mother.

7. **Funeral Expenses**

Under Section 46(1)(f), funeral expenses are payable upon the death of an insured person.

- The amount payable is ₹15,000.
- The payment is made to the eldest surviving family member or the person who incurs the funeral expenditure.

Administration of the Act

The Employees' State Insurance Corporation (ESIC) administers the Act.

The Corporation consists of representatives of:

- Central Government;
- State Governments;
- Employers;
- Employees;
- Medical profession;
- Parliament.

The Director General is the chief executive officer of the Corporation.

The ESIC administers contribution collection, medical facilities, hospitals, dispensaries, and payment of benefits.

Duties and Responsibilities of Employers

Employers are required to:

- Register factories and establishments under the ESI scheme;
- Register eligible employees;
- Deduct and deposit contributions;
- Maintain records and registers;
- Submit returns to ESIC authorities;
- Facilitate inspections and inquiries.

Failure to comply with these obligations attracts penalties under the Act.

Penalties under the Act

Under Section 85 of the Employees' State Insurance Act, 1948:

- Failure to pay contribution, wrongful deduction

of employee contribution, or non-submission of returns may result in imprisonment up to 3 years and fine up to ₹10,000.

- In case of default in payment of contribution, the minimum punishment shall be 1 year imprisonment and fine of ₹10,000, unless the court records adequate and special reasons for imposing lesser punishment.

Judicial Interpretation

Employees' State Insurance Corporation v. Ramanuja Match Industries

The Supreme Court held that the ESI Act is a beneficial social welfare legislation and must be interpreted liberally in favour of employees.

Regional Director, ESI Corporation v. Francis De Costa

The Court held that employment injury must arise “out

of and in the course of employment” to qualify for disablement benefit under the Act.

Conclusion

The Employees' State Insurance Act, 1948 is a landmark social welfare legislation providing medical care and income security to employees during sickness, maternity, disablement, and employment injury. Through a contributory insurance mechanism funded by employers and employees, the Act protects workers and their dependants against economic hardship arising from health-related contingencies.

The legislation reflects the constitutional commitment towards labour welfare and social justice. Over the years, the ESI scheme has expanded significantly and continues to remain an essential component of India's social security framework. Strengthening healthcare infrastructure, improving compliance, and extending coverage to emerging forms of employment will further enhance the effectiveness of the Act in modern industrial society.

Topic

Module 5.
Lease Accounting

Module 8.
Hire Purchase and
Installment Sale
Transactions

INTERMEDIATE

Group I - Paper-6
Financial Accounting
(FA)

Lease Accounts / Hire Purchase and Instalment Sale Transactions

Lease Accounts

Lease accounting is the process by which companies account for leases (agreements to use an asset for a period in exchange for payment). Lease transactions can have significant effects on a company's financial statements, including its balance sheet, income statement, and cash flow.

A lease is a contractual agreement where one party (the lessor) provides an asset for use by another party (the lessee) in exchange for periodic payments. Leases are an essential financial tool for companies, as they allow access to expensive equipment or property without the immediate need for full ownership.

Leases can be categorized into several types based on factors like the ownership rights, the nature of the contract, the accounting treatment, and the type of asset. Understanding these different types of leases is crucial for both lessors and lessees.

Types of Leases

There are two primary types of leases under modern accounting standards:

1. Finance Lease (Capital Lease)

A finance lease, also known as a capital lease, is a type of lease in which the lessee assumes all the risks and rewards associated with ownership of the leased asset. Although the lessor retains legal ownership, the lessee records the asset on their balance sheet as if they own it. This type of lease is typically long-term, and the asset is generally used for most or all of its useful life.

- The lease transfers ownership of the asset to the lessee at the end of the lease term (in some cases).
- The lessee has the option to purchase the asset at a bargain price at the end of the lease.
- The lease term is usually for a significant portion of the asset's useful life.
- The present value of lease payments is equal to or exceeds the asset's fair value.
- The lessee capitalizes the lease by recognizing both a **right-of-use asset** and a corresponding **lease liability**.

2. Operating Lease

An operating lease is more like a rental agreement where the lessee uses the asset but does not take on the risks and rewards of ownership. The asset is returned to the lessor at the end of the lease term. This lease is typically short-term and is used for assets that are not intended to be purchased.

Key Features:

- The lessee does not assume ownership of the asset at the end of the lease.
- The lease term is usually shorter than the asset's economic life.
- Lease payments are considered operational expenses.
- No asset or liability is recorded on the balance sheet by the lessee (under older standards; under IFRS 16 and ASC 842, most leases must now be capitalized).

Journal Entries for Lease Accounting

Example 1: Initial Recognition (Finance Lease)

Lessor's Books:

- Debit: Lease Receivable (Present value of lease payments)
- Credit: Asset (Carrying value of the asset)

Lessee's Books:

- Debit: Right-of-Use Asset (Present value of lease payments)
- Credit: Lease Liability (Present value of lease payments)

Example 2: Lease Payment (Finance Lease)

Lessor's Books:

- Debit: Cash (Amount of payment received)
- Credit: Lease Receivable (Reduction in lease receivable)

Lessee's Books:

- Debit: Lease Liability (Reduction in lease liability)
- Debit: Interest Expense (Interest on lease liability)
- Credit: Cash (Amount of lease payment)

Hire Purchase and Instalment Sale Transactions

Hire Purchase and Instalment Sale Transactions are methods of purchasing goods or assets where the payment is made in installments over time rather than a lump sum. These methods allow buyers to acquire assets without immediate full payment.

Hire Purchase System

In a Hire Purchase agreement, the buyer (hirer) takes possession of the asset immediately but does not own it until the final installment is paid. The ownership (title) of

the asset transfers to the buyer only after the payment of all installments. It is typically used for purchasing goods such as vehicles, machinery, and equipment.

Key Features of Hire Purchase:

- **Possession:** The buyer gets possession of the asset immediately.
- **Ownership:** Ownership remains with the seller (financier) until the last installment is paid.
- **Default:** If the buyer defaults, the seller can reclaim the asset.
- **Interest:** Interest is charged on the outstanding balance.
- **Rights:** The buyer has the right to use the asset but not to sell or transfer it until ownership passes.

Accounting Treatment in Hire Purchase:

- The asset is shown in the buyer's books even though ownership hasn't transferred.
- The interest is treated as a finance cost and spread over the period of the agreement.
- Each installment payment is split into two parts: principal repayment and interest.

Journal Entries:

- On Purchase of Asset (initial recognition):**
 - Debit: Asset Account
 - Credit: Hire Vendor Account (for the cost of the asset)
- For Interest Payment:**
 - Debit: Interest Expense Account
 - Credit: Hire Vendor Account
- For Installment Payment:**
 - Debit: Hire Vendor Account
 - Credit: Cash/Bank Account

Instalment Sale System

In an Instalment Sale transaction, ownership of the asset is transferred to the buyer immediately upon signing the agreement. However, the payment is made over several installments. If the buyer defaults, the seller cannot reclaim the asset as ownership has already transferred.

Key Features of Instalment Sale:

- **Possession and Ownership:** Both possession and ownership are transferred to the buyer at the time of sale.
- **Default:** If the buyer defaults, the seller cannot take back the asset but may seek legal remedies.
- **Interest:** Interest is usually charged on the outstanding balance.
- **Security:** Sometimes, the asset serves as security for the unpaid installments.

Accounting Treatment in Instalment Sale:

- The buyer records the asset at its full cost in the books.
- Interest is recognized as an expense over time.
- Each installment payment is split between principal and interest.

Journal Entries:

- On Purchase of Asset:**
 - Debit: Asset Account
 - Credit: Instalment Vendor Account
- For Interest Payment:**
 - Debit: Interest Expense Account
 - Credit: Instalment Vendor Account
- For Installment Payment:**
 - Debit: Instalment Vendor Account
 - Credit: Cash/Bank Account

Key Differences Between Hire Purchase and Instalment Sale

Aspect	Hire Purchase	Instalment Sale
Ownership Transfer	After the last installment is paid.	Immediately upon signing the agreement.
Seller's Rights in Default	Can repossess the asset.	Cannot repossess; may sue for damages.
Interest Treatment	Interest on the outstanding balance.	Interest on the outstanding balance.
Legal Rights	Buyer has possession but not ownership.	Buyer has both possession and ownership.
Accounting Treatment	Asset recorded at cost with ownership conditional.	Asset recorded with immediate ownership.

Questions

1. Which of the following is recognized on the lessee's balance sheet under a finance lease?
 - a) Lease payments only
 - b) Right-of-use asset and lease liability
 - c) Only lease expense
 - d) Depreciation only
2. What is the right-of-use asset in lease accounting?
 - a) The physical asset being leased
 - b) The lease payments made over the lease term
 - c) The lessee's right to use the leased asset
 - d) The present value of the lease payments
3. What is the main difference between a finance lease and an operating lease for the lessee?
 - a) A finance lease requires asset ownership at the end of the lease term
 - b) A finance lease recognizes both the asset and liability on the balance sheet, whereas an operating lease only recognizes expenses
 - c) Operating leases are always shorter in duration
 - d) A finance lease does not involve lease payments
4. In a finance lease, what is the journal entry for lease payments made by the lessee?
 - a) Debit: Lease Liability, Credit: Cash
 - b) Debit: Lease Expense, Credit: Lease Liability
 - c) Debit: Lease Liability, Credit: Lease Receivable
 - d) Debit: Cash, Credit: Lease Receivable
5. In an operating lease, how are lease payments recognized in the lessee's books?
 - a) As a liability
 - b) As an asset
 - c) As an expense
 - d) As a revenue
6. Which of the following is true about an instalment sale?
 - a) Ownership is transferred immediately.
 - b) Ownership is retained by the seller until the last installment is paid.
 - c) The buyer has no legal right to use the asset until full payment.
 - d) Interest is not charged in an instalment sale.
7. In a hire purchase agreement, what happens if the buyer defaults on payments?
 - a) The seller sues for damages.
 - b) The seller repossesses the asset.
 - c) The buyer continues to own the asset.
 - d) The agreement is renegotiated.
8. Which accounting entry is common to both hire purchase and instalment sale transactions?
 - a) Debit Asset Account
 - b) Credit Interest Expense Account
 - c) Debit Hire Vendor Account
 - d) Debit Bank Account
9. In an instalment sale, what does the first installment include?
 - a) Only principal repayment
 - b) Only interest payment
 - c) Both principal and interest
 - d) Neither principal nor interest
10. In an instalment sale, the seller's recourse in case of default is:
 - a) Repossessing the asset
 - b) Retaining ownership
 - c) Suing for unpaid installments
 - d) Re-negotiating the contract.

Answers:

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

Topic

Module 5.
Goods and Services
Tax (GST) Laws

INTERMEDIATE

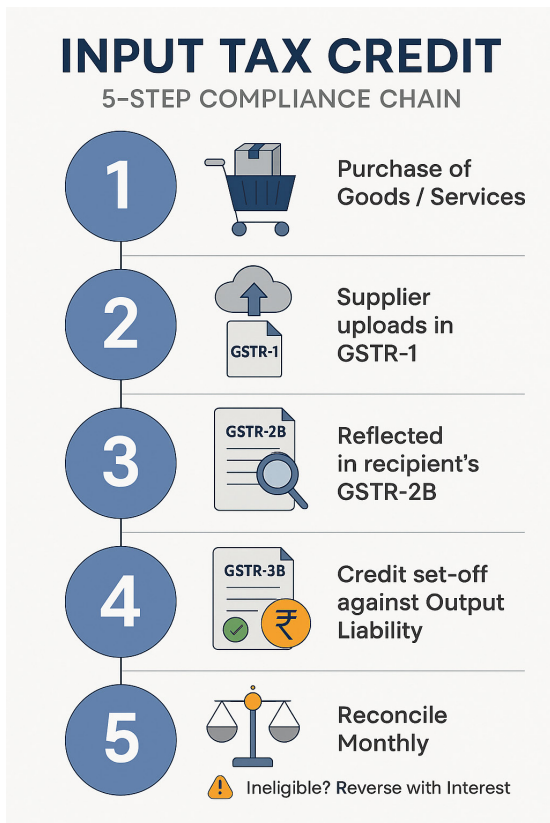
Group I - Paper-7

Input Tax Credit

Input Tax Credit (ITC) is widely considered the lifeblood of the GST regime. By allowing registered taxpayers to set off the tax paid on inward supplies against their output tax liability, ITC actively breaks the chain of cascading taxes and safeguards business liquidity. However, this critical financial benefit is heavily guarded by strict statutory conditions, matching requirements, and blocked credits. Navigating the ITC framework requires not just a theoretical understanding, but a strategic approach to ensure seamless compliance and optimal tax efficiency.

Understanding Input Tax Credit

Input Tax Credit allows a registered person to claim credit for the GST paid on purchases of goods, services, or capital goods used in the course or furtherance of business. It ensures tax is levied only on the value addition, thereby avoiding 'tax on tax'.



Mechanism of ITC

The credit mechanism is structured to ensure seamless flow of tax credit across the supply chain. ITC is available on:

- Inputs – Goods used in production or supply.
- Input Services – Services used in the business.
- Capital Goods – Plant, machinery, and equipment used in business.

The eligible tax paid on these components can be offset against the outward tax liability, thereby reducing the net payable tax.

Conditions for Availing ITC




To claim ITC, the following criteria must be satisfied:

Condition	Requirement
Registration under GST	Only registered persons are eligible.
Possession of Tax Invoice	Valid tax invoice or document required.
Receipt of Goods/ Services	The goods/services must have been actually received.
Tax Payment by Supplier	The supplier must have paid the tax to the government.
Return Filing Compliance	Supplier has reported the invoice in GSTR 1; and GSTR-3B must be filed by the taxpayer to claim ITC.
Business Use	Inputs must be used for business (not personal use).
Statutory Time Limit	ITC must be claimed on or before the 30th of November following the end of the financial year, or the date of filing the relevant Annual Return, whichever is earlier.

Blocked Credits under GST

Section 17(5) of the CGST Act lists specific goods and services for which ITC is not allowed, known as blocked credits. These include:

Category	Description
Motor Vehicles	Except when used for transportation of goods or certain specified services.
Personal Consumption	Goods/services used for non-business, gifts, CSR activities, or personal use.

Category	Description
 Food, Beverages & Club Services	ITC not allowed unless used to make an outward taxable supply.
 Works Contract	Restricted for immovable property (other than plant and machinery) unless for further supply of such service.
 Employee Benefits	Travel, health insurance, etc., unless mandatory under any law.

Strategies for Maximizing ITC Benefits

To fully leverage ITC provisions, businesses may adopt the following strategies:

STRATEGIES FOR MAXIMIZING ITC BENEFITS

To fully leverage ITC provisions, businesses may adopt the following strategies:



Ensure Timely Compliance

File returns and reconcile GSTR-2B with purchase registers regularly



Vendor Due Diligence

Ensure vendors are GST-compliant and taxes are properly deposited



Efficient Documentation

Maintain valid invoices and records to support ITC claims



Monitor Reverse Charge

Where applicable, discharge liability under reverse charge and claim eligible ITC



Segregate Non-Eligible Inputs

Clearly demarcate business and personal use to avoid ineligible claims

- **Ensure Timely Compliance:** File returns and reconcile GSTR-2B with purchase registers regularly.
- **Vendor Due Diligence:** Ensure vendors are GST-compliant and taxes are properly deposited.
- **Efficient Documentation:** Maintain valid invoices and records to support ITC claims.
- **Monitor Reverse Charge:** Where applicable, discharge liability under reverse charge and claim eligible ITC.
- **Segregate Non-Eligible Inputs:** Clearly demarcate business and personal use to avoid ineligible claims.

Conclusion

Input Tax Credit serves as a cornerstone in achieving tax neutrality under GST. It not only reduces the effective cost of goods and services but also enhances business liquidity. However, the benefit of ITC comes with the responsibility of strict compliance and due diligence. Businesses must stay updated with statutory changes, especially those concerning blocked credits and supplier compliance. A proactive ITC management strategy can significantly enhance tax efficiency and ensure smooth functioning in the GST ecosystem.

Topic

Module 6.
Cost Accounting
Techniques

INTERMEDIATE

Group I - Paper-8
Cost Accounting
(CA)

Standard Costing And Variance Analysis

This Chapter is most important for students. Any problem on Standard Cost for working out different variances like Material cost variances, Labour cost variances, Overhead variances, Sales variances, Sales Margin variances can be worked out by using a Standard format applicable to all variance analysis. The standard format introduced in this chapter tries to eliminate such difficulties. The calculation of Mix variance is necessary only when there are more than one type of component for producing an article. Sometimes variances are given and actual cost or standard cost/rate are to find out. At least one theoretical/ or practical question is expected from this chapter. Any problem on standard cost for working out different variances like Material Cost Variances, Labour Cost Variances, Overhead Cost Variances, Sales Variances, Sales Margin Variances can be worked out by using standard format applicable to all variance analysis. The calculation of Mix Variance is necessary only when there are more than one type of component for producing an article.

It is very uncomfortable to compare and find out the reasons of cost fluctuations through Historical Costing, as it ascertains costs after they have been incurred. The reasons for cost fluctuation apart from variations in output may be detected through introductions of standard costing .

Standard is a predetermined measurable quantity set in defined conditions against which actual performance can be compared. We can say the standard refers to a predetermined rate against which the performance is judged. Standard Cost is a predetermined calculation of how much cost should be used under specified working conditions. It is built up from assessment of the value of cost elements and correlates technical specification and qualification of material, labour and other costs to the price and /or usage rates expected to apply during the period in which the standard cost is intended to be used. The main purpose is to provide basis for control through variance accounting for the valuation of stock and work in progress and in some cases for setting prices. The technique by which standard costs are used is known as Standard Costing.

The main purpose of Standard Costing are –

- To provide an accepted basis for assessing performance and efficiency.
- To control cost by introducing standards and analysis of variances.
- To assists in setting budgets.
- To motivate staff and management .
- To help in assessing responsibility for nonstandard performance .

- To provide basis for estimation.
- To provide guidance on possible ways for improving performance.

The various types of standards are – Current Standard, Basic Standard, Ideal Standard, and Attainable Standard.

But this method of costing is generally used in such organization whose processes or jobs are repetitive. Again a lot of input data is required which is expensive. This technique may not suitable to the non standard jobs. Some variances may not explained properly.

Computation of standard cost and actual cost and analysis of variances may be broadly classified in to Four Parts, that are –

- Material Cost Variances,
- Labour Cost Variances,
- Overhead Cost Variances, and
- Sales Variances .

All the Variances may be analyzed in details.

Material Cost Variances :

This variance is the difference between actual direct material cost incurred and the Standard direct material cost specified for the production achieved. Material Cost Variances are analysed under two heads. Viz. Material Price Variance and Material Usage Variance.

Material Price Variance – this is the portion of cost variance which is due to difference in rate of material between standard and actual per unit of material applied to the actual quantity of material purchased or used.

Material Usage Variance – this is the portion of material cost variance which is due to the difference between the actual quantity used and amount which should have been used , valued at standard price as was fixed before hand .

This variance can be divided into two heads – Material Mix Variance and Material Yield variance.

Material Mix variance – is the difference between actual composition of mix and standard composition of total quantity of input of production used.

Material yield Variance – is the difference between the standard cost of production achieved and the actual total quantity of material used at standard ratio / composition at standard price .

Direct Labour Cost Variance is the difference between actual direct wages paid and the standard direct wages specified for the activity achieved. This Labour cost Variance may be analysed into two variances viz. Labour Rate Variance and Labour Efficiency Variance.

Now, Labour Rate Variance is due to the difference between actual and standard wages rate per hour applied to the total hour worked. And Labour Efficiency Variance is due to difference between the standard cost of labour of the actual output or the cost or the cost of standard hour which should have been worked for the output and the hour actually paid, valued at standard wages rate. The Labour Efficiency Variances are subdivided into three parts . viz. Labour mix or Gang variance , Idle time variance and Labour mix variance.

Labour Mix Variance is that portion of Labour Efficiency Variance which is due to difference between actual composition of gang at standard rate and the actual labour or days in standard ratio of composition specified for a gang .

Idle time Variance which forms a portion of labour efficiency variance –is represented by the standard cost of the actual hours for which the workers remain idle due to abnormal circumstances. It is the standard cost of difference between the actual hours paid and actual hours worked.

Labour Yield Variance is that part of the Labour efficiency variance which is due to difference between actual output at standard rate for each unit of finished product and the standard cost of the actual hours worked at standard composition .

Overhead Cost Variance is the difference between the actual overhead incurred and the overhead charged into the job or process at the standard overhead rate .Overhead cost variance and its component variance may be computed and analysed separately for fixed and variable overheads and for each cost centre . again Variable overhead variance can be divided into two parts . viz. Expenditure Variance and Efficiency Variance .

Variable Overhead Variance –

It represents the difference between actual overhead incurred and the standard overhead for actual production.

Variable Overhead Expenditure Variance –

This is the difference the actual variable overhead and standard variable overhead for the actual hours worked. And

Variable overhead Efficiency Variance –

This represents the difference between standard variable overhead for actual production and the cost of actual hours worked at standard rate.

Sales Variance –

It is the difference between the actual value of sales achieved in a given period and budgeted value of sales . Sales Variances are analysed by using two methods:

Sales Variances based on turnover and Sales Variance based on margin.

Sales Variance based on Turnover are analysed into two parts-viz. Sales Price Variance and Sales Volume Variance. Further the Sales Volume Variance may be analysed into Sales Mix Variance and sales Quantity Variance .

Sales Variance based on Margin :

This approach shows the difference in actual profit and budgeted profit. This margin variance are analysed into two parts –Sales Margin Volume Variance and Sales Margin Price Variance again , Sales Margin Volume Variance may be divided into two divisions,-viz, Sales Margin Mix variance and Sales Margin Quantity Variance.

Students are requested to follow Texts , if necessary , for details of formula for solving individual problem.

Variance may be arise in respect of Labour Cost also. Now with the help of a problem based on Labour Cost, we can easily understand the technique of solving problem. A problem is selected to guide the Intermediate students.

A problem based on Sales Margin Variance is given below , to show an example , how to solve.

Problem :

Compute the variances from the given data:--

- a) Total Sales margin variance.
- b) Sales margin price variance
- c) Sales margin volume Variance
- d) Sales margin mix variance
- e) Sales margin quantity variance

	Standard Cost	Budgeted Quantity	Actual Quantity	Budgeted Sales Price	Actual Sales Price
X	₹ 30 p.unit	240 units	400 units	₹ 50 p.unit	₹ 45 p.unit
Y	₹ 15 p.unit	160 units	200 units	₹ 25 p.unit	₹ 30 p.unit

Solution:

Budgeted Profit = Quantity \times (BSP – SC)

X : 240 (50 – 30) = 4800 , Y : 160 (25 – 15) = 1600 ,

Budgeted Price For Actual Quantity –

For Standard Mix = AC. Qty. at Std. Ratio \times Budgeted margin -

X : 360 (50 – 30) = 7200 , Y : 240 (25 – 15) = 2400 ,
Therefore, 600units = 9600/

For Actual Mix = AC Qty. \times Budgeted margin –

X : 400 \times (50 – 30) = 8000 , Y : 200 (25 – 15) = 2000,
Therefore , 600units = 10000/

Actual Profit : Actual Qty. Sold \times (ASP – SC) –

X : 400 (45 – 30) = 6000 , Y : 200 (20 – 15) = 1000,
Therefore, 600 units = 7000/

Sales Margin Quantity Variance(SMQV) =

Budgeted Profit – Budgeted Prices for Actual Quantity for Stand. Mix = 6400 – 9600 = 3200(F)

Sales Margin Mix Variance (SMMV) = Budgeted Price for Act. Qty. for Std. Mix – Budgeted Price for Act Qty. for Ac Mix. = 9600 - 10000 = 400(F)

Sales Margin Price Variance = Budgeted Price for Act Qty for Act Mix – Act Profit = 10000 – 7000 = 3000 (A)

Sales Margin Volume Variance = SMQV + SMMV = 3200 + 400 = 3600 (F) or Budgeted Profit – Budg. Price for Act qty for Act Mix, = 6400 – 10000 = 3600 (F)

Sales Margin Variance = Budg Profit – Actual Profit = 6400 – 7000 = 600(F)

Topic

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

INTERMEDIATE

Group II - Paper-9

Operations
Management
and Strategic
Management
(OMSM)

In this issue we will discuss some special features on Assignment problems

There are many situations where the assignment of people or machine and so on, may be called for. Assignment of workers to machines, clerks to various check-out counters etc.

Why assignment is required?

The assignment is a problem because people possess varying abilities for performing different jobs and therefore the costs of performing the jobs by different people are different. If all persons could do a job in the same time or at the same cost then it would not matter who of them is assigned the job. Since there are differences so we require assignments

Illustration: Five employees of a company are to be assigned to five jobs which can be done by any one of them. Because of different number of years with the firm, the workers get different wages per hour. These are ₹5/hour for A, B and C each and ₹.3/hour for D and E each. The amount of time taken by each employee to do a given job is in the following table. Determine the assignment pattern that i) minimize the total time taken and ii) minimize the total cost, of getting five units of work done.

Job	Employee				
	A	B	C	D	E
1	7	9	3	3	2
2	6	1	6	6	5
3	3	4	9	10	7
4	1	5	2	2	4
5	6	6	9	4	2

Ans (i):

1st Iteration, Subtracting smallest element of each row from each element of the same row

Job	Employee				
	A	B	C	D	E
1	5	7	1	1	0
2	5	0	5	5	4
3	0	1	6	7	4
4	0	4	1	1	3
5	4	4	7	2	0

2nd Iteration, Subtracting smallest element of each column from each element of the same column

Job	Employee				
	A	B	C	D	E
1	5	7	0	0	0
2	5	0	4	4	4
3	0	1	5	6	4
4	0	4	0	0	3
5	4	4	6	1	0

3rd Iteration, Draw the minimum no of lines covering all zeros

Job	Employee				
	A	B	C	D	E
1	5	7	0	0	0
2	5	0	4	4	4
3	0	1	5	6	4
4	0	4	0	0	3
5	4	4	6	1	0

4th Iteration, since the number of lines drawn is equal to 5 = n, the optimal solution is reached. Assignments are made after scanning the rows and columns for unit zeros.

Job	Employee				
	A	B	C	D	E
1	5	7	0	0	0
2	5	0	4	4	4
3	0	1	5	6	4
4	0	4	0	0	3
5	4	4	6	1	0

Assignments are made in the following order. Rows 2, 3, and 5 contain only one zero each. So assign Job2 –Employee B, Job3 – Employee A, Job5 – Employee E.

After assigning Job3 – Employee A, we cross the zero in column A. Similarly we cross the zero in column E after assigning Job5 – Employee E.

After these assignments no row(s)/column(s) are left with single zero. We are now having Row 1 & 4/Column C & D with 2 zeros each. We now therefore assign arbitrarily. Assign Job 1 – Employee C and Cross balance zero in column C. Assign Job 4 – Employee D and cross out the balance zero in column D.

Therefore our final assignments are (Marked in Red):

Job	Employee	Time	Total
1	C	3	
2	B	1	
3	A	3	
4	D	2	
5	E	2	11

The same result is obtained in Excel Solver (available in DATA tool bar) as given below:

Job	A	B	C	D	E	Available	Assigned
1	0	0	1	0	0	1	1
2	0	1	0	0	0	1	1
3	1	0	0	0	0	1	1
4	0	0	0	1	0	1	1
5	0	0	0	0	1	1	1
Demand	1	1	1	1	1		
Assigned	1	1	1	1	1		
TOTAL	11						

1 indicates assigned position, 0 indicates non-assigned position

ii) Cost minimization

Cost matrix is given below:

Job	Employee				
	A	B	C	D	E
1	35	45	15	9	6
2	30	5	30	18	15
3	15	20	45	30	21
4	5	25	10	6	12
5	30	30	45	12	6

1st Iteration, Subtracting smallest element of each row from each element of the same row

Job	Employee				
	A	B	C	D	E
1	29	39	9	3	0
2	25	0	25	13	10
3	0	5	30	15	6
4	0	20	5	1	7
5	24	24	39	6	0

2nd Iteration, Subtracting smallest element of each column from each element of the same row

Job	Employee				
	A	B	C	D	E
1	29	39	4	2	0
2	25	0	20	12	10
3	0	5	25	14	6
4	0	20	0	0	7
5	24	24	34	5	0

3rd Iteration, Draw the minimum no of lines covering all zeros

Job	Employee				
	A	B	C	D	E
1	29	39	4	2	0
2	25	0	20	12	10
3	0	5	25	14	6
4	0	20	0	0	7
5	24	24	34	5	0

4th Iteration, as the number of lines drawn above is smaller than n select the smallest uncovered 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 resultant figure is:

Job	Employee				
	A	B	C	D	E
1	27	37	2	0	0
2	25	0	20	12	12
3	0	5	25	14	8
4	0	20	0	0	9
5	22	22	32	3	0

5th Iteration, Repeat Iteration 3 and the result is

Job	Employee				
	A	B	C	D	E
1	27	37	2	0	0
2	25	0	20	12	12
3	0	5	25	14	8
4	0	20	0	0	9
5	22	22	32	3	0

6th Iteration, since the number of lines drawn is equal to $5 = n$, the optimal solution is reached. Assignments are made after scanning the rows and columns for unit zeros.

Job	Employee				
	A	B	C	D	E
1	27	37	2	0	0
2	25	0	20	12	12
3	0	5	25	14	8
4	0	20	0	0	9
5	22	22	32	3	0

Assignments are made in the following order. Rows 2, 3, and 5 contain only one zero each. So assign Job2 – Employee B, Job3 – Employee A, Job5 – Employee E.

After assigning Job3 – Employee A, we cross the zero in column A. Similarly we cross the zero in column E after assigning Job5 – Employee E.

After these assignments Row 1 is left with single zero. We assign Job 1 – Employee D and cross out the balance 0 in column D. We are now Column C with 1 zeros and assign Job 4 – Employee C.

Therefore our final assignments are (Marked in Red):

Job	Employee	COST	Total
1	D	9	
2	B	5	
3	A	15	
4	C	10	
5	E	6	45

The same result is obtained in Excel Solver (available in DATA tool bar) as given below:

Job	A	B	C	D	E	Available	Assigned
1	0	0	0	1	0	1	1
2	0	1	0	0	0	1	1
3	1	0	0	0	0	1	1
4	0	0	1	0	0	1	1
5	0	0	0	0	1	1	1
Demand	1	1	1	1	1		
Assigned	1	1	1	1	1		
TOTAL	45						

1 indicates assigned position, 0 indicates non-assigned position

Some special type of Assignment problems:

Unbalanced:

When no of columns no of rows

Treatment same as in case of transportation problem. i.e. A dummy column(s)/row(s) whichever is smaller in number are inserted with zeros as the cost element. After the introduction of dummy the problem is solved in the usual manner

Constrained Assignment problems:

In some cases because of some reasons a job or machine may not be possible to be assigned to a particular worker or center. In that case that particular cell is assigned with a prohibitory cost element M ---a very large value and the problem is solved in the usual manner

Unique vs Multiple Optimal solutions:

In the process of making assignments, it was stated earlier that we select a row/column with only a single zero to make an assignment. However a situation may arise wherein the various rows and columns where assignments are yet to be done, have all multiple zeros. As stated, we do the assignments here arbitrarily. In such cases the solution will not be unique. There will be multiple optimal solutions

Maximisation Case:

Find out the largest value in the matrix. All the elements, including the largest element, in the matrix are subtracted from this largest element. Then proceed in the same way as done in case of minimisation problem.

Suggestions:

This lesson is prepared purely from teachings imparted by the Guide book issued by Institute. The study guide on Operations Management issued by Institute is to be studied thoroughly. For supplementary readings one can refer Operations Management by R.S. Russell & B.W. Taylor, Operations Management by J Stevenson.

Topic

Module 4.
Accounts of
Banking, Electricity
and Insurance
Companies

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

INTERMEDIATE

Group II - Paper-10

Corporate
Accounting and
Auditing

Section A: Corporate Accounting

Topic: Accounts of Banking, Electricity and Insurance Companies

Multiple Choice Questions:

1. Under the Banking Regulation Act, the final accounts of a banking company are prepared in the form prescribed under:
 - A. Schedule II
 - B. Schedule III
 - C. Third Schedule
 - D. Fifth Schedule
2. Which of the following is shown under “Other Liabilities and Provisions” in the Balance Sheet of a banking company?
 - A. Cash in hand
 - B. Bills discounted
 - C. Provision for taxation
 - D. Advances
3. Rebate on Bills Discounted in banking company accounts is treated as:
 - A. Capital Reserve
 - B. Contingent Liability
 - C. Unearned Income
 - D. Fixed Asset
4. Interest accrued but not due on investments of a banking company is shown under:
 - A. Other Assets
 - B. Investments
 - C. Advances
 - D. Cash Balance
5. Which of the following is classified as a “Scheduled Bank”?
 - A. Bank registered under Companies Act only
 - B. Bank included in the Second Schedule of the RBI Act
 - C. Any co-operative bank
 - D. Any NBFC accepting deposits
6. In the accounts of a banking company, money at call and short notice is classified under:
 - A. Investments
 - B. Advances
 - C. Cash and balances with RBI
 - D. Cash and cash equivalents
7. Which of the following items appears on the liabilities side of a bank’s Balance Sheet?
 - A. Bills purchased and discounted
 - B. Investments
 - C. Borrowings
 - D. Fixed assets
8. The primary source of income for a banking company is generally:
 - A. Dividend income
 - B. Rent received
 - C. Interest earned
 - D. Profit on sale of assets
9. In banking company accounts, provisions for bad and doubtful debts are generally made on:
 - A. Deposits
 - B. Advances
 - C. Share capital
 - D. Cash balances
10. Which of the following is treated as a contingent liability for a banking company?
 - A. Accepted bills on behalf of customers
 - B. Fixed deposits
 - C. Cash credit
 - D. Borrowings from RBI
11. Profit and Loss Account of a banking company includes:
 - A. Manufacturing expenses
 - B. Interest expended
 - C. Factory overheads
 - D. Cost of goods sold
12. Deposits repayable on demand are classified as:
 - A. Fixed deposits

- B. Savings deposits only
 - C. Demand deposits
 - D. Term deposits
13. Which of the following is NOT included under “Advances” in a banking company’s Balance Sheet?
- A. Bills purchased and discounted
 - B. Cash credits
 - C. Loans repayable on demand
 - D. Investments in Government securities
14. Statutory Reserve created by a banking company is governed by:
- A. Companies Act, 2013
 - B. Banking Regulation Act, 1949
 - C. RBI Act only
 - D. SEBI Act
15. Non-performing assets (NPAs) primarily affect which item in banking company accounts?
- A. Share Capital
 - B. Fixed Assets
 - C. Advances
 - D. Cash in hand

Answers:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
C	C	C	A	B	D	C	C	B	A	B	C	D	B	C

Comprehensive Problems:

Problem 1:

The following information of advances has been provided by XYZ Bank Ltd. as on 31.03.2025.

Asset classification	₹. in lakhs
Standard	4,500
Sub-standard	3,300
Doubtful:	
For one year	1,350
For two years	900
For three years	600
For more than three years	450
Loss assets	1,200

Calculate the amount of provision to be made in for the year ended 31.3.2025.

Solution:

Calculation of Provision

Asset Classification	Amount (₹. in lakhs)	Provision (%)	Amount of Provision (₹. in lakhs)
Standard	4,500	0.40	18
Sub-standard	3,300	15	495
Doubtful:			
For one year	1,350	25	337.5
For two years	900	40	360
For three years	600	40	240
For more than three years	450	100	450
Loss assets	1,200	100	1200
Total			3100.5

Section B: Auditing

Topic: Provisions Relating to Audit under Companies Act, 2013

Multiple Choice Questions:

- Under the Companies Act, 2013, which of the following persons is eligible to be appointed as auditor of a company?
 - A body corporate other than LLP
 - An officer of the company
 - A Chartered Accountant in practice
 - A person convicted of fraud within the last 5 years
- If a person is partner of an officer of the company, he is:
 - Qualified as auditor
 - Disqualified as auditor
 - Qualified only in private companies
 - Qualified with approval of Central Government
- A firm can be appointed as auditor of a company only when:
 - All partners are Indian citizens
 - At least one partner is a Chartered Accountant
 - Majority of partners practicing in India are Chartered Accountants
 - The firm is approved by SEBI
- Which of the following holdings by an auditor's relative will NOT result in disqualification?
 - Securities having face value within prescribed limit
 - Securities acquired through insider trading
 - Securities exceeding prescribed limit for more than permitted period
 - Convertible debentures beyond prescribed limit
- Under Section 141, a person is disqualified as auditor if he has a business relationship with the company, except:
 - Professional services permitted by law
 - Joint venture with company
 - Trading transactions with company
 - Borrowing arrangements with company

Answers:

1	2	3	4	5
C	B	C	A	A

Comprehensive Questions and Answers

Caselet 1

PQR Ltd. intended to appoint M/s Sharma & Co. as auditors. One of the partners of the audit firm had taken a personal loan of ₹8,00,000 from PQR Ltd. The amount exceeded the prescribed indebtedness limit of ₹5,00,000 allowed under the Companies Act, 2013.

Is M/s Sharma & Co. qualified for appointment as auditor of PQR Ltd.?

Answer:

No, M/s Sharma & Co. is disqualified from appointment as auditor. Under Section 141 of Companies Act, 2013, a person or audit firm is disqualified if the auditor, his relative, or partner is indebted to the company beyond the prescribed limit of ₹5,00,000. Since the partner's indebtedness exceeds the allowable limit of ₹5,00,000, the firm cannot be appointed as auditor.

Caselet 2

XYZ Ltd. appointed M/s Verma Associates as its statutory auditor. During the year, the audit firm also started providing internal audit and investment advisory services to the company through its consultancy division.

Whether M/s Verma Associates can continue as statutory auditor of XYZ Ltd.?

Answer:

No, the firm cannot continue as statutory auditor. Under Section 144 read with Section 141 of the Companies Act, 2013, an auditor is prohibited from rendering certain specified services, including internal audit and investment advisory services, directly or indirectly to the company. Rendering such prohibited services results in disqualification of the auditor.

Caselet 3

MNO Ltd. proposed to appoint Mr. Arvind, a practicing Chartered Accountant, as its statutory auditor. During verification, it was found that Mr. Arvind's wife held equity shares worth ₹1,80,000 in MNO Ltd. The prescribed limit under the Rules for holding securities by a relative is ₹1,00,000. Mr. Arvind assured the Board that the excess shares would be sold within the permitted time.

Can Mr. Arvind be appointed as auditor of MNO Ltd.?

Answer:

Under Rule 10 of the Companies (Audit and Auditors) Rules, 2014 framed under Companies Act, 2013, the prescribed limit for holding securities by a relative is as follows:

A relative of the auditor may hold securities in the company having face value not exceeding ₹1,00,000.

If the holding exceeds ₹1,00,000 unintentionally, the corrective action must generally be taken within 60 days from the date of such acquisition or awareness; otherwise, the auditor becomes disqualified.

Therefore, Mr. Arvind may continue to remain eligible if the excess holding is corrected within the prescribed time limit under Section 141 of the Companies Act, 2013. In other words, a relative may hold securities up to the prescribed limit. If the limit is exceeded unintentionally, corrective action must be taken within the permitted period; otherwise, the auditor becomes disqualified.

Topic

Module 5.
Capital Budgeting

Module 11.
Data Analysis and
Modelling

INTERMEDIATE

Group II - Paper-11

Financial
Management and
Business Data
Analytics (FMDA)

Financial Management

Capital Budgeting

Hurdle Rate in a Conglomerate Environment

A hurdle rate in a Conglomerate is the minimum return needed for a manager or investor to accept a project. It is important when companies or investors make important decisions like pursuing a specific project. Riskier projects generally have higher hurdle rates than those with less risk.

Hurdle rates can be applied in various contexts—they are most commonly used in financial strategies, such as discounted cash flow analysis, and by businesses and investors to evaluate projects.

$$\text{Hurdle rate} = \text{WACC} + \text{Risk Premium}$$

Example 1

Golden Limited has an investment budget for ₹ 250 lakhs. The management wants to complete the financial appraisal before making the investment.

Particulars	Project A	Project B
Investment required	₹250 lakhs	₹225 lakhs
Profit before depreciation	₹70 lakhs	₹60 lakhs

The Company follows Straight Line Method of depreciation. Tax rate is 50%. Estimated life of the projects is 10 years.

Required:

Calculate Payback Period and Accounting Rate of Return (ARR) of the projects.

Answer:

Calculation of Payback Period

Particulars	Project A (₹ in lakhs)	Project B (₹ in lakhs)
Profit before depreciation	₹70	₹60
Less: Depreciation (10% on SLM)	25	22.5
Profit before Tax	45	37.5
Less: Tax @50%	22.5	18.75
Profit after Tax	22.5	18.75
Add: Depreciation	25	22.5
Cash flow After Tax (CFAT)	47.5	41.25

Payback Period

$$\text{Project A} = \frac{\text{Initial Investment}}{\text{Annual Cash Inflows}} = \frac{₹ 250 \text{ Lakhs}}{₹ 47.5 \text{ Lakhs}} = 5.26 \text{ years}$$

$$\text{Project B} = \frac{\text{Initial Investment}}{\text{Annual Cash Inflows}} = \frac{₹ 225 \text{ Lakhs}}{₹ 41.25 \text{ Lakhs}} = 5.45 \text{ years}$$

Accounting Rate of Return (ARR)

$$\text{Project A} = \frac{\text{Average Annual Profit}}{\text{Initial Investment}} \times 100 = \frac{₹ 22.5 \text{ Lakhs}}{₹ 250 \text{ Lakhs}} \times 100 = 9\%$$

$$\text{Project A} = \frac{\text{Average Annual Profit}}{\text{Initial Investment}} \times 100 = \frac{\text{₹ 18.75 Lakhs}}{\text{₹ 225 Lakhs}} \times 100 = 8.33\%$$

Project A is less payback period but higher ARR than Project B.

Example 2

FINIX Nursing Home is considering purchasing a diagnostic machine costing ₹1,60,000. The projected life of the machine is 8 years and has an expected salvage value of ₹.12,000 at the end of 8 years. The annual operating cost of the machine is ₹15,000. It is expected to generate revenues of ₹ 80,000 per year for eight years. Presently, the hospital is outsourcing the diagnostic work and is earning commission income of ₹24,000 per annum; net of taxes.

Assume tax rate 30%.

Required:

Whether it would be profitable for the hospital to purchase the machine? Give your recommendation under:

- (i) Net Present Value method
- (ii) Profitability Index method

PV factors at 10% are given below:

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
0.909	0.826	0.751	0.683	0.621	0.564	0.513	0.467

Answer.:

Calculation of Cash Flow after Taxes (CFAT)

Particulars	₹
Revenue	80,000
(-) Operating Cost	15,000
(-) Depreciation	18,500
Profit before tax	46,500
(-) Tax @30%	13,950
PAT	32,550
(+) Depreciation	18,500
CFAT	51,050
(-) Loss of Commission	24,000
NET CFAT	27,050

Calculation of NPV

Year	CFAT (₹)	PV Factor	PV (₹)
1	27,050	0.909	24,588
2	27,050	0.826	22,343
3	27,050	0.751	20,315
4	27,050	0.683	18,475
5	27,050	0.621	16,798

Year	CFAT (₹)	PV Factor	PV (₹)
6	27,050	0.564	15,256
7	27,050	0.513	13,877
8	27,050	0.467	12,632
8	12,000	0.467	5,604
Total PV			1,49,889
Less: Initial Investment			1,60,000
Net Present Value (NPV)			-10,111

Since, NPV is negative, investment is not a profitable.

$$\text{Profitability Index (PI)} = \frac{\text{Total PV}}{\text{Initial Investment}}$$

$$\text{PI} = \frac{₹ 1,49,889}{₹ 1,60,000} = 0.937$$

Data Analytics (Data Analysis and Modeling)

Cloud Computing

Definition of Cloud Computing

Cloud computing refers to the use of hosted services, such as data storage, servers, databases, networking, and software over the internet. The data is stored on physical servers, which are maintained by a cloud service provider. Computer system resources, especially data storage and computing power, are available on-demand, without direct management by the user in cloud computing.

Benefits of Cloud Computing

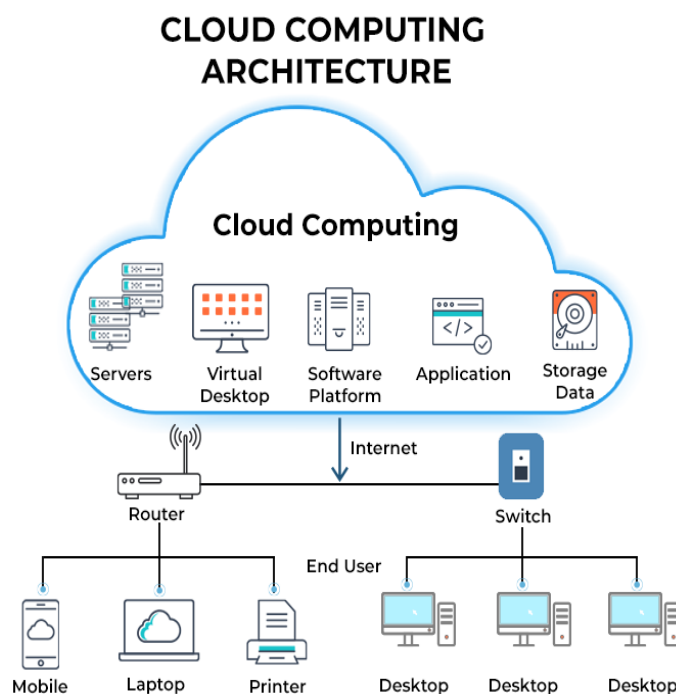
- Reduced costs:** Maintaining IT systems requires big outlays of capital, something that cloud helps reduce. By using the resources provided by the cloud provider, businesses avoid the need to purchase expensive infrastructure, substantially reducing their expenditure.
- Scalability:** Cloud allows organizations to grow their users from merely a few to thousands in a very short time. Depending on the need, a business can scale their storage needs up or down, allowing organizations to be flexible.
- Business continuity:** Cloud safely stores and protects your data in the event of an outage or crisis. This makes it easier to resume work once the systems are up and running again.
- Flexibility and collaboration:** Since the data on cloud can be accessed directly via the internet, it gives employees the ability to work from anywhere, anytime. Cloud gives you the freedom to set up your virtual office anywhere you are. It also allows teams to work on a project across locations by giving them access to the same files as third-party vendors.
- Competitive edge:** Cloud takes care of various business aspects, such as maintaining the IT infrastructure, licensing software, or training personnel to manage your data. It, therefore, gives you an edge over your competitors since the time and resources you invest are minimal.

Cloud Computing Architecture

Instead of storing files on a storage device or hard drive, a user can save them on cloud, making it possible to access the files from anywhere, as long as they have access to the web.

The fundamental technology that makes cloud computing possible is virtualization are as follows:

1. **Physical Hardware:** Cloud providers build massive data centers globally, packed with thousands of physical servers.
2. **Hypervisor Software:** Providers install a software layer called a hypervisor onto these physical machines.
3. **Virtual Machines (VMs):** The hypervisor splits a single physical server into multiple independent virtual computers, called Virtual Machines.
4. **Resource Pooling:** This software separation allows the physical power (CPU, RAM, storage) to be pooled and shared dynamically among completely different users.



Source: <https://www.spiceworks.com/software/what-is-cloud-computing/#lg=1&slide=0>

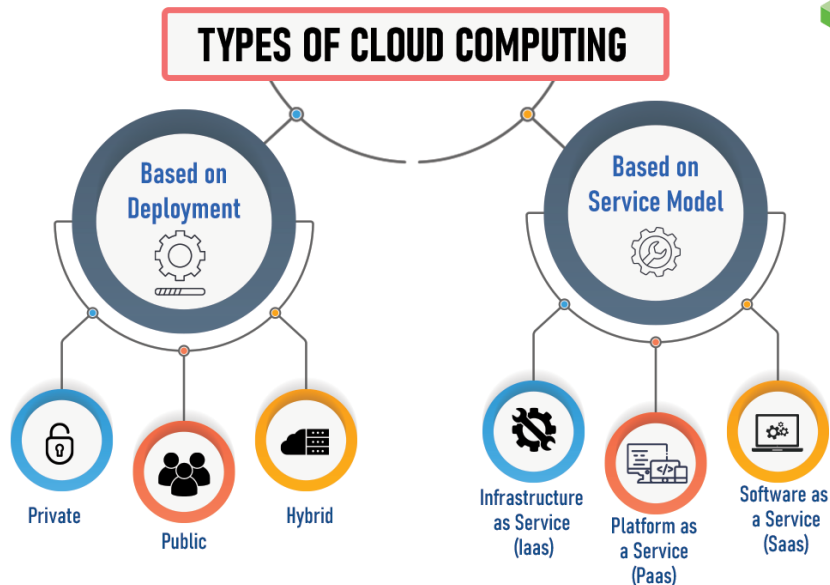
Types of Cloud Computing

The services hosted on cloud can be broadly divided into infrastructure-as-a-service (IaaS), platform-as-a-service (PaaS), and software-as-a-service (SaaS).

Based on the deployment model, cloud can also be classified as public, private, and hybrid cloud.

Further, cloud can be divided into two different layers, namely, front-end and back-end. The layer with which users interact is called the front-end layer. This layer enables a user to access the data that has been stored in cloud through cloud computing software.

The layer made up of software and hardware, i.e., the computers, servers, central servers, and databases, is the back-end layer. This layer is the primary component of cloud and is entirely responsible for storing information securely. To ensure seamless connectivity between devices linked via cloud computing, the central servers use a software called middleware that acts as a bridge between the database and applications.



Source: <https://www.spiceworks.com/software/what-is-cloud-computing/#lg=1&slide=0>

1. **Private Cloud:** A private cloud is usually managed via internal resources and is not accessible to anyone outside the organization. Private cloud computing provides all the benefits of a public cloud, such as self-service, scalability, and elasticity, along with additional control, security, and customization. It provides a higher level of security through company firewalls and internal hosting to ensure that an organization's sensitive data is not accessible to third-party providers.
2. **Public Cloud:** Public cloud refers to computing services offered by third-party providers over the internet. Unlike private cloud, the services on public cloud are available to anyone who wants to use or purchase them. These services could be free or sold on-demand, where users only have to pay per usage for the CPU cycles, storage, or bandwidth they consume. They also offer scalable RAM and flexible bandwidth, making it easier for businesses to scale their storage needs.
3. **Hybrid Cloud:** Hybrid cloud uses a combination of public and private cloud features. When the demand for computing and processing fluctuates, hybrid cloud allows businesses to scale their on-premises infrastructure up to the public cloud to handle the overflow while ensuring that no third-party data centers have access to their data. In a hybrid cloud model, companies only pay for the resources they use temporarily instead of purchasing and maintaining resources that may not be used for an extended period.
4. **Infrastructure as a Service (IaaS):** Infrastructure as a service or IaaS is a type of cloud computing in which a service provider is responsible for providing servers, storage, and networking over a virtual interface. In this service, the user does not need to manage the cloud infrastructure but has control over the storage, operating systems, and deployed applications.
5. **Platform as a service (PaaS):** Platform as a service or PaaS is a type of cloud computing that provides a development and deployment environment in cloud that allows users to develop and run applications without the complexity of building or maintaining the infrastructure.
6. **Software as a service (SaaS):** SaaS or software as a service allows users to access a vendor's software on cloud on a subscription basis. In this type of cloud computing, users do not need to install or download applications on their local devices. Instead, the applications are located on a remote cloud network that can be directly accessed through the web or an API..

Topic

Module 7.
Forecasting,
Budgeting and
Budgetary Control

INTERMEDIATE

Group II - Paper-12

Management Accounting (MA)

Introduction to Budgeting

Budgeting is one of the most important techniques of management accounting used for planning, coordination, decision-making, and control within an organisation. It helps businesses of all sizes establish clear financial and operational objectives for a future period, usually an accounting year. Through budgeting, management can estimate expected income, expenditure, production levels, and resource requirements in advance. This process allows organisations to operate systematically and achieve organisational goals efficiently.

A budget is a financial and quantitative statement prepared and approved before a specified period for attaining predetermined objectives. It generally includes planned income, expected expenditure, and the employment of capital. Budgets may be expressed in monetary or quantitative terms depending on the nature of business operations. Budgeting is considered an essential management tool because it helps managers deal with changing business conditions, inflation, rising costs, and uncertainty in the economic environment.

Budgeting not only assists in financial planning but also improves organisational coordination and performance measurement. Different departments within an organisation become aware of their targets and responsibilities. Budgets also provide standards against which actual performance can be measured, enabling management to identify inefficiencies and take corrective actions.

Budgetary Control

Budgetary control refers to the process of establishing budgets, comparing actual results with budgeted figures, analysing variances, and taking corrective actions whenever necessary. It is an important managerial control system that helps organisations achieve planned objectives effectively.

Budgetary control links responsibilities with organisational policies and ensures that each department performs according to the planned targets. Through continuous monitoring and evaluation, management can identify deviations between actual and expected performance. Corrective measures can then be implemented to improve operational efficiency and financial discipline.

Forecasting and Budgeting

Forecasting and budgeting are closely related concepts, but they serve different purposes within management accounting. Forecasting refers to the estimation of future trends and business conditions based on historical and present data. Forecasts predict future sales, market demand, profitability, labour costs, material prices, and customer behaviour. Budgeting, on the other hand, converts these forecasts into formal financial plans and operational targets.

Forecasting always precedes budgeting because reliable forecasts provide the foundation for preparing realistic budgets. A budget establishes measurable goals and standards, whereas a forecast predicts probable future outcomes. Budgets are usually prepared annually, while forecasts are updated regularly according to changes in market conditions. Variance analysis is conducted between budgets and actual performance, but forecasts are generally not used for such comparisons.

Uses of Budgets

Budgets serve several important purposes within an organisation. Their uses can be classified into primary, secondary, and tertiary categories.

Primary Uses

Primary uses include quantifying planned resource utilisation such as labour, materials, machinery, and capital. Budgets also estimate expected income and production levels. These functions help organisations allocate resources efficiently and avoid shortages or wastage.

Secondary Uses

Secondary uses mainly relate to cash management. Budgets help estimate cash inflows from customers and cash outflows relating to salaries, purchases, operating expenses, and other payments. This improves liquidity management and ensures financial stability.

Tertiary Uses

Tertiary uses include communication, negotiation, employee motivation, and reward systems. Budgets communicate organisational goals and responsibilities to employees and departmental managers. They also support performance-based evaluation and coordination among different departments.

Importance of Budgets

Budgets are necessary because they provide a structured framework for planning and control.

Definition of Goals

Budgets help organisations define objectives clearly and establish measurable targets for departments and employees.

Defining Responsibilities

Budgeting assigns duties and accountability to managers and employees so that everyone understands their responsibilities.

Basis for Performance Evaluation

Budgets provide standards for comparing actual performance with planned performance. Variance analysis helps management identify deviations and implement corrective measures promptly.

Optimum Use of Resources

Budgeting ensures efficient allocation and utilisation of labour, capital, machinery, and materials to maximise productivity and profitability.

Coordination

Budgets coordinate the activities of various departments such as sales, production, finance, and purchasing. This integration ensures smooth organisational functioning.

Planned Action

Budgeting encourages careful thinking and systematic decision-making. Managers analyse possible opportunities and risks before implementing operational plans.

Basis for Policy Formulation

Budgets provide useful information for reviewing and revising business policies according to changing business conditions.

Process of Budgetary Control

An effective budgeting system follows certain important principles.

Definition of Objectives

Organisational objectives must be clearly defined so that all employees understand the purpose and scope of budgeting.

Identification of Key Factors

Key factors, also known as limiting factors, are conditions that restrict organisational performance. Examples include shortage of raw materials, labour shortages, government restrictions, limited sales demand, insufficient capital, and shortage of power. Management must identify these factors while preparing realistic budgets.

Budget Centre

A budget centre refers to a department or section for which a separate budget is prepared and controlled. Establishing budget centres improves accountability and departmental performance.

Budget Committee and Budget Controller

The budget committee generally consists of departmental heads and senior executives responsible for supervising and coordinating the budgeting process. The budget controller assists in developing budget programmes and ensuring effective implementation.

Budget Officer

The budget officer coordinates budgeting activities and ensures communication between departments. Although the officer may not prepare budgets personally, they facilitate the overall process.

Budget Manual

A budget manual is a written document explaining budgeting procedures, organisational responsibilities, and reporting systems. It acts as a guide for managers involved in budgeting activities.

Budget Period

The budget period refers to the duration for which a budget is prepared. It may be annual, quarterly, or monthly depending on the nature of the business, market conditions, and organisational requirements.

Multiple Choice Questions:

- Which statement best defines a budget?
 - A report of historical transactions
 - A financial and quantitative plan prepared in advance
 - A summary of past operational performance
 - A record of current liabilities
- Budgeting is mainly used for:
 - Long-term legal compliance
 - Tax auditing purposes
 - Short-term planning and control
 - Recruitment management
- Forecasting primarily helps an organisation to:
 - Compare actual and standard costs
 - Predict future events and trends
 - Finalise dividend payments
 - Prepare financial statements only
- A company produces a product requiring 2 kg of material per unit. Opening stock is 5,000 kg. Budgeted production for the period is 20,000 units. The company policy is to maintain closing stock equal to 10% of the next period's production requirements. Next period's production is 25,000 units. What is the budgeted material purchase quantity?
 - 40,000 kg
 - 45,000 kg
 - 35,000 kg
 - 30,000 kg

5. A firm's sales budget for May is ₹. 400,000. Sales are 20% cash and 80% credit. Credit sales are collected: 50% in the month of sale and 48% in the following month (2% is bad debt). April credit sales were ₹. 300,000. Calculate the total cash receipts for May.
- ₹. 384,000
 - ₹. 390,000
 - ₹. 400,000
 - ₹. 360,000
6. Which of the following is considered a primary use of budgets?
- Reward distribution
 - Basis for negotiation
 - Quantifying resource usage
 - Employee motivation only
7. Which feature indicates that budgets are prepared before operations begin?
- Goal-oriented nature
 - Quantitative statement
 - Futuristic nature
 - Capital deployment
8. Which question is associated with product procurement during budgeting?
- How much labour will be required?
 - Where will the products be sold?
 - Who will be our suppliers?
 - What administrative expenses will arise?
9. A company uses a flexible budget. At an 80% activity level (4,000 units), total overheads are ₹.120,000. At a 90% activity level, total overheads are ₹.130,000. If the company operates at a 75% activity level, what is the budgeted total overhead cost?
- ₹. 108,000
 - ₹. 112,500
 - ₹. 117500
 - ₹. 115,000
10. The budgeted annual sales of a firm are ₹. 80 lakhs and 25% of the sales are cash sales. If the average amount of debtors of the firm ₹. 5 lakhs, what will be the average collection period of credit sales?
- 1 month
 - 3 months
 - 45 days
 - 60 days

Answers:

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

Fills in the blanks

1. Forecasting always _____ budget preparation.
2. Budgets are generally prepared for a defined future _____.
3. Quantifying planned labour and materials is a _____ use of budgets.
4. Budgets are expressed in financial and/or _____ terms.

Answers:

1	2	3	4
precedes	period	primary	quantitative

True and False

1. Budgets are prepared after the operational period ends.
2. Forecasting is an important part of the budgeting process.
3. Budgets help communicate organisational objectives to employees.
4. Variance analysis is conducted for forecasts.
5. Budgeting is considered an application of management accounting.

Answers:

1	2	3	4	5
False	True	True	False	True

CMA FINAL COURSE

Syllabus 2026

Topic

Module 7.
Laws and
Regulations related
to Banking Sector

FINAL

Group III - Paper-13

Overview of Banking
Laws

Overview of Banking Laws

Various Laws Relating to Banking

Various Laws Relating To Banking

- The Bankers Book Evidence Act, 1891
- Interest Act
- Banking Regulation Act, 1949
- Reserve Bank Of India Act, 1934

Recovery and Enforcement Laws

- The recovery of debt due to banks and financial institutions act, 1993
- Securitisation and enforcement of security act, 2002

Common laws relevant to banking

- Indian contract act
- Consumer protection act, 1986
- Negotiable instruments act, 1881

Banker customer relations

- Debtor – creditor
- Principal – agent
- Trustee - beneficiary
- Bailor – bailee
- Consultant
- Lessor - lessee

Law relating to the bankers book evidence act, 1891

- A law to explain the procedure of taking bankers book as evidence
- Includes ledgers, day books, cash books, accounts books and all other books used in day to day operations
- Legal proceedings means any proceeding where evidence is required, including arbitration, and police investigation
- Certified copy is copy of any part of the bankers book certified as true copy by an officer authorised by the bank, where the book has been destroyed, a further certificate is required. Certified copy shall be taken as prima facie evidence of existence of such entry in the original books of the bank.
- Bank cannot be compelled to produce any evidence, if bank is not a party, unless by order of a court
- Inspection of books and taking copies can be allowed to any party with the order of the court...

Banking Regulation Act, 1949

Constitution of banks

- Body corporate under special statute
- Company regd. Under companies act.
- Cooperative society-cooperative bank
- Public sector banks-taken over banks under bank nationalisation act, 1970
- Foreign banks-regd outside india and doing business with permission of rbi
- Local area banks

Licensing of banking

- No co. To carry any banking business without licence to be given by rbi on application after considering the following:
 1. Position to pay depositors
 2. Affairs not conducted which is detrimental to depositors
 3. Not prejudicial to public interest
 4. Adequate capital structure and earning prospects
- No company shall use as part of its name any word as bank, banker, banking, banking company and shall not do banking business unless such name is used.
- Can be cancelled on ceasing to do banking business or non-fulfilment of conditions. Appeal to cg within 30 days.
- Permission is reqd. For opening branches/place of business in india/outside. Temporary collection centres upto one month or shifting of premises do not require permission. Applications are to be made once in a year by each bank.
- Rbi has made guidelines for establishment of new banks in the private sector

Main functions of commercial bank :u/s 8(1) of banking regulation act, 1949

- Accepting deposits
- Granting advances
- Bill discounting
- Dealing in foreign exchange

- Granting and issuing of letter of credit, traveller's cheque and circular notes;
- Buying, selling and dealing in bullion and species;
- Buying and selling of foreign exchange including foreign bank notes;
- The acquiring, holding, issuing on commission, under – writing and dealing in stocks, funds, shares, debenture stock, bonds, obligations, securities and investment of all kinds;
- Purchasing and selling of bonds scripts or other forms of securities on behalf of the constituents or others, the negotiating of loans and advances;
- The receiving of all kinds of bonds or valuables, on deposit or for safe custody or otherwise; the providing of safe deposit vaults;
- The collecting and transmitting of money and securities;
- The borrowing, raising or taking up of money, the lending or advancing of money either with or without security;
- The drawing, making, accepting, discounting, buying, selling and dealing in bills of exchange, hundies, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scrips and other instruments and securities whether transferable or negotiable or not.

Ancillary functions: u/s 6(1) of banking regulation act, 1949

- Acting as agent for any government or local authority or any other person or persons;
- The carrying on of agency business of any description including the clearing or forwarding of goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers but excluding the business of a managing agent or secretary and treasurer of a company;
- Contracting for public or private loans and negotiating and issuing the same;
- Effecting, insuring, guaranting, underwriting, participating in managing and carrying out of any issues public or private of state, municipal or other loans or of shares, stock, debenture or debenture stock of any company, corporate or association and lending of money for the purpose of any such issue;
- Carrying on and transacting every kind of guarantee and indemnity business;

- Managing, selling and realising any property which may come into the possession of the company in satisfaction or part – satisfaction of any of its claims;
- Acquiring and holding and generally dealing with any title / property or any right, or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security;
- Undertaking and executing trusts; and
- Undertaking the administ
- Ration of estates as executor, trustee.

Lending policy

1. General principle of lending:

1. Purpose
2. Safety
3. Security
4. Liquidity
5. Profitability
6. Diversification

2. Security

A banker while financing any borrower ensures that he gets a proper & adequate security to fallback upon in case of an emergency.

Different types of securities, which may be acceptable to the bank, are as under:

1. Land & building
2. Plant & machinery
3. Goods
4. Document of title of goods
5. Book debts
6. Govt. Securities
7. Share & debenture
8. Insurance policy
9. Govt. Supply bills
10. Term deposit receipts

Importance of securities

The need of obtaining securities against any advance can be summarized as under:

1. In case of default, bank can dispose off the security by private treaty or in public auction.
2. If specifically charged, it becomes difficult for the customer to dispose it off.
3. End-use of funds can be ensured in case of security like plant & machinery etc. By physical verification
4. It shows the borrower's financial stake in the business.

3. Development banking

Role of various banks in this area:

1. IFCI
2. ICICI
3. IDBI
4. SIDBI
5. IIBI
6. SFCS
7. EXIM BANK
8. UTI
9. NHB
10. NABARD
11. LIC
12. GIC

- A. Development banking vs commercial banking
- B. Development banking vs universal banking
- C. Venture capital
- D. Securitisation

1. RBI --- it's function & relationship with other banks

- A. Supervisory control over other banks
- B. Inspection of banks
- C. Power to issue direction
- D. Control over top management
- E. Foreign exchange control
- F. Managing govt. Treasury
- G. Licensing and controlling commercial banks

Main function of RBI:

1. Issue of currency notes
2. Banker to the govt.
3. Banker's bank
4. Credit control
5. Foreign exchange management

New banking norms announced by RBI on 3rd January 2001. The main features are:

1. Initial minimum paid up capital should be rs.300 Crores, to be raised to ₹. 500 Crores within 3 years of business.
2. Promoter's contribution at any point of time should be minimum of 40% of paid up capital.
3. NRI participation in primary equity should be maximum 40%.
4. No bank can be promoted by any large industrial house.
5. The new bank will not be allowed to set up a subsidiary or mutual fund for at least 3 years from commencing business
6. Nbfcs having aaa rating can come into banking business with minimum car 12% and net npa should not be more than 5 %.

Topic

Module 14.
The International
Financial
Environment

Module 15.
Foreign Exchange
Market

FINAL

Group III - Paper-14

Strategic Financial
Management (SFM)

International Financial Management

Multiple Choice Questions

1. The primary function of the foreign exchange market is to:
 - a) Provide long-term finance
 - b) Facilitate international trade and investment
 - c) Regulate inflation
 - d) Determine stock prices
2. The foreign exchange market is mainly:
 - a) A centralized physical market
 - b) A decentralized electronic network
 - c) A commodity exchange
 - d) A stock exchange
3. Which of the following is a characteristic of the foreign exchange market?
 - a) Trading is restricted to business hours
 - b) Trading takes place only in one country
 - c) It operates round the clock
 - d) It is a physical marketplace
4. Most foreign exchange transactions are conducted through:
 - a) Retail investors
 - b) Interbank market
 - c) Government agencies
 - d) Commodity brokers
5. SWIFT is mainly used for:
 - a) Currency speculation
 - b) Exchange rate determination
 - c) Secure international payment messaging
 - d) Stock exchange settlement
6. In India, settlement of foreign exchange transactions takes place through:
 - a) NSE
 - b) BSE
 - c) CCIL
 - d) RBI only
7. A foreign exchange rate represents:
 - a) Interest earned on foreign investment
 - b) Value of one currency in relation to another
 - c) Inflation differential between countries
 - d) Balance of trade position
8. Which of the following is NOT a determinant of foreign exchange rates?
 - a) Interest rate differentials
 - b) Inflation rate differentials
 - c) Government policies
 - d) Depreciation method adopted by firms
9. Equilibrium exchange rate is the rate that balances:
 - a) Government revenue and expenditure
 - b) Imports and exports
 - c) Demand and supply of labour
 - d) Interest and inflation
10. Currency swaps are often used to:
 - a) Increase tax burden
 - b) Provide long-term foreign currency financing
 - c) Eliminate stock market risk
 - d) Reduce commodity prices
11. Which parity condition states that exchange-adjusted prices of identical goods should be equal worldwide?
 - a) Fisher Effect
 - b) Interest Rate Parity
 - c) Law of One Price
 - d) Unbiased Forward Rate Theory
12. According to the Fisher Effect, nominal interest rates change in response to changes in:
 - a) GDP growth
 - b) Inflation
 - c) Exchange rates
 - d) Government borrowing
13. Spot USD/INR rate is ₹75.46/\$ and 3-month forward rate is ₹75.71/\$. USD is said to be at:
 - a) Forward discount
 - b) Forward premium
 - c) Spot discount
 - d) Parity

14. If the spot rate of GBP is \$1.5788 and the 90-day forward rate is \$1.5773, the pound is selling at:
- Premium
 - Discount
 - Par value
 - Spot premium
15. Company F pays 8.5% in euro market and receives 8.3% from intermediary bank while paying LIBOR + 0.1% to the bank. Its effective borrowing cost becomes:
- LIBOR + 0.1%
 - LIBOR + 0.2%
 - LIBOR + 0.3%
 - LIBOR + 0.5%
16. Direct quotation in foreign exchange market means:
- Foreign currency price expressed in units of home currency
 - Home currency price expressed in units of foreign currency
 - Exchange rate fixed by central bank
 - Rate quoted only for exporters
17. Purchasing Power Parity theory is primarily based on differences in:
- Interest rates
 - Inflation rates
 - Dividend policies
 - Tax rates
18. Hedging in foreign exchange market is mainly undertaken to:
- Increase speculative profits
 - Avoid exchange rate risk
 - Reduce taxation
 - Increase import duties

Answers:

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

Comprehensive Problems:**Problem 1**

Suppose, the interest rate on pound sterling is 12% p.a. in London and interest rate on a comparable dollar investment in USA is 5% p.a. The pound sterling spot rate is \$1.86/£ and one year forward rate is \$1.75/£. Is there any arbitrage opportunity? If so, explain the steps to earn arbitrage profit.

Solution:

Given, $e_0 = \$1.86/£$

$f_1 = \$1.75/£$

Interest rate in home country (USA) = $r_h = 5\%$ p.a.

Interest rate in foreign country (UK) = $r_f = 12\%$ p.a.

Here, $1 + r_h = 1 + 0.05 = 1.05$

and, $f_1/e_0 (1 + r_f) = (1.75/1.86) \times (1 + 0.12) = 1.053$

Since, $(1 + r_h) \neq f_1/e_0 (1 + r_f)$, arbitrage opportunity exists.

Now, as $(1 + r_h) < f_1/e_0 (1 + r_f)$, funds will move from home country to foreign country.

The steps to be followed by the arbitrageur are as follows:

- Borrow \$1,000,000 in New York at an interest rate of 5%. This means that at the end of one year, the arbitrageur must repay principal plus interest of \$1,050,000.

2. Immediately convert the \$1,000,000 to British pounds at the spot rate of £1 = \$1.86. This yields £537,634.41 available for investment.
3. Invest the principal of £537,634.41 in London at 12% for one year. At the end of the year, the arbitrageur will have £602,150.54.
4. Simultaneously with the other transactions, sell the £602,150.54 in principal plus interest forward at a rate of £1 = \$1.75 for delivery in one year. This transaction will yield \$1,053,763.45 next year.
5. At the end of the year, collect the £602,150.54, deliver it to the bank's foreign exchange department in return for \$1,053,763.45, and use \$1,050,000 to repay the loan. The arbitrageur will gain \$3,763.45 on this set of transactions.

Problem 2

The inflation rates in India and the UK are 3.5 per cent and 6.5 per cent respectively. If the exchange rate at time zero is ₹. 97/£, calculate expected exchange rate a year later and expected change in spot rate. Also calculate the inflation rate differential and verify if PPP holds good.

Solution:

Given, $e_0 = ₹. 97/£$

Inflation rate in home country = $i_h = 6.5\%$

Inflation rate in foreign country = $i_f = 3.5\%$

Therefore, expected exchange rate after one year,

$$e_1 = e_0 \times (1 + i_h)/(1 + i_f)$$

$$\text{or, } e_1 = 97 \times (1 + 0.065)/(1 + 0.035)$$

$$\text{or, } e_1 = 99.8116$$

The exchange rate after one year is ₹. 99.8116.

$$\text{Expected change in spot rate} = (e_1 - e_0)/e_0 = (99.8116 - 97)/97 \times 100 = 2.90\%$$

$$\text{Inflation rate differential} = (i_h - i_f)/(1 + i_f) = (0.065 - 0.035)/(1 + 0.035) = 2.90\%$$

Since, Expected change in spot rate = Inflation rate differential, the Purchasing Power Parity holds good.

Problem 3

Exchange rate between Rupee and Swiss franc is ₹. 35/SFr at the reference period and the forward rate is found to be ₹. 35.40/SFr after 9 months. Nine-month interest rate on Rupee is 8% p.a. What should have been corresponding interest rate on Swiss franc? Show that interest rate differential is equal to forward premium or discount.

Solution:

Given, $e_0 = ₹. 35/Sfr$

$f_1 = ₹. 35.40/Sfr$

Inflation rate in home country (India) = $r_h = 8\%$ p.a. (for 9 months)

Inflation rate in foreign country (Switzerland) = $r_f = x\%$ p.a. (for 9 months)

As per Interest Rate Parity, $f_1 = e_0 \times (1 + r_h)/(1 + r_f)$

$$\text{Conditionally, } 35.40 = 35 \times (1 + 0.08 \times 9/12)/(1 + x \cdot 9/12)$$

$$\text{or, } 1 + x \cdot 9/12 = 1.048$$

$$x = 6.4\%$$

So, the interest rate on Swiss Franc is 6.4% p.a.

$$\text{Interest rate differential} = (r_h - r_f)/(1 + r_f) = [0.08 \times 9/12 - 0.064 \times 9/12]/(1 + 0.064 \times 9/12) = 1.15\%$$

$$\text{Forward premium or discount} = (f_1 - e_0)/e_0 = (35.40 - 35.00)/35.00 = 1.15\%$$

Since, Interest rate differential = Forward premium or discount.

Topic

Module 2.
Tax Management,
Return and
Assessment
Procedure

FINAL

Group III - Paper-15

Direct Tax Laws
and International
Taxation (DIT)

Return of Income

Filing the return of income is not merely a procedural compliance under the Income-tax Act, 1961—it is a statutory declaration of a taxpayer's income, financial transactions, and tax liability. Whether for individuals, HUFs, companies, or charitable institutions, the return serves as a foundational document for assessment, refund claim, loss carry forward, and scrutiny under the tax laws. Section 139 of the Act provides a comprehensive framework for various types of returns—original, belated, revised, and updated—each with distinct timelines, conditions, and implications. With the growing emphasis on data transparency through AIS, TIS, and interlinked systems like PAN-Aadhaar-GST, return filing has become a critical responsibility with far-reaching consequences. Therefore, a sound grasp of the return provisions is vital for every tax professional, ensuring clients' compliance and optimizing their tax outcomes.

Filing of return

The following persons need to file a return of income -

Assessee	Size of income
A company or a firm or any University/College/ other institution referred to on Sec.35(1)(ii) or (iii)	Irrespective of the size of the income
Any other person	Gross total income [without considering deduction u/s 54's] exceeds the maximum amount which is not chargeable to income tax.

- An ordinarily resident person is mandatorily required to file a return of income if he has any asset located outside India or has signing authority in any account located outside India.
- A person is also required to file a return if he has satisfied either of the prescribed economic conditions.

Compulsory Filing by Resident Individuals (Other than Not Ordinarily Resident) – Foreign Assets

Even if total income is below the basic exemption limit, filing of return is mandatory for a resident individual (excluding RNOR) if during the previous year he:

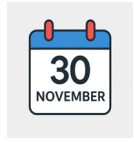
Condition	Explanation
(i) Holds any foreign asset	Includes financial interest or signing authority in any account located outside India.
(ii) Is a beneficiary of a foreign asset	Where income from such asset is not taxed in the hands of the owner.


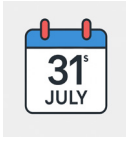
Mandatory Filing due to High-Value Transactions [7th Proviso to Sec. 139(1)]

Return filing is mandatory for individuals (excluding firms and companies), even if income is below exemption limit, if any of the following criteria are met:

Transaction Type	Threshold (PY)
Deposits in current account(s)	> ₹ 1 crore
Foreign travel expenses	> ₹ 2 lakh
Electricity consumption	> ₹ 1 lakh
Business turnover	> ₹ 60 lakh
Professional receipts	> ₹ 10 lakh
TDS + TCS	≥ ₹ 25,000 (₹ 50,000 for senior citizens)
Deposits in savings bank account(s)	≥ ₹ 50 lakh

Time limit for filing return of income

Assessee	Due date
Assessee (or firm in which he is a partner) who required to furnish Audit Report u/s 92E	

Assessee	Due date
Assessee (or firm in which he is a partner) requires to get his accounts audited (other than referred above)	
Assessee does not require to get his accounts audited	

Fee for default in furnishing return of income [Sec. 234F]

Where a person required to furnish a return of income u/s 139, fails to do so within the due date, he shall pay fee of:

Case	Fee
Total income does not exceed ₹ 5 lakh	₹ 1,000
Total income exceeds ₹ 5 lakh	₹ 5,000

Mode of furnishing Income-tax Return

- Paper Return
- Electronic Return with Digital Signature
- Transmitting the data in the return electronically and thereafter submitting the verification of the return in Form ITR-V
- Transmitting the data electronically in the return under electronic verification code

Compulsory E-Return:

Person	Condition	Mode
Company	-	Electronically with digital sign
Political Party	-	
Firm or LLP	Audit u/s 44AB required	
Individual or HUF	Audit u/s 44AB required	<ul style="list-style-type: none"> Electronically with digital sign Transmitting the data electronically in the return under EVC
Individual	Where total income assessable during the previous year of a person, being an individual of the age of 80 years or more at any time during the previous year, and who furnishes the return in Form number SAHAJ (ITR-1) or Form number SUGAM (ITR-4)	Any of the given mode
Any other person		Any mode other than paper mode

Loss-Return

A company or firm must file its return of income even when there is loss to the company. Other assessee must file their loss-return within time if they want to claim the loss to be carried forward (other than loss under the head income from house property or unabsorbed depreciation).

Belated Return

A belated return can be filed within 31st Dec of the relevant assessment year or before the completion of the assessment, whichever is earlier.

Revised Return

If an assessee discovers any omission or wrong statement (bonafide in nature) in return originally filed, he can revise his return u/s 139(5), within 31st Dec. of the relevant assessment year or before completion of regular assessment, whichever is earlier. A belated return can also be revised. A loss return can also be revised.

Return of income of Charitable Trust

A charitable trust must file its return of income if Gross total income (before allowing exemption u/s 11 or 12) exceeds the maximum amount not chargeable to tax, before the due date as per sec. 139(1).

Return of income of Political Party

The chief executive officer of any political party must file return of income, if the amount of gross total income (before allowing exemption u/s 13A) exceeds the maximum amount not chargeable to tax.

Return of research association, etc.

Every research association, etc. who are eligible for exemption u/s 10 are require to file their return of income, if the total income without giving exemption u/s 10, exceeds the maximum amount not chargeable to income-tax.

Verification of Return u/s 140

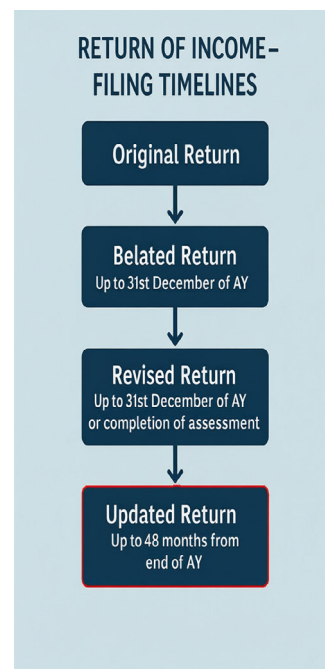
Assessee	Signed and verified by
Individual	Individual himself, in general.
HUF	Karta or in his absence, other adult member
Company	Managing Director (MD) or in his absence, other director
Firm	Managing partner or in his absence, other partner
Local authority	Principal officer
Political party	Chief Executive Officer
Any other association	Any member or principal officer
Any other person	Such person or any other person competent to act on its behalf.

Updated return

Any person may furnish an updated return u/s 139(8A) of his income for the previous year relevant to such assessment year within 48 months from the end of the relevant assessment year on payment of additional tax being computed as per sec. 140B. In updated return, one cannot decrease his tax liability. Further, in case of search, etc. assessee is not allowed to file updated return.

Conclusion

The paradigm of return filing under the Income-tax Act has shifted dramatically from mere procedural compliance to a rigorous, data-driven statutory declaration. With the relentless integration of tools like AIS, TIS, and interlinked PAN-GST networks, the margin for reporting errors has virtually disappeared. For Final-level students, mastering the complex matrix of Section 139—from the rigid deadlines of belated returns to the strategic but restrictive mechanism of updated returns—is non-negotiable. Modern tax practice demands more than just form-filling; it requires proactive tax planning, meticulous data reconciliation, and the foresight to safeguard corporate and individual clients against automated scrutiny and stringent penal consequences.



Topic

Module 3.
Decision Making
Techniques (Case
Study-based
Approach)

FINAL

Group III - Paper-16

Strategic Cost
Management (SCM)

Decisions Involving Alternative Choices

Decision-making under alternative choices involves selecting the most beneficial option from multiple available alternatives. These decisions are generally short-term and are primarily based on marginal costing principles.

The foundation of such decisions is the concept of relevant costs and revenues. Only those costs and revenues that differ between alternatives should be considered while making decisions.

Features of Relevant Costs

- Concern future costs and revenues only
- Must differ between alternatives
- Include cash flows and opportunity costs
- Include avoidable costs

Important Notes

- Sunk costs are irrelevant because they are already incurred.
- Fixed costs are relevant only if they can be avoided.
- Depreciation is generally irrelevant since it is non-cash, unless tax impact exists.

Types of Costs in Decision Making

Cost Type	Meaning	Relevant?
Sunk Cost	Past cost already incurred	No
Opportunity Cost	Benefit sacrificed by choosing another option	Yes
Incremental/Differential Cost	Additional cost between alternatives	Yes
Avoidable Fixed Cost	Fixed cost eliminated due to decision	Yes
Unavoidable Fixed Cost	Continues irrespective of decision	No
Variable Cost	Changes with output	Yes

1.2 Make or Buy Decision (Outsourcing)

This decision examines whether a component should be manufactured internally or purchased from an external supplier.

Decision Rule

- If relevant cost to make < purchase price → **Make**
- If relevant cost to make > purchase price → **Buy**

Relevant Costs for Manufacturing

- Direct material
- Direct labour
- Variable overhead
- Avoidable fixed overhead
- Opportunity cost of alternative use of capacity

1.3 Accept or Reject Special Order

A special order is usually a one-time order at a lower selling price.

Decision Rule

Accept the order if:

$$\text{Incremental Revenue} > \text{Incremental Cost}$$

or if contribution from the order is positive.

Key Conditions

- Idle capacity should exist
- Existing market price should not be affected
- Fixed costs remain unchanged in the short run

When Capacity is Fully Utilised

Opportunity cost of regular sales lost must be considered.

$$\text{Minimum Price} = \text{Variable Cost} + \text{Opportunity Cost}$$

1.4 Product Mix Decision (Limiting Factor Analysis)

When resources are limited, management must determine the optimal combination of products to maximise contribution.

Steps in Limiting Factor Analysis

1. Calculate contribution per unit
2. Identify the limiting factor
3. Compute contribution per unit of limiting factor
4. Rank products accordingly
5. Allocate scarce resources based on ranking
6. Prepare optimal production plan

Formula

When multiple constraints exist, Linear Programming should be used.

$$\text{Contribution per Limiting Factor} = \frac{\text{Contribution per Unit}}{\text{Units of Limiting Factor}}$$

1.5 Continue or Discontinue Decision

Management may consider dropping a product, department, or segment that appears unprofitable.

Decision Rule

Discontinue only if:

$$\text{Contribution} < \text{Avoidable Fixed Costs}$$

1.6 Sell or Process Further Decision

Applicable in joint-product situations where products can either be sold at split-off or processed further.

Decision Rule

Process further if:

$$\text{Incremental Revenue} > \text{Incremental Cost}$$

Joint costs incurred before split-off are sunk and irrelevant.

1.8 Profit Planning Using Marginal Costing

Basic Marginal Costing Structure

Particulars	Amount
Sales	XXX
Less: Variable Cost	XXX
Contribution	XXX
Less: Fixed Cost	XXX
Profit	XXX

Key Formulas

P/V Ratio (Profit-Volume Ratio)

$$\text{P/V Ratio} = \frac{\text{Contribution}}{\text{Sales}} \times 100$$

The P/V Ratio measures the relationship between contribution and sales. A higher ratio indicates better profitability.

Break-Even Point (BEP)

$$\text{BEP (Units)} = \frac{\text{Fixed Costs}}{\text{Contribution per Unit}}$$

Break-even point is the level of sales where total revenue equals total cost and profit is zero.

Margin of Safety (MOS)

$$\text{MOS} = \text{Actual Sales} - \text{Break-Even Sales}$$

Margin of Safety indicates the excess of actual sales over break-even sales and measures the degree of business risk.

Problem 1:

Alpha Engineering Ltd. manufactures 8,000 units of Component MX-15 annually. An external supplier has offered to supply the same component at ₹185 per unit.

The company's current annual cost structure for this component is as follows:

Cost Element	Total (₹)	Per Unit (₹)
Direct Material	5,60,000	70
Direct Labour	3,20,000	40
Variable Manufacturing Overhead	1,60,000	20
Fixed Manufacturing Overhead	4,00,000	50
Total Manufacturing Cost	14,40,000	180

The fixed manufacturing overhead of ₹4,00,000 is unavoidable even if the component is purchased from the supplier. The production facilities released by outsourcing have no alternative use at present.

Required:

- Should Alpha Engineering Ltd. manufacture the component internally or purchase it from the external supplier?
- Will your answer differ if the external supplier revises its offer and agrees to supply Component MX-15 at ₹120 per unit.

- iii. What is the maximum purchase price per unit at which Alpha Engineering Ltd. would be indifferent between making and buying the component?

Answer:

- i. Comparative Relevant Cost Statement

Particulars	Make (₹)	Buy (₹)
Direct Material	5,60,000	—
Direct Labour	3,20,000	—
Variable Manufacturing Overhead	1,60,000	—
Purchase Cost (8,000 × ₹185)	—	14,80,000
Total Relevant Cost	10,40,000	14,80,000

Manufacturing the component in-house is ₹4,40,000 cheaper than purchasing it from the external supplier.

Since the relevant cost of manufacturing (₹10,40,000) is lower than the cost of purchasing (₹14,80,000), Alpha Engineering Ltd. should continue to manufacture Component MX-15 internally.

- ii. Relevant Cost of Buying

Purchase Cost = 8,000 units × ₹120 = ₹9,60,000

Purchasing the component would save the company ₹80,000 compared to manufacturing it internally.

- iii. Relevant cost of making: = ₹10,40,000

Units produced: = 8,000 units

Indifference purchase price: = ₹130 per unit

At ₹130 per unit, the company would be indifferent between making and buying.

Problem 2:

Starline Manufacturing Ltd. produces three products — P, Q, and R. The company has a total of 24,000 machine hours available during the period.

The maximum market demand for each product is:

Product P – 2,500 units

Product Q – 4,000 units

Product R – 3,000 units

The following information is available:

Particulars	Product P (₹)	Product Q (₹)	Product R (₹)
Selling Price	650	480	560
Variable Cost	390	280	320
Contribution per Unit	260	200	240
Machine Hours per Unit	5	2	4
Contribution per Machine Hour	₹52	₹100	₹60

Required:

Determine the optimum production plan that will maximize the total contribution of the company.

Answer:

Step 1 – Identify the Limiting Factor

Machine hours required to satisfy full demand:

Product	Maximum Demand (Units)	Machine Hours per Unit	Total Hours Required
P	2,500	5	12,500
Q	4,000	2	8,000
R	3,000	4	12,000
Total	—	—	32,500

Available machine hours = 24,000

Since: 32,500 > 24,000

Machine hours are the scarce (key) factor.

Step 2 – Rank Products by Contribution per Machine Hour

Product	Contribution per Unit (₹)	Machine Hours per Unit	Contribution per Machine Hour (₹)	Rank
Q	200	2	100	1st
R	240	4	60	2nd
P	260	5	52	3rd

Priority order: Q → R → P

Step 3 – Allocate Available Machine Hours

Product	Rank	Units Produced	Hours Used	Cumulative Hours	Contribution (₹)
Q	1st	4,000	8,000	8,000	8,00,000
R	2nd	3,000	12,000	20,000	7,20,000
P	3rd	800*	4,000	24,000	2,08,000
Total	—	—	24,000	24,000	17,28,000

Balance hours = 24,000 – 20,000 = 4,000 hours

Units of P = 4,000 / 5 = 800 units

Step 4 – Optimum Production Plan

Produce:

Product Q = 4,000 units

Product R = 3,000 units

Product P = 800 units

Maximum Total Contribution = ₹17,28,000

To maximize contribution under the machine-hour constraint, Starline Manufacturing Ltd. should first produce Product Q, then Product R, and utilize the remaining capacity for Product P. This production mix yields a maximum contribution of ₹17,28,000.

Problem 3:

Galaxy Electronics Ltd. has a normal production capacity of 60,000 units per year, but it is currently operating at 75% capacity, producing 45,000 units annually. The product is sold in the domestic market at ₹250 per unit.

The cost structure is as follows:

Variable cost per unit: ₹180

Annual fixed costs: ₹18,00,000

An overseas customer has offered to purchase 8,000 units at ₹210 per unit, which is lower than the normal domestic selling price. No additional fixed costs will be incurred for this special export order.

Required:

- i. Should Galaxy Electronics Ltd. accept the special order?
- ii. Will your answer differ if the company is operating at 100% capacity. Should the special order be accepted?

Answer:

- (i) Company operating at 75% capacity (45,000 units)

Step 1 – Check Availability of Spare Capacity

Normal capacity = **60,000 units**

Current production = **45,000 units**

Spare capacity:

$60,000 - 45,000 = 15,000$ units

Special order = **8,000 units**

Since: $8,000 \leq 15,000$

the order can be fulfilled without affecting normal domestic sales.

Sufficient spare capacity is available.

Step 2 – Marginal Cost Analysis

Special order selling price per unit = **₹210**

Variable (marginal) cost per unit = **₹180**

Contribution per unit:

$₹210 - ₹180 = ₹30$

Total additional contribution:

$8,000 \times ₹30 = ₹2,40,000$

Galaxy Electronics Ltd should accept the special order because it generates an additional contribution of ₹2,40,000 with no extra fixed cost or loss of existing sales.

- (ii) Company operating at 100% capacity (60,000 units)

Now, the company must reduce domestic sales to accept the order.

Step 1 – Contribution from domestic sales (opportunity cost)

Domestic selling price = ₹250

Variable cost = ₹180

Contribution per domestic unit:

$$₹250 - ₹180 = ₹70$$

Loss of contribution on 8,000 units:

$$8,000 \times ₹70 = ₹5,60,000$$

Step 2 – Contribution from special order

Total contribution:

$$8,000 \times 30 = ₹ 2,40,000$$

Particulars	₹
Contribution from special order	2,40,000
Less: Lost domestic contribution	5,60,000
Net loss	(3,20,000)

Galaxy Electronics Ltd. Should reject the special order Because accepting it reduces profit by ₹3,20,000.

Topic

Module 5.
Cost Auditing
and Assurance
Standards

Module 17.
Forensic Audit

FINAL

Group IV - Paper-17

Cost and
Management Audit
(CMAD)

Cost Auditing and Assurance Standards and Forensic Audit

Cost Auditing and Assurance Standards (CAAS) are a set of professional standards issued by the **Institute of Cost Accountants of India (ICMAI)** to guide cost auditors in conducting cost audits with consistency, transparency, and reliability.

Key Cost Auditing and Assurance Standards issued by ICMAI are -

CAAS	Focus Area
General Standards	
101	Planning
102	Documentation
103	Overall Objectives of the Independent Cost Auditor
104	Knowledge of Business, its Processes and the Business Environment

Mandatory Compliance: The Ministry of Corporate Affairs, under Section 148(3) of the Companies Act, 2013, approved CAAS 101–104 for mandatory compliance. These standards are applied by Cost Accountants for planning, documenting, and reporting while auditing cost records of the Organisation, where appointed to perform Cost Audit. CAASB has released FAQs on CAAS 101 to 104 and in 2022 approved a restructured framework of 18 SCAs, which is awaiting final approval from the Ministry of Corporate Affairs. These are similar in spirit to auditing standards in financial auditing but are specifically tailored for cost records, cost statements, and cost compliance under the Companies Act, 2013.

Objectives of CAAS-

The objective is to :

- Ensure uniformity in cost audit practices
- Improve quality and credibility of Cost Audit Reports
- Provide guidelines for auditors' responsibilities
- Enhance transparency and governance in cost reporting
- Align cost audit practices with regulatory requirements

Importance of Cost Audit in Indian Context

- Mandatory for certain industries like cement, steel, power, telecom, etc.
- Supports government regulation of pricing and

cost efficiency

- Enhances corporate governance and accountability
- Useful for management decision-making and cost control
- Strengthens internal controls over cost data
- Improves risk identification (cost overruns, inefficiencies)
- Supports transparency
- Acts as a governance tool for operational efficiency

Cost Auditing and Assurance Standards (CAAS) , Detailed Explanation with Examples

1. CAAS 101 – Planning of Cost Audit

This standard requires the cost auditor to plan the audit systematically to ensure that the audit is conducted efficiently and effectively. Planning involves:

- Understanding the entity's business and industry
- Identifying key cost areas (materials, labour, overheads)
- Assessing risk-prone areas
- Developing an audit programme

Understanding the entity's business is essential e.g in a cement company the auditor need to know clinker production cost for which high energy consumption and availability of limestone mining facility is required. The cost and operation considered as high-risk. Safety , quality of limestone , energy consumption etc. are key cost drivers. Hence, plans to include detailed verification of power and fuel costs, mining cost which form ~30–40% of total cost. Clinker also can be procured for usage from Vendors, then 'buy or make' comparison provides alternate cost structure and opportunity for cost savings.

CAAS 101 describes 'Audit Risk', which includes 'risk of material misstatements and detection risk'. Material misstatement having two components viz. Inherent Risk and Control Risk. The susceptibility of an assertion about the measurement , assignment or disclosure of cost to a misstatement that could be material, either individually or when aggregated with other misstatements , before consideration of

any related controls. The ‘ control risk’ arises from a misstatement that could occur in an assertion about the measurement , assignment or disclosure of cost and that could be material , either individually or when aggregated with other misstatements , will not be prevented or detected and corrected , on a timely basis by the entity’s internal, operational and management control.

The audit plan to include –

- Nature , extent and timing of risk assessment , audit procedures and other activities
- Nature , extent and timing of direction , supervision of audit team and review of their work
- Documentation of audit strategy

2. CAAS 102 – Cost Audit Documentation

The auditor must maintain proper working papers and documentation to:

- Support audit conclusions
- Provide evidence of compliance with standards
- Facilitate review and future audits

The auditor verify the documents to support the audit findings w.r.t Cost sheets , Inventory valuation workings , Reconciliation between cost accounts and financial accounts etc.

3. CAAS 103 – Overall Objectives of the Independent Cost Auditor

The primary objective is to:

- Express an independent opinion on cost statements
- Ensure true and fair view of cost records
- Verify compliance with Cost Accounting Records Rules

Under /over statement of costs to show higher / lower efficiency, for which the auditor must ensure accuracy and report in the cost audit report.

It is expected that the cost auditor shall comply with the relevant ethical requirements including those pertaining to independence in respect of cost audit engagements.

4. CAAS 104 – Knowledge of Business, Processes, and Environment

The auditor must understand:

- Industry structure
- Production processes
- Regulatory environment
- Cost drivers

CAAS plays a crucial role in corporate governance and risk management, it enhances transparency in cost disclosures

- Supports risk identification (cost overruns, inefficiencies)
- Strengthens internal control systems

It is pertinent to mention here that in today’s business environment, understanding Information Technology (IT) environment and control in and around the IT environment is essential. This includes IT architecture, Systems and programmes in use , access controls over data, authorization processes mapped , Addition-Deletion- Change authority over master data and files, systems and programmes, Data security , Cyber Security controls. Appropriate risk/concern require assessment and help of expert may sought for purpose.

History of Forensic Audit in India and future Scope

Forensic auditing in India has evolved from a reactive investigative practice into a proactive tool for fraud detection and corporate governance. It combines accounting, auditing, law, and investigative techniques to uncover financial irregularities and provide evidence for legal proceedings. The development of forensic auditing in India is closely linked with economic liberalization, corporate frauds, and regulatory reforms. In the post liberalization era (1991-2000) , due to increase in foreign investments and rapid industrial growth given rise to financial manipulation and fraud. This created **new opportunities for financial manipulation and fraud**, increasing the need for specialized auditing. The period between 2001 to 2010 can be marked for **formal emergence of forensic auditing in India** driven by major corporate scandals viz. **Ketan Parekh Scam (2001)** – Stock market manipulation ; **Global Trust Bank Collapse (2004)**; **Satyam Scam (2009)** – Turning point for forensic audit adoption. After the Satyam scandal, India saw **significant regulatory reforms viz. Companies Act, 2013** , Emphasis on internal controls and fraud reporting (Section 143 of Companies Act 2013) , **Establishment of SFIO (Serious Fraud Investigation Office)** , **SEBI regulations** on corporate governance and disclosures. Forensic auditing in India has expanded significantly with technology integration

and regulatory tightening, between 2015 till date. Technological developments ushered through usage of Data analytics , Artificial Intelligence (AI) , Digital forensics. On regulatory front Reserve Bank of India (RBI) mandates forensic audits in large fraud cases , strengthening of Prevention of Money Laundering Act (PMLA), 2002 ; Insolvency and Bankruptcy Code (IBC), 2016 and SEBI's enhanced surveillance and forensic examination powers. A gradual shift from reactive to proactive forensic auditing being noticed in some key

areas like Banking and financial frauds , Corporate financial misstatements , Tax evasion and white-collar crimes , Arbitration and litigation support etc. The history of forensic auditing in India reflects a transition from informal investigative practices to a structured and technology-driven discipline. Major corporate scandals and regulatory reforms have played a pivotal role in shaping its development. Today, forensic auditing is an essential component of corporate governance, fraud prevention, and financial transparency in India.

Topic

Module 7.
Recent
Developments in
Financial Reporting

FINAL

Group IV - Paper-18

Corporate Financial
Reporting

Multiple Choice Questions

1. The primary purpose of an Integrated Report is to explain how an organization:
 - a) Maximizes short-term profit
 - b) Creates, preserves or erodes value over time
 - c) Reduces taxation liability
 - d) Determines market share
2. Integrated Reporting combines:
 - a) Only financial performance
 - b) Only non-financial disclosures
 - c) Financial and non-financial performance in a single report
 - d) Audit and tax reports only
3. The Integrated Reporting Framework was issued by:
 - a) IASB
 - b) ICAI
 - c) IIRC
 - d) SEBI
4. Integrated Reporting mainly focuses on value creation in the:
 - a) Short term only
 - b) Medium term only
 - c) Long term only
 - d) Short, medium and long term
5. Which of the following is NOT one of the capitals identified in the IR Framework?
 - a) Human Capital
 - b) Natural Capital
 - c) Political Capital
 - d) Intellectual Capital
6. Human Capital in Integrated Reporting includes:
 - a) Machinery and equipment
 - b) People's competencies and capabilities
 - c) Debt and equity finance
 - d) Patents and copyrights
7. Which capital includes patents, copyrights and organizational knowledge?
 - a) Financial Capital
 - b) Manufactured Capital
 - c) Intellectual Capital
 - d) Social Capital
8. In Integrated Reporting, "Natural Capital" refers to:
 - a) Human-created assets
 - b) Organizational procedures
 - c) Renewable and non-renewable environmental resources
 - d) Government grants
9. Which of the following is a guiding principle of Integrated Reporting?
 - a) Historical cost principle
 - b) Connectivity of information
 - c) Prudence concept
 - d) Conservatism
10. The IR Framework is described as:
 - a) Rule-based
 - b) Prescriptive
 - c) Principles-based
 - d) Tax-based
11. Which component lies at the core of the value creation process in Integrated Reporting?
 - a) External Environment
 - b) Business Model
 - c) Governance
 - d) Outlook
12. Which of the following improves Human Capital according to the IR Framework?
 - a) Vendor development programme
 - b) Use of renewable energy
 - c) Career advancement programmes and training
 - d) Purchase of machinery
13. In India, Integrated Reporting has been introduced by SEBI on a:
 - a) Mandatory basis for all companies
 - b) Mandatory basis for listed companies only
 - c) Voluntary basis for top 500 companies
 - d) Voluntary basis for banks only

14. Which of the following is a major challenge in implementing Integrated Reporting?
- Excessive inventory valuation
 - Lack of acceptable non-financial metrics
 - Lack of depreciation methods
 - Absence of stock exchanges
15. Integrated Reporting aims to promote:
- Multiple disconnected reports
 - Integrated thinking and decision-making
 - Short-term financial reporting only
 - Elimination of governance disclosures

Answers:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
b	c	c	d	c	b	c	c	b	c	b	c	c	b	b

Comprehensive Questions**Question 1**

Briefly, describe the value creation process suggested in Integrated Reporting.

Answer:

At the core of Integrated Reporting lies the concept of the Value Creation Process. The process explains how an organization creates, preserves, or erodes value over time through the effective use of various resources and relationships, known as “capitals.” Integrated Reporting adopts a holistic approach by combining financial and non-financial aspects of business performance.

The value creation process begins with the organization operating within a specific external environment. This environment includes economic conditions, technological developments, social issues, legal regulations, environmental challenges, and market competition. These external factors influence the opportunities available to the organization as well as the risks it faces.

An important aspect of the value creation process is the use of various forms of capital. The Integrated Reporting Framework identifies six capitals, namely financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital.

The organization uses these capitals as inputs in its business model. The business model forms the central element of the value creation process because it converts inputs into outputs and outcomes through various business activities. Outputs generally refer to products or services produced by the organization, while outcomes represent the effects of those outputs on the capitals.

Governance also plays a vital role in the value creation process. Those charged with governance establish appropriate oversight structures and ensure that management acts responsibly in achieving organizational objectives.

The organization’s strategy and resource allocation decisions are closely linked to value creation. After identifying risks and opportunities, management formulates strategies to achieve long-term objectives and allocates resources among different business activities accordingly.

Performance measurement is another essential component of the value creation process. Organizations continuously monitor and evaluate their performance through financial and non-financial indicators. This helps management assess whether strategic objectives are being achieved and whether the organization is effectively creating value.

The value creation process under Integrated Reporting is dynamic and continuous in nature. It recognizes that value can be created, preserved, or eroded over time depending on how effectively the organization manages its capitals and responds to changes in the external environment.

Value Creation Process under Integrated Reporting provides a comprehensive framework for understanding how organizations generate sustainable value for themselves, investors, stakeholders, and society as a whole.

Question 2

Discuss the different types of capital mentioned in Integrated Reporting.

Answer:

The Integrated Reporting Framework identifies six major types of capital, namely financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital.

Financial capital refers to the pool of funds available to an organization for use in the production of goods or services. It includes funds obtained through equity, debt, retained earnings, grants, or other financial

instruments. Financial capital is essential because it enables organizations to acquire other forms of capital and conduct business operations.

Manufactured capital consists of physical objects and infrastructure created by humans and used in the production process. It includes buildings, machinery, equipment, tools, roads, bridges, and other infrastructure facilities. Manufactured capital helps organizations improve operational efficiency and productivity. Effective management of manufactured capital contributes significantly to organizational performance and value creation.

Intellectual capital refers to knowledge-based intangible assets that provide competitive advantage to an organization. It includes patents, copyrights, trademarks, software, organizational systems, procedures, databases, and technical know-how. In the modern knowledge-driven economy, intellectual capital has become one of the most important drivers of innovation, operational excellence, and long-term competitiveness.

Human capital represents the competencies, capabilities, experience, and motivation of employees and management. It includes employees' skills, expertise, creativity, innovation capacity, leadership abilities, and ethical values. Human capital also reflects the organization's ability to develop and retain talented individuals through training, career development, and employee welfare initiatives.

Social and relationship capital refers to the relationships, networks, and trust established between the organization and its stakeholders. It includes relationships with customers, suppliers, employees, governments, communities, regulators, and other external stakeholders. Social and relationship capital also includes shared values, reputation, brand image, customer loyalty, and social license to operate.

Natural capital includes all renewable and non-renewable environmental resources and ecological systems that support organizational activities and human life. It includes air, water, land, forests, biodiversity, minerals, and climatic resources. Organizations depend on natural capital directly or indirectly for production and operations.

The Integrated Reporting Framework emphasizes that these capitals are interrelated and interdependent. Organizations create value by transforming and enhancing these capitals through their business activities. An increase in one form of capital may positively or negatively affect another form of capital. Therefore, organizations should adopt a balanced approach toward managing all capitals rather than focusing only on financial performance. This holistic perspective enables organizations to achieve sustainable growth and long-term value creation for stakeholders and society.

Topic

Module 10.
GST Returns

FINAL

Group IV - Paper-19

Indirect Tax Laws
and Practice (ITLP)

GST Returns

The implementation of the Goods and Services Tax (GST) revolutionized India's indirect taxation landscape by subsuming a complex web of multiple levies into a single, unified regime. At the very core of this tax structure lies the GST return mechanism—a rigorous compliance framework that goes far beyond mere data reporting. For tax administrators, returns are the primary tool for revenue realization, ITC matching, and anti-evasion analytics. For businesses and future cost accountants, mastering these filing requirements is non-negotiable for maintaining operational transparency and safeguarding seamless credit flow. This guide provides a comprehensive breakdown of the essential objectives, specific forms, and critical timelines governing GST returns.

The GST return mechanism is built on several key features:

- Electronic filing of returns
- Invoice-wise data reporting
- Auto-population of Input Tax Credit (ITC) based on supplier data
- Matching of invoice details between supplier and recipient
- Auto-reversal of ITC in cases of mismatches

These features aim to simplify compliance, enable accurate reporting, and ensure seamless credit flow. A GST return must be filed for various administrative and fiscal purposes, including:

- Communication of transactional data to the tax authorities;
- Verification of tax compliance by the authorities;
- Finalization of the taxpayer's liability within the prescribed timelines;
- Facilitating informed policy-making; and
- Supporting audit and anti-evasion functions of the tax administration.

Under GST, a regular taxpayer needs to furnish monthly returns and one annual return. There are separate returns for a taxpayer registered under the composition scheme, non-resident taxpayer, taxpayer registered as an Input Service Distributor, a person liable to deduct or collect the tax (TDS/TCS), a person granted Unique Identification Number. It is important to note that a taxpayer is not required to file all the types of returns. In fact, taxpayers are required to file returns depending on the activities they undertake. The GST Council has however recommended to ease the compliance requirements for small tax payers by allowing taxpayers to file details of outward supplies in Form GSTR-1 on a quarterly basis. All the returns are to be filed online. Returns can be filed using any of the following methods:

1. GSTN portal (www.gst.gov.in)
2. Offline utilities provided by GSTN
3. GST Suvidha Providers (GSPs).

Returns under GST Laws

Form	Particulars	Due Date	Applicable to
GSTR-3B	Monthly/ Quarterly summary return As per sec. 2(92), "quarter" shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year;	To be filed as under: <ul style="list-style-type: none"> ● Registered persons, who are not under QRMP Scheme – 20th of the next month. ● Registered persons, who have opted for QRMP Scheme - <ol style="list-style-type: none"> a. Aggregate turnover up to ₹ 5 Cr. in the previous financial year and registered in category 1¹ States – 22nd of the next month following the quarter. 	All registered persons other than: <ol style="list-style-type: none"> 1. Input service distributor (ISD), 2. Non-resident taxable person, 3. Person paying tax u/s: <ol style="list-style-type: none"> a. 10 – Composition levy b. 51 – Tax deduction at source

¹ Category – 1: States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union Territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep

Form	Particulars	Due Date	Applicable to
		<p>b. Aggregate turnover up to ₹ 5 Cr. in the previous financial year and registered in category 2² States – 24th of the next month following the quarter</p> <ul style="list-style-type: none"> pay the tax due in each of the first two months of the quarter by depositing the due amount in Form GST PMT-06 (either on self- assessment basis or fixed sum method i.e., 35% of challan), by 25th day of the month succeeding such month under the head “Monthly payment for quarterly taxpayer” 	c. 52 - Collection of tax at source
GSTR-1 / IFF	Statement for furnishing details of outward supplies	<p>To be filed by either of the following persons on or before the below given dates:</p> <ul style="list-style-type: none"> Registered person, who are not under QRMP Scheme - 11th of the next month Registered persons, who have opted for QRMP Scheme - 13th of the subsequent quarter <p>However, such persons can furnish details of outward supplies using IFF for the first 2 months of the quarter as under:</p> <ul style="list-style-type: none"> 1st month of the quarter – on or before 13th of the subsequent month (max value = ₹ 50 Lakhs) 2nd month of the quarter - on or before 13th of the subsequent month (max value = ₹ 50 Lakhs) Invoices furnished using the said facility in the first two months are not required to be furnished again in Form GSTR-1. 	Normal / regular taxpayer
GSTR-4	Return by composition tax payers	<p>CMP-08 by 18th of the month succeeding the quarter.</p> <p>GSTR-4 Annually by 30th June following the end of a financial year.</p>	Composition taxpayer
GSTR-5	Return by non-resident tax payers	13th of the next month or within 7 days after expiry of registration, whichever is earlier	Non-resident taxpayer

2. Category – 2: States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi

Form	Particulars	Due Date	Applicable to
GSTR-5A	Monthly return by online information and database access or retrieval services (supply to a person other than a registered person i.e., online non-taxable recipient)	20th of the next month	Online information and database access or retrieval services
GSTR-6	Monthly return by input service distributors	13th of the next month	Input service distributors
GSTR-7	Monthly return for TDS, even nil	10th of the next month	Tax Deductor
GSTR-8	Monthly return (statement) for collection of tax at source	10th of the next month	E-commerce operator
GSTR-9/9C	Annual return	31st December of the next financial year	Various person. Mandatory if turnover exceeds ₹ 2 crore
GSTR-10	Final Return	Within 3 months of the date of cancellation or date of receipt of order of cancellation, whichever is later	Registered person whose registration has been cancelled
GSTR-11	Return to be filed by a person having UIN (Unique Identity Number) w.r.t inward supplies received by him to file refund of the taxes paid by him on inward supplies.		Person having UIN

Ultimately, the GST return mechanism is far more than a monthly administrative checklist; it is the definitive audit trail that dictates a business's finalized tax liability and ITC eligibility. With the recent tightening of portal validations—such as sequential filing mandates and mandatory invoice-level reporting—the margin for compliance errors has effectively disappeared. For future

cost and management accountants, a deep mastery of these interconnected returns is indispensable. Proactive tax planning, rigorous reconciliation, and continuous alignment with the evolving GST Network are no longer just 'best practices,' but absolute statutory necessities to safeguard seamless credit flow and prevent penal liabilities.

Topic

Module 8.
Valuation of Assets
and Liabilities

ELECTIVES

Paper-20A

Strategic
Performance
Management and
Business Valuation
(SPMBV)

Valuation of Assets and Liabilities: In the context of Business Valuation

Valuation of Assets

In the context of Business Valuation, different classes of assets require distinct and specialized valuation techniques.

The primary methods for valuing various corporate assets include –

1. For Tangible and Physical Assets-

These are physical, quantifiable components of a business and distinct methods of valuation are used in each case :

- (a) **Real Estate and Property:** These are valued using the Market Approach method (comparing recent sales of similar properties) or the Cost Approach method (evaluating the cost to replace the property minus accrued depreciation). Income Approach applies the income from the property and uses suitable discount factors to assess the value of the property at a given point of time.
- (b) **Plant, Property & Equipment:** Assessed by valuers based on replacement cost method or liquidation value method (the net cash obtainable if the assets were sold off independently within a short time)
- (c) **Inventory:** Typically, valuation is made by using accounting standards by way of FIFO or weighted average. In distressed valuation, valuers look at the net realisable value (expected selling price minus disposal costs).

From accounting perspective, inventory is valued at lower of cost or net realisable value. Inventory valuation involves the following major costs :-

- Cost of purchase
- Cost of conversion
- Other related costs incurred in bringing the inventories to their present location and condition.

2. Financial and Liquid Assets –

These are cash equivalents or legally binding claims on outside entities. Valuation methods used in each case are as under:

- (a) Cash & Cash equivalents: Valued at their face value on the valuation date.

- (b) Accounts receivables: Valued at face value but adjusted downward after estimating bad debt reserve to account for the amounts that are unlikely to be collected.

- (c) Investments & Marketable Securities: Valued using the prevailing market price available on public exchanges.

- (d) Investment in unquoted securities: In absence of adequate information, valuers may consider valuing such unquoted investments at their net asset values under cost approach.

3. Intangible Assets –

These are non physical assets and valuation methods differ in each category as :

- (a) Patents, Copyrights and Trademarks: Generally valued using the Relief from Royalty Method (estimating the royalties the company would have to pay to license the asset if they do not own them) or the Excess Earnings Method (isolating the cash flow generated by the intangible assets). Other methods used for intangible assets are: premium profit method, greenfield method, distributor method.
- (b) Goodwill: Calculated as a Residual Value. It represents the premium paid for the company's reputation, brand and customer base, derived by taking the total purchase price of the business and subtracting the fair value of all identifiable tangible and intangible assets.

Basically, in valuing various category of assets the following four Methods are used –

- (a) Cost Method
- (b) Market value Method
- (c) Base Stock Method
- (d) Standard Cost Method

Considering the Approach to asset valuation, the following Approaches may be mentioned: -

- (a) The Cost Approach
- (b) The Direct Market Approach or Sales Comparison Approach
- (c) The Income Approach

Two methods are often used to value machinery and equipment under the Income Approach –

1. The Direct Capitalization Approach (DC)
2. DCF Approach

When applying the DC method, a projected income stream is divided by a capitalization rate. The DCF approach projects quantum, variability, timing, period of duration & residual value and discounts them to a present value using a suitable discount rate.

These approaches establish the value of an asset or collection of assets assuming an ongoing business. This implies that the subject assets will remain in place and in use as a continuing or on-going business at their best use.

Valuation of Liabilities

The valuation of company liabilities is the process of determining the current fair value of a company's debts, obligations, claims, etc. against its assets. In business valuation, this involves identifying all current liabilities (due within a year) and non-current liabilities (due later) and adjusting them to reflect market realities. Valuation of liabilities is also governed by the principle of conservatism, which is one of the important principles of Generally Accepted Accounting Principles (GAAP).

Valuing Current Liabilities –

Debts or obligations due within one year (e.g. accounts payable, short-term debts, accrued expenses) are typically valued at their face value or the cash amount required to settle them.

Valuation of Non-current Liabilities-

Long term obligations beyond one year are valued at the present value of future payments discounted at a specific interest rate(s) to account for the time value of money.

Valuation of Contingent Liabilities-

Potential future obligations that depend on a specific event (e.g., pending lawsuits or product warranties) are valued based on the probability of occurrences and a reliable estimate of the payout if the event is likely to happen and the amount can be reasonably estimated.

To sum up :

- Face value method for standard short-term debt
- Present value method for long term obligations
- Fair value-based method with regard to market pricing and probability weighted estimates for contingent liabilities.

Further categorization:

- (a) In respect of Pension and Post retirement obligations – Under Actuarial Present Value approach, Projected Unit Credit method is used.
- (b) In respect of Deferred Tax Liabilities- Under Nominal Tax method, valuation is done using the enacted tax rates
- (c) In respect of financial liabilities (Debts & Borrowings) –

Amortized Cost approach is used for standard loans, bonds and notes payable and valuation done using the Effective Interest Rate (EIR) method.

- (d) In respect of Contingent claim: It is a derivative that gives the owner the right but no obligation to a pay off based on an underlying asset, rate or other derivative. Contingent claims include options.

Other valuation methods for valuing liabilities:

1. Book Value (Net Asset Value): This is the simplest baseline to determine the paper worth of a company.

Book value = Total Assets – Total Liabilities

2. Liquidation Value: Considers the net cash value if assets are sold off and liabilities are paid off immediately.
3. Market capitalization approach
4. Discounted Cash Flow Method

Topic

Module 4.
Sovereign Risk and
Insolvency Risk

ELECTIVES

Paper-20B

Risk Management
In Banking and
Insurance (RMBI)

Sovereign Risk and Insolvency Risk

Sovereign Risk and Insolvency Risk are central to understanding the dynamics of financial stability in both national and global economies. While sovereign risk operates at the macroeconomic level, reflecting the creditworthiness of a country, insolvency risk functions at the microeconomic level, focusing on the financial viability of firms and individuals. Together, they shape lending decisions, investment flows, and regulatory frameworks, influencing the overall health of financial systems.

Concept of Sovereign Risk: Sovereign risk refers to the possibility that a government may fail to meet its debt obligations or may alter the agreed terms of repayment in a way that is detrimental to creditors. This risk encompasses not only outright default but also indirect factors such as currency depreciation, inflation, political instability, and policy uncertainty. Sovereign risk becomes particularly significant in the context of international investments and cross-border lending, where investors rely on the economic and political stability of a nation.

The evaluation of sovereign risk is typically undertaken by credit rating agencies such as Moody's Investors Service, Standard & Poor's, and Fitch Ratings. These agencies assess a country's fiscal discipline, economic growth, external debt position, and governance standards to assign credit ratings. These ratings directly impact a nation's borrowing costs and its ability to attract foreign capital.

Determinants of Sovereign Risk: Sovereign risk is influenced by a range of macroeconomic and institutional factors. Fiscal deficits and high levels of public debt can signal potential repayment difficulties, while persistent current account deficits may indicate external vulnerabilities. Political stability and effective governance are equally important, as policy continuity and transparency enhance investor confidence. Monetary policy, inflation control, and exchange rate stability also play a crucial role in determining the overall risk profile of a country.

In the Indian context, institutions such as the Reserve Bank of India play a vital role in maintaining macroeconomic stability. By managing inflation, regulating liquidity, and overseeing the banking system, the central bank contributes to reducing sovereign risk and fostering economic resilience.

Concept of Insolvency Risk: Insolvency risk refers to the likelihood that an individual, firm, or corporate entity will be unable to meet its financial obligations as they fall due. It arises when liabilities exceed assets or when cash flows are insufficient to service debt. Insolvency risk

is a key concern for creditors, investors, and financial institutions, as it directly affects the recovery of funds and the valuation of investments.

This type of risk can result from a variety of factors, including poor financial management, excessive leverage, declining revenues, or adverse economic conditions. When insolvency risk materializes, it may lead to restructuring, liquidation, or legal proceedings aimed at resolving financial distress.

Legal and Institutional Framework in India: India has significantly strengthened its insolvency framework through the introduction of the Insolvency and Bankruptcy Code, 2016. This comprehensive legislation provides a time-bound process for resolving insolvency cases and aims to maximize the value of distressed assets. It marked a shift from fragmented and inefficient mechanisms to a unified and structured system.

The adjudication of corporate insolvency cases is handled by the National Company Law Tribunal, which oversees the Corporate Insolvency Resolution Process (CIRP). This process involves the appointment of resolution professionals, formation of committees of creditors, and evaluation of resolution plans, with the objective of either reviving the distressed entity or facilitating its orderly liquidation.

Interrelationship Between Sovereign and Insolvency Risk: Sovereign risk and insolvency risk are deeply interconnected, often influencing each other in complex ways. A rise in sovereign risk, driven by fiscal imbalances or economic instability, can increase borrowing costs across the economy. This, in turn, places additional financial strain on corporations, raising their insolvency risk. Higher interest rates, reduced access to credit, and declining investor confidence can exacerbate corporate distress.

Conversely, widespread insolvencies in the corporate sector can weaken the banking system, reduce tax revenues, and increase the fiscal burden on the government. This can lead to a deterioration in sovereign creditworthiness, creating a feedback loop between the two risks. The interconnectedness highlights the importance of maintaining stability at both macro and micro levels.

Global Perspectives and Lessons: Global financial crises have underscored the significance of managing sovereign and insolvency risks effectively. Episodes such as sovereign debt crises and corporate bankruptcies have demonstrated how quickly financial instability can spread across borders. In an increasingly interconnected world, the impact of such risks is not confined to

individual countries or sectors but can have far-reaching consequences for global markets.

These experiences emphasize the need for strong regulatory frameworks, prudent fiscal management, and effective risk monitoring systems. Countries that maintain transparent governance, sound economic policies, and robust financial institutions are better equipped to withstand shocks and mitigate the impact of these risks.

Risk Mitigation Strategies: Managing sovereign risk requires a combination of fiscal discipline, economic diversification, and institutional strength. Governments must ensure sustainable debt levels, maintain adequate foreign exchange reserves, and implement policies that promote long-term economic growth. Transparency and accountability in governance further enhance credibility and investor confidence.

In the case of insolvency risk, effective corporate governance and prudent financial management are

essential. Firms must maintain balanced capital structures, monitor cash flows, and adopt risk management practices that enable early detection of financial distress. A strong legal framework, such as the Insolvency and Bankruptcy Code, ensures timely resolution and prevents value erosion.

To Conclude: Sovereign risk and insolvency risk are integral components of the financial ecosystem, influencing decision-making at both national and organizational levels. While sovereign risk reflects the economic and political stability of a country, insolvency risk captures the financial health of individual entities. Their interdependence underscores the need for coordinated efforts in policy formulation, regulation, and risk management. By fostering strong institutions, maintaining fiscal prudence, and ensuring efficient insolvency mechanisms, economies can enhance resilience and promote sustainable financial stability in an increasingly complex global environment.

Insurance Intermediaries

General Insurance, Health Insurance and Life Insurance

Insurance plays a vital role in modern economies by providing financial protection against uncertainties and enabling individuals and businesses to manage risk effectively. In India, the insurance sector has evolved significantly over the past few decades, driven by regulatory reforms, increasing awareness, and the participation of both public and private players. Within this ecosystem, insurance intermediaries act as the connecting link between insurers and policyholders, while various branches of insurance, namely general insurance, health insurance, and life insurance, address distinct risk protection needs. Together, they contribute to financial inclusion, economic stability, and social security.

Insurance Intermediaries: Role and Importance: Insurance intermediaries are entities or individuals who facilitate the distribution of insurance products by bridging the gap between insurers and customers. They play a crucial role in educating clients, assessing their risk profiles, and recommending suitable policies. In India, intermediaries include insurance agents, brokers, corporate agents, web aggregators, and third-party administrators.

The regulatory framework governing intermediaries is overseen by the Insurance Regulatory and Development Authority of India (IRDAI), which ensures transparency, accountability, and fair practices in the industry. Intermediaries must be licensed and adhere to strict guidelines regarding disclosures, commissions, and customer service.

Agents are typically tied to a single insurer and promote its products, whereas brokers operate independently and can offer policies from multiple insurers, thereby providing a wider choice to customers. Corporate agents, such as banks and financial institutions, distribute insurance products alongside their primary services, a model often referred to as bancassurance. Web aggregators and digital platforms have emerged as important intermediaries in recent years, allowing customers to compare policies and make informed decisions online.

The importance of intermediaries lies in their advisory role. Insurance products can be complex, involving technical terms, exclusions, and conditions. Intermediaries simplify these aspects, ensuring that customers understand the coverage and select policies aligned with their needs. They also assist in claims processing and act as advocates for policyholders in case of disputes.

General Insurance-Scope and Coverage: General insurance, also known as non-life insurance, covers risks other than life and typically provides short-term protection, usually for a period of one year. It encompasses a wide range of products designed to protect assets, liabilities, and financial interests against unforeseen events.

In India, general insurance includes motor insurance, fire insurance, marine insurance, travel insurance, and liability insurance. Motor insurance is one of the most

widely purchased products, partly due to its mandatory nature under law. Fire insurance protects property against damage caused by fire and related perils, while marine insurance covers risks associated with the transportation of goods.

The general insurance segment in India is served by both public and private insurers, such as New India Assurance Company and ICICI Lombard General Insurance. These companies design products tailored to the needs of individuals, businesses, and industries.

General insurance policies are based on the principle of indemnity, which means that the insured is compensated only to the extent of the actual loss suffered, subject to policy limits. This ensures that insurance serves as a risk management tool rather than a means of profit. The underwriting process involves assessing the risk profile of the insured and determining appropriate premiums.

Health Insurance-Growing Significance: Health insurance has gained prominence in India due to rising healthcare costs, increasing incidence of lifestyle diseases, and greater awareness of financial planning. It provides coverage for medical expenses incurred due to illness, injury, or hospitalization, thereby reducing the financial burden on individuals and families.

Health insurance policies typically cover hospitalization expenses, pre- and post-hospitalization costs, day-care procedures, and sometimes preventive healthcare services. Specialized products such as critical illness plans and family floater policies have further expanded the scope of coverage.

The role of third-party administrators (TPAs) is particularly significant in health insurance. TPAs act as intermediaries between insurers and hospitals, facilitating cashless treatment, processing claims, and maintaining records. This enhances efficiency and improves the customer experience.

Government initiatives have also played a crucial role in expanding health insurance coverage. Schemes such as Ayushman Bharat aim to provide affordable healthcare to economically weaker sections of society. This has contributed to increased penetration of health insurance and improved access to medical services.

Health insurance operates on the principle of risk pooling, where premiums collected from a large group of policyholders are used to cover the medical expenses of those who require treatment. This collective approach makes healthcare more accessible and affordable.

Life Insurance-Protection and Savings: Life insurance is a long-term financial instrument that provides protection against the risk of premature death while also serving as a tool for savings and investment. It ensures that the

dependents of the policyholder receive financial support in case of an untimely demise, thereby safeguarding their future.

In India, life insurance is offered by both public and private insurers, with Life Insurance Corporation of India being the largest player in the market, alongside private companies such as SBI Life Insurance. These insurers offer a variety of products, including term insurance, endowment plans, whole life policies, and unit-linked insurance plans (ULIPs).

Term insurance provides pure risk coverage with no maturity benefit, making it the most cost-effective form of life insurance. Endowment and whole life policies combine protection with savings, offering a lump sum amount at maturity or upon the policyholder's death. ULIPs, on the other hand, integrate insurance with investment, allowing policyholders to participate in capital markets.

Life insurance policies often come with additional benefits such as tax advantages under prevailing laws, bonus additions, and optional riders for enhanced coverage. These features make life insurance an integral part of financial planning, addressing both protection and wealth creation objectives.

Interlinkages and Economic Impact: The different segments of insurance, general, health, and life are interconnected in their contribution to economic development. By transferring risk from individuals and businesses to insurers, the insurance sector promotes stability and encourages investment. It also mobilizes long-term savings, which can be channelled into infrastructure and development projects.

Insurance intermediaries play a pivotal role in this ecosystem by ensuring that products reach a wider audience and are utilized effectively. Their advisory services help in bridging the gap between complex insurance offerings and customer understanding.

Moreover, the insurance sector supports employment generation and fosters innovation through the development of new products and digital platforms. The integration of technology has enhanced efficiency, transparency, and accessibility, making insurance services more customer-centric.

Challenges and Future Outlook: Despite significant progress, the insurance sector in India faces several challenges. Low penetration levels, particularly in rural areas, remain a concern. Limited awareness, affordability issues, and mistrust in financial products can hinder growth. Additionally, the complexity of insurance contracts and claim settlement processes may discourage potential customers.

However, the future outlook is promising. Increasing digitalization, regulatory support, and rising income levels are expected to drive growth in the sector. Initiatives aimed at financial literacy and inclusion will further enhance the reach of insurance services.

The role of intermediaries is also evolving with the advent of Insurtech solutions, which leverage data analytics, artificial intelligence, and online platforms to improve customer engagement and streamline operations. This transformation is likely to make insurance more accessible, efficient, and tailored to individual needs.

To Conclude: Insurance intermediaries, along with the

core segments of general insurance, health insurance, and life insurance, form the backbone of the risk management framework in India. While intermediaries facilitate access and understanding, general insurance protects assets, health insurance safeguards against medical expenses, and life insurance ensures financial security and long-term planning. Together, they contribute to economic resilience, social welfare, and financial stability. As the sector continues to evolve, driven by innovation and regulatory reforms, it holds immense potential to address emerging risks and support sustainable development in an increasingly uncertain world.

Topic

Module 5.
Scalability, Scaling
up and Stabilisation
of Sustainable
Business

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Paper-20C

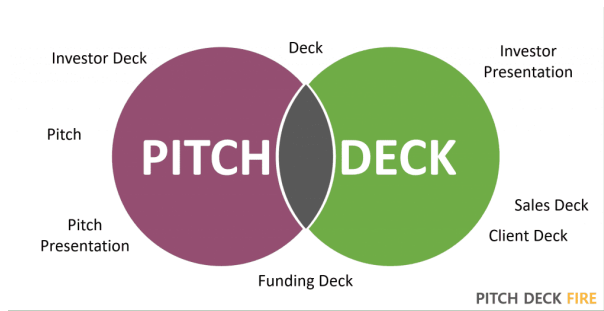
Entrepreneurship
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Entrepreneurship and Startup

Pitching Documents

A startup pitch is a concise, compelling presentation designed to introduce a new business idea to potential investors, partners, or customers with the ultimate goal of securing funding or generating sales.

For early-stage startups, pitching is the gateway to growth. It is how founders build buzz, attract top talent, and raise the capital needed to survive and scale. It is about storytelling—convincing others to believe in your vision and take action.



<https://pitchdeckfire.com/resources/decode-the-pitch-deck-a-guide-to-the-investor-pitch-pitch-books/>

Common Types of Pitches

1. Elevator Pitch:

- **Format:** Verbal summary, usually 30 to 60 seconds.
- **Purpose:** To spark immediate interest and secure a follow-up meeting.
- **Content:** Covers who you are, the problem you are solving, your solution, and your unique value proposition.

2. Investor Pitch (Pitch Deck):

- **Format:** Visual presentation, typically 10 to 12 slides (often following the 10/20/30 rule: 10 slides, 20 minutes, 30-point font).
- **Purpose:** To pitch in front of Angel Investors or Venture Capitalists (VCs) to raise capital.
- **Content:** Highlights the problem, solution, market size, business model, traction, competitor analysis, financial projections, and team.

3. Sales Pitch:

- **Format:** Tailored demonstration or meeting.
- **Purpose:** To sell your product or service to a potential customer or business client rather

than raising money.

- **Content:** Focuses on customer pain points, specific product features, return on investment (ROI), and pricing models tailored to that specific client.

4. Partnership Pitch

- **Format:** Meeting or customized slide deck.
- **Purpose:** To persuade other companies, suppliers, or strategic allies to collaborate or integrate with your startup.
- **Content:** Focuses on the mutual benefits of the collaboration, shared target audiences, and the combined value you can offer the market

Best Pitching Practices

1. **Follow the 10/20/30 Rule:** If using a presentation, try to keep it to 10 slides, present it in under 20 minutes, and use a font size of at least 30 points to keep the content readable and concise.
2. **Prioritize Storytelling:** Craft a compelling narrative that guides investors through the hero's journey (where your product is the tool that solves their problems) rather than just reading off data.
3. **Practice Frequently:** The most successful founders pitch dozens of times to refine their delivery, smooth out their talking points, and anticipate tough questions.

Why Pitches Matter in Startups?

- (i) **Securing Capital:** Investors listen to pitches not just to buy a product, but to buy a theory of the future. A solid pitch proves your team's capability, demonstrates a defensible competitive advantage, and outlines a clear, viable path to a financial exit.
- (ii) **Driving Clarity and Strategy:** The process of building a pitch deck acts as an internal planning tool. It forces founders to confront the 3 C's—being Clear, Concise, and Compelling—distilling complex operational realities into simple, actionable goals.
- (iii) **Attracting Talent and Partners:** A great pitch isn't just for venture capitalists. It is the foundation for convincing top-tier talent to bet their careers on your startup, and for winning early clients or crucial business partnerships.
- (iv) **Building Trust Through Storytelling:** Investors and partners evaluate founders based on how

thoughtful and sharp they appear in the business. A cohesive, organized pitch signals discipline, execution skills, and an understanding of the market's needs

Source: <https://www.linkedin.com/pulse/startup-framework-better-pitch-through-storytelling-paul-o-brien-y2ffc>

Pitch in the Indian Context

1. Common in startup accelerators, angel networks, and Shark Tank India-style forums.
2. Early-stage Indian startups often pitch to angel investors and VCs through pitch decks.
3. Investment banks in India also use formal pitch books to approach companies with IPO or acquisition ideas.

[Source: <https://www.equirus.com/glossary/pitch/>]

Pitching Documents

Startup pitching documents are the primary tools founders use to secure funding. They range from concise visual slide decks and detailed financial models to a written executive summary. These assets collectively tell your company's story—proving your market opportunity, business model, and ability to execute.

1. Cover Slide/Title

- Company name and logo
- Contact details (city, e-mail, mobile)
- URL
- One line that clearly describes the concept/product/service

2. The Issue or Pain Point That Your Product/Solution Addresses

- Explain why your customers need your solution
- Mention what they are currently doing and how your product/service is a better solution

3. Team

- Highlight what each member of the team does/will do in the venture, and why he/she is best suited for the role
- Indicate if the person is a co-founder or founding team member or an employee – against each indicate the % of equity held (currently or planned if not yet distributed)

4. Product/Technology Overview

- Highlight the uniqueness of the product or service or technology and NOT the technical details for each feature in the product/solution/service

5. Business Model

- This is about how you will make money from this business opportunity
- This is NOT the excel sheet, in simple terms, this is about who will pay how much and to whom for your product

6. Size of the Market Opportunity

- Be clear about where and who is going to buy your product/service and how much would they pay for it
- Mention the size of the opportunity in the markets you are planning to address (e.g. In India, there are ____ number of parents who will buy our service at Rs/\$____ per year. This translates into a market potential of Rs/\$____ per year.
- In year 3, we plan to tap US and Canada, and the size of the opportunity there is Rs/\$____ (No. of parents ____ x Price per year ____)
- This section is NOT about what your plans are, but about what the size of the market is. This section should therefore give a sense about how many customers are there in your target market and at what price are you selling your product to them, what is the revenue potential if all of them were to buy (not that they will, but this is to give an indication of what the size of the market is)

7. Current Traction

- What have you achieved so far – product, customers, revenues, etc.
- Include photographs, if possible (e.g. if you have physical stores or products that you manufacture or office pictures)

8. Competitive Landscape

- Who are currently or in future likely to compete against your product/service and what is your plan to win this battle?
- Explain why are you better than your

competitors (a comparison chart is usually not seen seriously by investors because all presentations tend to show a comparison chart that will be favourable to your solutions/product)

9. Financials Current and Projections

- Summary of your business plan excel sheet for 3 years (Note: the detailed excel sheet is NOT required.
- Just key figures at annual level for 3 years are sufficient for the preliminary evaluation. If there is sufficient interest from investors in the venture, then we will evaluate your excel sheet and business case in detail)
- Break-up of your costs into CAPEX and OPEX (In OPEX, highlight major cost components – salaries, marketing, etc.)
- Cover the unit economics, i.e. how much revenue do you get per transaction/customer, how much does it cost you to service that customer/order.

10. Funding Needs, Use of Funds & Proposed Valuation

- Describe how much money you want to raise and its planned usage
- Mention if there are other co-investors (or others who have already committed)

- Clearly indicate how long will these funds last and what you will be able to achieve with it (e.g. this investment of \$_____ will last us for _____ months. With this, we will be able to get to _____ customers and _____ in revenues)
- Clearly mention if you are going to require follow-on capital, and if so, how much (e.g. post this we will raise a Series A round of \$ _____)
- The valuation you are seeking for this round

11. Current Equity Structure, Fundraising History and Investors

- Table of current equity holding (cap table)
- How much money have you invested?
- Mention previous investment history, including year, amount and investors

12. Exit Options

- How do you think the investors can exit (i.e. who will buy their equity or do you feel that this can be an IPO)
- If you can, give examples of exits in your industry (or comparable examples).

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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.

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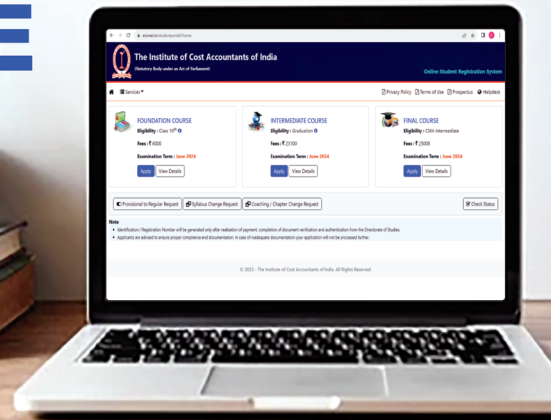
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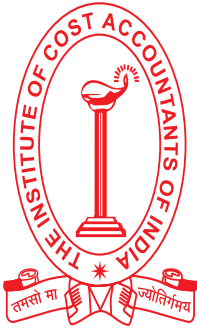
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