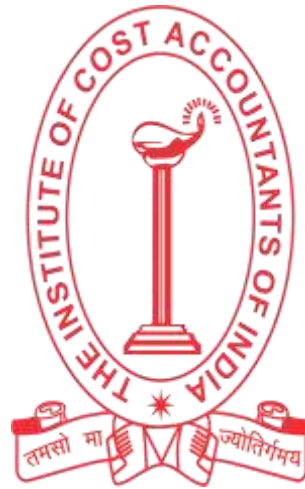**TOLL FREE 18003450092 / 1800110910**

December - 2022 Issue

CMA Student E - Bulletin

INTERMEDIATE

The Institute of Cost Accountants of India

Statutory Body under an Act of Parliament

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BEHIND EVERY SUCCESSFUL BUSINESS DECISION, THERE IS ALWAYS A CMA

CONTENTS

KNOWLEDGE
Update

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

GROUP: 1, PART: 5

FINANCIAL
ACCOUNTING - (FAC)

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Your Preparation Quick

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

Learning Objectives:

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

Financial Accounting

Hope you all are keeping well. This is the last month of the year. You must be waiting for a new year to come and waiting to celebrate the Christmas days. Warm Wishes to you all for a cold winter:

Here is discussion on a new topic and some practice materials:

Single entry system is considered as a no system at all. Experts believe unlike double entry system it has no scientific basis. Questions may arise – "why should this to be learnt"? It is true that like double entry system it has no such scientific system. However it is also true that arithmetically through a simple statement business logics can be explained and profit can be ascertained by comparing the opening capital and closing capital under single entry system. The traditional concept of profit is closing capital minus opening capital. For example if a peddler starts his day with Rs. 1000 and finds Rs. 1200 in his hand at the end of the day he considers Rs. 200 as his net earnings for the day. However this ignores the financial happenings during the day. During the day he may take lunch and spent Rs. 50. In that case his earning increases by Rs.50 because even if spending Rs.50 for personal consumption he is left with Rs.200. so his actual earnings become Rs.250. On the other hand he may bring Rs. 100 from home during afternoon for his business which will reduce his net earnings by Rs. 100. Thus the formula for ascertaining profit is modified as (closing capital +drawings – opening capital-further introduction of capital). From the above example profit = 1200+50-1000-100 = 150/-. Small traders, grocery shop owners may maintain such type of accounts which may not follow the true spirit of double entry system and it may not be possible to record all transactions. This results in incomplete recording of the transactions in the books. This is the reason it is called "final accounts from incomplete records".

1. PREPARATION OF FINAL ACCOUNTS

Under this system two statements are prepared – a. Statement of profit and loss and b. Statement of affairs.

Step 1. Prepare statement of affairs at the beginning as well as at the year end to find out the opening and closing capital respectively.

Step 2. Prepare statement of profit and loss to ascertain the trading profit.

Step 3. Prepare statement of affairs as at the year end to show the financial position of the business.

2. ILLUSTRATIONS

A. Mr . Raman starts a business with Rs.30000 cash as her capital on January 1 2016. At the close of the year the financial position of her business was as follows :

Creditors 20000, cash at bank 15000, debtors 25000, stock 20000, plant 40000.

During the year, Mr Raman drew Rs. 1000 every month. On July 1 2016 , he introduced further capital amounting to Rs. 15000.

You are required to ascertain profit or loss made by her during the year. Following adjustments are required to be made:

Plant to be depreciated at 10 % and reserve of 2 ½ % is to be raised against debtors.

Statement of profit and loss for the year ended 31.12.2016

Particulars	amount	particulars	amount
Capital (closing)	80000	Cash at bank	15000
- Balancing figure		debtors	25000
Creditors	20000	stock	20000
		plant	40000
	100000		100000
Opening capital	30000	Closing capital	80000
Further introduction of capital	15000	Drawings (1000x12)	12000
Trading profit	47000		
	92000		92000
		Trading profit	47000
Depreciation(40000x10%)	4000		
Reserve for bad debt(25000x2.5%)	625		
Net profit	42375		
	47000		47000

Statement of Affairs for the year ended 31.12.2016

Particulars	amount	particulars	amount
Capital	30000	Cash at bank	15000

Further capital	15000	Debtors(25000-625)	24375
Drawings	(12000)	stock	20000
Net profit	42375	Plant(40000-4000)	36000
Creditors	20000		
	95375		95375

B. The following information is available from Sachin who maintains books of accounts on single entry system.

Particulars	01.04.2016	31.03.2017
Cash and bank	20000	21000
Sundry debtors	17000	25000
Stock	40000	60000
Furniture	29000	29000
Creditors	32000	22000
10 % loan from Mrs. Sachin	30000	30000

Sachin withdrew Rs.5000 from the business every month for meeting his household expenses. During the year he sold investments held by him privately for Rs. 35000 and invested the amount in his business. At the end of the year 2015-16, it was found that full years interest t on loan from Mrs. Sachin had not been paid. Depreciation @ 10% p.a was to be provided on furniture for the full year. Shop assistant was to be given a share of 5% on the profits ascertained before charging such share. Calculate profit earned during the year ended 31.03.2016 by Sachin.

Statement of profit and loss for the year ended 31.03.2017

Particulars	amount	amount	particulars	amount	amount
Capital (opening & closing)	44000	83000	Cash at bank	20000	21000
- Balancing figure			debtors	17000	25000
Creditors	32000	22000	stock	40000	60000
Loan from Mrs Sachin	30000	30000	furniture	29000	29000
	106000	135000		106000	135000
Opening capital		44000	Closing capital		83000
Further introduction of capital		35000	Drawings (5000x12)		60000

Trading profit		64000			
		143000			143000
			Trading profit		64000
Depreciation (29000x10%)		2900			
Interest on loan (30000x10%)		3000			
Net profit		58100			
Net profit					
		64000			64000
Commission to shop assistant			Net profit		58100
(58100x 5%)		2905			
Net profit		55195			
		58100			58100

Statement of Affairs for the year ended 31.03.2017

Particulars	amount	particulars	amount
Capital	44000	Cash at bank	21000
Further capital	35000	Debtors	25000
Drawings	(60000)	Stock	60000
Net profit	55195	Furniture(29000-2900)	26100
Creditors	22000		
Interst on loan	3000		
Commission to assistant	2905		
Loan from Mrs Sachin	30000		
	132100		132100

Single entry system can be converted into double entry system. In fact under single entry system you must have learnt that we prepare statement of profit and loss and statement of affairs. However, under conversion approach we have to prepare Trading and Profit and loss account and balance sheet. But our job will be more difficult since the entity does not keep all records complete. That is why single entry system of accounting is otherwise known as final accounts from incomplete records. Therefore our job is to find out many missing information to complete the record and prepare final accounts. At the basic level the basic information that remain missing are normally credit sales, credit purchase opening capital and cash or bank balance. As a part of

your working you have to open some ledger accounts to find out the missing information. Following table will give a guideline to open such accounts:

1. Open Debtors Account to ascertain credit sales as a balancing figure
2. Open Creditors Account to ascertain credit purchase as a balancing figure
3. Prepare opening balance sheet to find opening capital.
4. Cash or Bank account to ascertain cash or bank balance.

Following points may be remembered to complete the process of conversion:
1. Open the trading, profit and loss account and balance sheet at the same time. Keep putting the information as available to these formats where they should go. The process will be like filling up blank forms.
2. Prepare necessary ledger accounts as and when will be needed to find missing information.
3. Ensure to give double entry effect of the missing information.

Go through the following illustration and follow the steps as indicated.

Illustration:

The books of Mr. Z showed the following information:

	JAN 1,2016	DECEMBER 31,2016
	Rs.	Rs.
Bank balance	nil	50000
Debtors	nil	87500
Creditors	nil	46000
Stock	50000	62500
Fixed assets	7500	9000

The following are the details of the bank transactions (figures in Rs.)

Receipts from customers	340000	**Expenses paid**	49250
Payment to creditors	280000	**Drawings**	25000
Capital brought in `	5000	**purchase of fixed assets**	5000
Sale of fixed assets	1750		

Other information:

1. Cost of goods sold Rs. 260000; 2. Gross profit @25% on cost of goods sold; 3. Book value of fixed assets sold Rs. 2500.

      Prepare trading, profit & loss account for the year ended December,31, 2016.

Solution :

In the above example the missing informations are:

Sales, purchase, opening bank balance, opening balance of debtors, opening balance of creditors and opening capital . To find out we need to open the debtors account, creditors account, bank account and opening balance sheet.

Since sales as well as opening balance of debtors are unknown we need to apply the formula to find out sales as : sales = cost of goods sold + gross profit.

Or, 260000 + 25% of 260000 = 325000.

Again purchase as well as opening balance of creditors are unknown therefore we need to apply the formula as:

Opening stock + purchase –closing stock = cost of goods sold.

Or, 50000 + purchase – 62500 = 260000

Or, purchase = 260000+12500 = 272500.

Now let us open the required accounts

Debtors account

To balance b/d	102500	By bank	340000
To sales	325000	By balance c/d	87500
	427500		427500

Form the above account we get the opening balance of debtors as balancing figure which will be transferred to the opening balance sheet .

Creditors account

To bank	280000	By balance c/d	53500
To balance c/d	46000	By purchase	272500
	326000		326000

Form the above account we get the opening balance of creditors as balancing figure which will be transferred to the opening balance sheet.

Bank account

To balance b/d	62500	By creditors	280000
To debtors	340000	By expenses	49250
To capital	5000	By drawings	25000
To fixed assets	1750	By fixed assets	5000
		By balance c/d	50000
	409250		409250

From the above account we get the opening bank balance which is again transferred to opening balance sheet.

Balance sheet as on 1.1.2016

Capital	169000	Fixed assets	7500
Creditors	53500	stock	50000
		debtors	10250
		bank	62500
	222500		222500

Putting all the balances we get the opening capital as balancing figure.

Fixed assets

To balance b/d	7500	By bank	1750
To bank	5000	By loss on sale(2500-1750)	750
		By depreciation	1000
		(balancing figure)	
		By balance c/d	9000
	12500		12500

Putting all the balances we get the depreciation as balancing figure. In these cases you have to apply common sense to find out the balancing figure. As we have purchase, sale, loss on sale, opening and closing balance the balancing figure must be depreciation.

Trading & Profit & Loss Account for the year ended 31.12.2016

	Rs		Rs
To opening stock	50000	By sales	325000
To purchase	272500	By closing stock	62500
To Gross Profit	65000		
	387500		**387500**
To expenses	49250	By Gross Profit	65000
To depreciation	1000		
To loss on sale	750		
To net profit	14000		
	65000		**65000**

Balance sheet as on 31.12.2016

Capital	169000	Fixed assets	9000
Net pfofit	14000	stock	62500
Further capital	5000	debtors	87500
	188000	bank	50000
Less drawings	25000		
	163000		
Creditors	46000		
	209000		**209000**

I. State whether the following statements are 'true' or 'false':

1. The name single entry system has come into vogue because for every transaction only one aspect is recorded in the books of account.

2. Under single entry system it is not possible to prepare a trial balance unless the missing figures are ascertained.

3. Limited companies are free to choose either single entry or double entry system of accounting.

4. Under single entry system the usual accounts maintained are the personal accounts of suppliers and customers and the cash book.

5. Under the net worth method profit is ascertained by deducting the value of assets at the commencement of accounting period from the value of assets at close.

6. Under the net worth method profit is ascertained by calculating the increase in net worth after adjusting for drawings and additions to capital.

7. Under the conversion method of single entry, credit purchases and credit sales are ascertained by preparing the total creditors and total debtors accounts respectively.

Answers:

1. False	2. True	3. False	4. True	5. False	6. True	7. True

II. Fill in the blanks:

1. Under the net worth method profit is ascertained by the addition of.......................... to the increase in capital over the accounting period.

2. Capital at the beginning and capital at close are usually ascertained as the balancing figures of..........................prepared on the relevant accounting dates.

3. Under single entry system, information relating to expenses must be ascertained from the analysis of…………………….

4. Acceptances received during the period must be debited to bills receivable account and credited to...account.

5. Acceptances issued during the period must be debited to...................account and credited to bills payable account

6. If cash sales or cash purchases are the missing figures, they are to be ascertained by the construction of…………………………………….....account.

Answers:

1. Drawings	2. Statement of affairs	3. Cash book	4. Total debtors account	5. Total creditors account	6. Cash

III.   Indicate the correct answer:

1. Under the net worth method the bases for ascertaining the profit is

(a) the difference between the capital on two dates

(b) the difference between the gross assets on two dates

(c) the difference between the liabilities on two dates.

(d) the difference between capital assets and liabilities at close

2. Under the net worth method any additions to capital during the accounting period must be

(a) added to profit

(b) subtracted from profit

(c) added to capital

(d) deducted from capital.

3. Cash received from debtors needed for the construction of cash account can be had from.

(a) total debtors account

(b) balance sheet

(c) analysis of cash book

(d) pass book.

4. Given the opening and closing balances of debtors and the figure of credit sales, the balancing figure of total debtors account will give

(a) bill retired during the year

(b) cash received from debtors

(c) closing balance of bills receivable

(d) bills received during the year.

5. The closing balance of trade debtors can be located from

(a) total debtors account

(b) balance sheet

(c) bills receivable account

(d) cash book

6. An estimate of assets and liabilities as on a date is called

(b) balance sheet

(b) statement of affairs

(c) statement of capital

(d) trial balance.

Answers:

1. (a)	2. (b)	3. (a)	4. (b)	5. (a)	6. (b)

IV.   **Calculate total sales:**

1.   Cash sales for the year were Rs. 46,000; the cash collections from customers were Rs. 1,26,400. The debtors regarded as collectible decreased by Rs. 4,940. On account of the amount of Rs. 1,300 was determined during the year to be worthless.

(Credit sales Rs. 1,22,760; Total sales Rs. 1,68,760)

[Hint. Decrease in collectible debtors is nothing but the difference between debtors at the end and debtors in the beginning. This amount is to be shown on the debit side of debtor's account.

2.   (a) Find out collections from sundry debtors being the balancing figure from the following details of entries in the Cash Book of Mohan:

Opening balance   8,000

Closing balance	14000
Payment to creditors	160000
Bills Receivable encashed	18000
Bills Payable paid	12000
Drawings	24000
Total expenses	36000

(b) From the following particulars of the Sundry Creditors Account, find out the net credit purchases during the period;

Opening balance of sundry creditors	160000
Payment by cheque	940000
Payment by bills payable	100000
Payments in cash	20000
Discount received	10000
Purchase returns	20000
Closing balance	190000

GROUP: 1, PART: 6

LAWS & ETHICS
(LNE)

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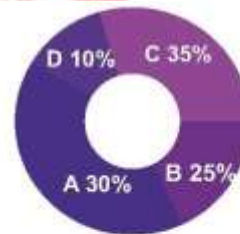
Syllabus Structure
A Commercial Laws **30%**
B Industrial Laws **25%**
C Corporate Laws **35%**
D Ethics **10%**

Learning Objectives:

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

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

Laws & Ethics

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

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

Report of Annual General Meeting (AGM)

Rule 31 Companies (Management & Administration) Rules,2014

Rule 31(1) The report in pursuance of the provisions of sub-section (1) of section 121 shall be prepared in the following manner, namely: -

(a) the report under this section shall be prepared in addition to the minutes of the general meeting;

(b) the report shall be signed and dated by the Chairman of the meeting or in case of his inability to sign, by any two directors of the company, one of whom shall be the Managing director, if there is one and company secretary of the company;

(c) the report shall contain the details in respect of the following, namely: -

i.   the day, date, hour and venue of the annual general meeting;

ii.   confirmation with respect to appointment of Chairman of the meeting;

iii.   number of members attending the meeting;

iv.   confirmation of quorum;

v.   confirmation with respect to compliance of the Act and the Rules,   secretarial standards made there under with respect to calling, convening and conducting the meeting;

vi.   business transacted at the meeting and result thereof;

vii.   particulars with respect to any adjournment, postponement of meeting, change in venue; and

viii. any other points relevant for inclusion in the report.

(d) the Report shall contain fair and correct summary of the proceedings of the meeting.

Rule 31(2) The copy of the report prepared in pursuance of Section 121(1) , shall be filed with the Registrar in **Form No. MGT-15** within 30 (thirty) days of the conclusion of the annual general meeting along with the fee.

Sec.121 Report on annual general meeting

Sec.121(*1*) provides that every **listed Public Company** shall prepare in the prescribed manner a report on each AGM including the confirmation to the effect that the meeting was convened, held and conducted as per the provisions of this Act and the rules made thereunder.

(*2*) The company shall file with the Registrar a copy of the report referred to in Section 121(*1*) *within 30 (thirty) days of the conclusion of the AGM* with *such fees* or with such additional fees as may be prescribed, within the time as specified, under **Section 403**.

(*3*) If *the company fails to file the report under Section 121(2)* before the expiry of the period specified under section 403 with additional fee, the company shall be *punishable with fine* which shall not be less than Rs.1,00,000 (one lakh) but which may extend to Rs.5,000 (five lakh) and every officer of the company who is in default shall be punishable with fine which shall not be less than Rs.25,000 (twentyfive thousand) but which may extend to Rs.1,00,000 (one lakh) .

Punishment for default in holding a meeting

Section 99 (Punishment for Default in Complying with Provisions of <u>Sections 96</u>,97 and/or <u>98</u>) provides that if any default is made in holding a meeting of the company in accordance with Section 96 (AGM) or Section 97 (**Power of Tribunal to Call Annual General Meeting)** or Section 98 **Power of Tribunal to Call Meetings of Members etc)** or in complying with any directions of the Tribunal, the company and every officer of the company who is in default shall be punishable with fine which may extend to Rs.1,00,000 (one

lakh) and in the case of a continuing default, with a further fine which may extend to Rs.5,000 (five thousand) for every day during which such default continues.

Calling of Extra Ordinary General Meeting (EGM)

Section 100)1) provides that the Board may, whenever it deems fit, call an extraordinary general meeting <u>of the company</u> on working days except National Holidays.[Please refer Rule 17 }

Rule 17 of Companies (Management and Administration) Rules,2014

Rule 17 (1) prescribes that the members may requisition convening of an extraordinary general meeting in accordance with Sec.100(4), by providing such requisition in writing or through electronic mode at least clear twenty-one days prior to the proposed date of such extraordinary general meeting.

Rule (17) (2) prescribes that the notice shall specify the place, date, day and hour of the meeting and shall contain the business to be transacted at the meeting. -

Explanation. - For the purposes of this sub-rule, it is here by clarified that requistionists should convene meeting at Registered office or in the same city or town where Registered office is situated and such meeting should be convened **on any day except national holiday.**

Rule (17) (3) prescribes that if the resolution is to be proposed as a special resolution, the notice shall be given as required by Sec.114(2).

Rule (17) (4) prescribes that the notice shall be signed by all the requistionists or by a requistionists duly authorized in writing by all other requistionists on their behalf or by sending an electronic request attaching therewith a scanned copy of such duly signed requisition.

Rule (17) (5) prescribes that no Explanatory Statement as required under Sec.102 need be annexed to the notice of an extraordinary general meeting convened by the requistionists and the requistionists may disclose the reasons for the resolution/s which they propose to move at the meeting.

Rule (17) (6) prescribes that the notice of the meeting shall be given to those members whose names appear in the Register of Members of the company within 3(three) days on which the requistionists deposit with the Company a valid requisition for calling an extraordinary general meeting(EGM).

Rule (17) (7) prescribes that where the meeting is not convened, the requistionists shall have a right to receive **List of Members** together with their **registered address** and **number of shares held** and the company concerned is bound to give a list of members together with their registered address made as on 21st (twenty

first) day from the date of receipt of valid requisition together with such changes, if any, before the expiry of the 45 (forty-five) days from the date of receipt of a valid requisi(tion.

Rule (17) (8) prescribes that the notice of the meeting shall be given by Speed Post or Registered Post or through electronic mode. Any accidental omission to give notice to any member, or the non-receipt of such notice by, any member shall not invalidate the proceedings of the meeting.

Sec.100 (2) provides that the notice shall specify the place, date, day and hour of the meeting at Registered office or in the same city or town where Registered office is situated and shall contain the business to be transacted at the meeting.

Sec.100(3) provides that if the resolution is to be proposed as a special resolution, the notice shall be given as required by Sec.114(2) (**Ordinary and Special Resolutions)..**

Section 100(4) provides that if the Board does not, within 21 (twenty-one) days *from the date of receipt of a valid requisition* in regard to any matter, proceed to call a meeting for the consideration of that matter on a day not later than 45 (forty-five) days from the date of receipt of such requisition, the meeting may be called and held by the requisitonists themselves within a period of 3 (three months) *from the date of the requisition.*

Sec.100 (6) provides that any reasonable expenses incurred by the requisitionists in calling a meeting under **Sec.100(4)** shall be reimbursed to the requisitionists by the company and the sums so paid shall be deducted from any fee or other remuneration under Se.197 (**Overall Maximum Managerial Remuneration and Managerial Remuneration in Case of Absence or Inadequacy of Profits**) payable to such of the directors who were in default in calling the meeting.

Directors

Sec.2(10) lays down that "**Board of Directors" or "Board",** in relation to a company, means the collective body of the directors of the company; and

Section 2(34) provides that **"director"** means a director appointed to the Board of a company;

Board of Directors and Number of Directors

Section 149(1) provides that every company shall have a Board of Directors consisting of individuals as directors and shall have -

   (a)   a minimum number of 3 (three) directors in the case of a public company,

   (b)   a minimum of 2 (two) directors in the case of a private company, and

   (c)   One director in the case of a One Person Company; and

Can have a maximum of fifteen directors , provided that **a company may appoint more than fifteen directors after passing a special resolution**

It is further provided that such class or classes of companies shall have at **least one woman director**. (Please read the mandatory provisions, specified below regarding appointment of Woman Director).

It may be noted that Sec.149(1) shall not apply in case of Sec. 8 Company , Government Company and Specified IFSC Public Company .

Types of Directors

Residential Directors
Independent Directors
Small shareholder Directors
Women Director
Additional Director
Alternate Director
Nominee Director

Residential Directors – Sec.149(3) provides that every company shall have at least one director who stays in India for a total period of not less than 182 days (one hundred and eighty-two) during the financial year:

Provided that in case of a newly incorporated company the requirement under this Section 149(3) shall apply proportionately at the end of the financial year in which it is incorporated.

Independent director

Sec 149(4) provides that every listed public company shall have at least 1/3rd of the total number of directors as independent directors and the Central Government may prescribe the minimum number of independent director in case of any class or classes of public companies.

Explanation – For the purpose of this sub-section, any fraction contained in such one-third number shall be rounded-off as one.

Sec.149(5) provides that every company existing on or before the date of commencement of this Act shall, within one year from such commencement or from the date of notification of the Rules in this regard, as may be applicable, comply with the requirements of the provisions Sec.149(4).

GROUP: 1, PART: 7

DIRECT TAXATION
(DXT)

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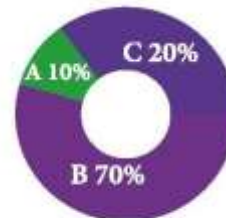
Syllabus Structure

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

A 10%
C 20%
B 70%

Learning Objectives:

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

Alternate Minimum Tax & Alternative Tax Regime

The Finance Act, 2011 had introduced the concept of AMT in relation to LLPs and accordingly the LLPs were subject to AMT @ 18.5% of adjusted total income. Total income shall be increased by deductions claimed under Part C of Chapter VI-A and deductions claimed u/s 10AA to arrive at adjusted total income. The Finance Act, 2012 extended the levy of AMT to certain persons other than companies.

Subsequently, the investment linked deductions have been provided in place of profit linked deductions. With a view to include the investment linked deduction claimed u/s 35AD in computing adjusted total income for the purpose of calculating alternate minimum tax, it was amended so as to include deduction claimed u/s 35AD for the purpose of computation of adjusted total income.

At present the Act provides that where the regular income-tax payable by a person, other than a company, for a previous year computed as per the provisions of the Income-tax Act, 1961 (other than Chapter XII-BA) is less than the AMT payable for such previous year, the adjusted total income shall be deemed to be the total income of the person. Such person shall be liable to pay income-tax on the adjusted total income @ 18.5%.

Alternate Minimum Tax (AMT) [Sec. 115JC]

Applicable to

All assessee (other than company) who has claimed any deduction under:

- Sec. 80H to Sec. 80RRB (other than sec. 80P); or
- Sec.10AA
- Sec.35AD

Exception:

The provisions shall not apply to an individual or a HUF or an AOP or a BOI, whether incorporated or not, or an artificial juridical person, if the adjusted total income of such person does not exceed ₹ 20 lakh.

Taxpoint:

➢ *The exception is not applicable in case of Firm and Limited Liability Partnership. That means, AMT is applicable on LLP / Firm (claiming deduction under aforesaid section) even though adjusted total income does not exceed ₹ 20 lakh.*

➢ *The provisions of this section shall not apply to a person who has exercised the option referred to in sec. 115BAC or 115BAD [alternative tax regime]*

➢ *The provision is not applicable to the specified fund referred to in clause (c) of the Explanation to sec. 10(4D).*

Scheme of Alternate Minimum Tax (AMT)

Step 1	Compute regular income tax liability (before Cess) of the assessee covered under these provisions		A	****
Step 2	Compute Adjusted Total income of the assessee i.e.			*****
	Total income of the assessee	****	B	
	Add:			
	• Deduction claimed u/s 80H to sec. 80RRB (other than sec. 80P)	***	C	
	• Deduction claimed u/s 35AD *less* Depreciation u/s 32	***	D	
	• Deduction u/s 10AA	***	E	
	Adjusted Total Income	****	F	
	Note: **(i)** If 'C', 'D' and 'E' is zero, then these provisions are not applicable to any assessee. **(ii)** if 'F' does not exceed Rs.20 lakh, then these provisions are not applicable in case of an Individual / HUF / AOP / BOI / Artificial juridical person. However, the provision is applicable on LLP / Firm.			
Step 3	Compute Alternate Minimum Tax (AMT) [Being 18.5% of Adjusted Total Income]		G = F * 18.5%	****
Step 4	Income Tax liability		Higher of A & G	****
	Add: Health & Education Cess			**
	Tax liability after Cess			****

Impact where AMT is applicable i.e., case where value of Step 3 is higher than value of Step 1

a. Adjusted total income (as computed in step 2) shall be deemed as total income of the assessee.

b. Tax liability of the assessee shall be 18.5% (+ surcharge + cess) of adjusted total income of the assessee. However, in case of a unit located in an International Financial Services Centre and derives its income solely in convertible foreign exchange, AMT shall be computed considering 9% (instead of 18.5%) of adjusted total income.

c. A report in Form 29C from a chartered accountant is required to be upload one month prior to the due date of furnishing of return of income u/s 139(1).

d. All other provisions of the Act, like advance tax, interest, etc. is applicable to such assessee.

Provision Illustrated

Compute tax of the following assessee:

Particulars	Mr. W	Mr. X	Mr. Y	A LLP	B LLP
Gross Total Income being Business Income	15,00,000	25,00,000	27,00,000	32,00,000	8,00,000
Deduction u/s 80C	1,00,000	1,00,000	1,00,000	Nil	Nil
Deduction u/s G	25,000	1,00,000	Nil	1,00,000	1,00,000
Deduction u/s 80IE	7,75,000	Nil	8,00,000	Nil	2,00,000
Total Income	6,00,000	23,00,000	18,00,000	31,00,000	5,00,000
Regular Tax	32,500	5,02,500	3,52,500	9,30,000	1,50,000
Adjusted Total Income	13,75,000	23,00,000	26,00,000	31,00,000	7,00,000
Whether sec. 115JC is applicable or not [1] As adjusted total income does not exceed Rs.20 lakh 2. As no deduction is claimed u/s 80H to 80RRB (other than sec. 80P) or u/s 10AA	No[1]	No[2]	Yes	No[2]	Yes
Alternate Minimum Tax (AMT) u/s 115JC [18.5% of adjusted total income]	NA	NA	4,81,000	NA	1,29,500
Tax (Higher of Regular Tax and AMT)	32,500	5,02,500	4,81,000	9,30,000	1,50,000
Add: Health & Education Cess	1,300	20,100	19,240	37,200	6,000
TAX AND CESS LIABILITY (ROUNDED OFF)	33,800	5,22,600	5,00,240	9,67,200	1,56,000

Tax credit for alternate minimum tax [Sec. 115JD]

❋ The excess of alternate minimum tax paid over the regular income-tax payable of that year shall be allowed as tax credit.

> *Mathematically, tax credit available = Tax paid u/s 115JC – Regular Tax payable*

❋ However, no interest shall be payable on the tax credit allowed.

❋ The amount of tax credit determined shall be carried forward and set off but such carry forward shall not be allowed beyond the 15th assessment year immediately succeeding the assessment year in which tax credit becomes allowable.

❋ The tax credit shall be allowed set-off in a year when regular tax becomes payable by the assessee.

❋ Set off in respect of brought forward tax credit shall be allowed for any assessment year to the extent of the difference between the alternate minimum tax payable u/s 115JC for that assessment year and the balance of the tax credit, if any, shall be carried forward. In other words, after setting off of AMT credit, tax liability of the year cannot be less than AMT for that year.

❋ The amount of tax credit in respect of any income-tax paid in any country or specified territory outside India u/s 90 or 90A or 91, allowed against the alternate minimum tax payable, exceeds the amount of the tax credit admissible against the regular income-tax payable by the assessee, then, while computing the amount of credit u/s 115JD, such excess amount shall be ignored.

❋ If the amount of regular income-tax or the AMT is reduced or increased as a result of any order passed under this Act, the amount of tax credit allowed under this section shall also be varied accordingly.

Examples

(a)	Tax liability u/s 115JC (AMT)	500	
	Regular Tax liability	1,000	
	Difference	500	
	₹ 500 cannot be treated as credit because liability u/s 115JC (AMT) is not greater than regular tax liability.		
(b)	Year 1		
	Liability u/s 115JC (AMT)	2,000	
	Regular Tax Liability	1,000	
		1,000	It can be carried forward
	Year 2		
	Liability u/s 115JC (AMT)	2,500	

	Regular Tax Liability	5,000	
	Difference	2,500	
	Now regular liability is more than liability u/s 115JC (AMT), the credit carried forward can be set off to the extent of the difference *i.e.,* ₹ 2,500		
	In year 2, tax payable shall be as under:		
	Regular Tax Liability		5,000
	Less : Set off of AMT credit		1,000
	Tax payable (before surcharge and cess)		4,000
In the above example, if the credit carried forward was ₹ 3,500, then tax payable in year 2 would be calculated as under:			
	Regular Tax Liability		5,000
	Less : Set off of AMT credit		2,500
	Tax payable (Credit available ₹ 3,500 but restricted to ₹ 2,500)		2,500

Here ₹ 1,000 (being balance credit left i.e., ₹ 3,500 – ₹ 2,500) is carried forward to the next year.

In other words, the excess of regular tax over AMT u/s 115JC is the amount of maximum set off permissible.

Alternative Tax Regime for Individual / HUF [Sec. 115BAC]

Applicable to

Individual / HUF

Conditions

a. Total income of the assessee shall be computed:

    i.   Without any exemption or deduction under following provisions

Deduction not available under following section	Details
10(5)	Leave Travel Concession
10(13A)	House Rent Allowance
10(14)	Special Allowances *Exception*: Few prescribed allowances
10(17)	Allowance to MPs/MLAs
10(32)	Exemption in respect of clubbing of minor child

10AA	Special Economic Zone
16	Deduction under the head Salaries - Standard Deduction, Deduction for Entertainment allowance and Deduction for professional tax
24(b) in respect of self occupied property	Interest on borrowed capital *Taxpoint: Deduction is available in respect of other properties like let out, deemed to be let out*
32(1)(iia)	Additional Depreciation
32AD	Investment Allowance
33AB	Tea / Coffee / Rubber Development Allowance
33ABA	Site Restoration Fund
35(2AA) or 35(1)(ii) / (iia) / (iii)	Scientific Research through outside institution
35AD	Capital Expenditure in respect of specified business
35CCC	Agriculture Extension Project
57(iia)	Standard deduction in respect of family pension
Deduction under chapter VIA	*Exception*: Deduction in respect of contribution to NPS u/s 80CCD(2); deduction u/s 80JJAA and deduction u/s 80LA is avaialble

 ii. without set off of any loss:

  a. carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred above;

  b. under the head "Income from house property" with any other head of income;

 iii. by claiming the depreciation, if any, u/s 32 [except additional depreciation], determined in prescribed manner; and

 iv. without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force.

b. The assessee is required to exercise the option (in prescribed manner) to avail the benefit of this section.

Rate of Tax

Under this tax regime, income tax shall be computed at the option of the assessee considering the following rate:

Total income	Rate of tax

Upto ₹ 2,50,000	Nil
From ₹ 2,50,001 to ₹ 5,00,000	5%
From ₹ 5,00,001 to ₹ 7,50,000	10%
From ₹ 7,50,001 to ₹ 10,00,000	15%
From ₹ 10,00,001 to ₹ 12,50,000	20%
From ₹ 12,50,001 to ₹ 15,00,000	25%
Above ₹ 15,00,000	30%

Taxpoint

- If a person opts for this regime, ₹ 2,50,000 shall be considered as basic exemption limit irrespective of his age. In other words, for all category of individual i.e, senior citizen, super senior citizen and others, basic exemption limit is ₹ 2,50,000

- Rebate u/s 87A is available

- Computed tax is further increased by applicable surcharge, if any, and health and education cess

- If any income is taxable at special rate u/s 110 to sec. 115BBG (except sec. 115BAC), such income shall be taxable at that special rate of tax.

Other Points

- **Full effect of loss and depreciation**: The loss and depreciation referred above shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year. Where there is a depreciation allowance in respect of a block of assets which has not been given full effect to prior to the assessment year 2021-22, corresponding adjustment shall be made to the written down value of such block of assets as on 01-04-2020 in the prescribed manner (if the option is exercised for a previous year relevant to the assessment year 2021-22).

- **Exercise of option**: The provision of this section shall not apply unless option is exercised in the prescribed manner by the person:

Where the person has income from business or profession	Within the due date specified u/s 139(1) for furnishing the returns of income for any previous year relevant to the assessment year and such option once exercised shall apply to subsequent assessment years
Where the person not having aforesaid income	Alongwith the return of income to be furnished u/s 139(1) for a previous year relevant to the assessment year

➤ _Withdrawal of option_: In case person having income from business or profession, option once exercised for any previous year can be withdrawn only once for a previous year other than the year in which it was exercised and thereafter, the person shall never be eligible to exercise option. However, if such person ceases to have any income from business or profession in which case, he may exercise the option for that assessment year.

Where the person fails to satisfy the conditions in any previous year, the option shall become invalid in respect of the assessment year relevant to that previous year and other provisions of this Act shall apply, as if the option had not been exercised for the assessment year relevant to that previous year.

Further where the option was exercised by a person having income from business or profession, in the event of failure to satisfy the conditions, it shall become invalid for subsequent assessment years also and other provisions of this Act shall apply for those years accordingly.

➤ _Alternate Minimum Tax_: In case, the person has opted for this scheme, the provision of alternate minimum tax (AMT) u/s 115JC is not applicable. Consequently, any credit of AMT cannot be adjusted against tax liability computed u/s 115BAC.

Example

Akhil, 35 years, has provided following details relating to his income for the previous year 2020-21:

    a.   Income from business ₹ 15,00,000

    b.   Income from saving bank interest ₹ 12,000

    c.   Interest on PPF ₹ 36,000

    d.   Investment in PPF ₹ 1,50,000

You are requested to compute his tax liability and advise him whether he should opt for alternative tax regime u/s 115BAC.

Solution

Computation of Income and tax liability of Mr. Akhil for A.Y. 2022-23

Particulars	Regular Tax Regime	Alternative Tax Regime
Business Income	15,00,000	15,00,000
Interest on saving bank deposit	12,000	12,000
Interest on PPF	Exempt	Exempt
Gross Total Income	15,12,000	15,12,000
Less: _Deduction_		
U/s 80C (PPF Contribution)	1,50,000	NA
U/s 80TTA (Interest on Saving Bank Interest)	10,000	NA

Total Income	13,52,000	15,12,000
Tax on above	2,18,100	1,91,100
Less: Rebate u/s 87A (As income exceeds ₹ 5,00,000)	NA	NA
Tax after rebate	2,18,100	1,91,100
Add: Surcharge	Nil	Nil
Tax and surcharge	2,18,100	1,91,100
Add: Health & Education cess	8,724	7,644
TAX LIABILITY (ROUNDED OFF U/S 288B)	2,26,820	1,98,740

In the instant case, tax liability under alternative tax regime u/s 115BAC is lower, hence it is advisable to opt for provision of sec. 115BAC
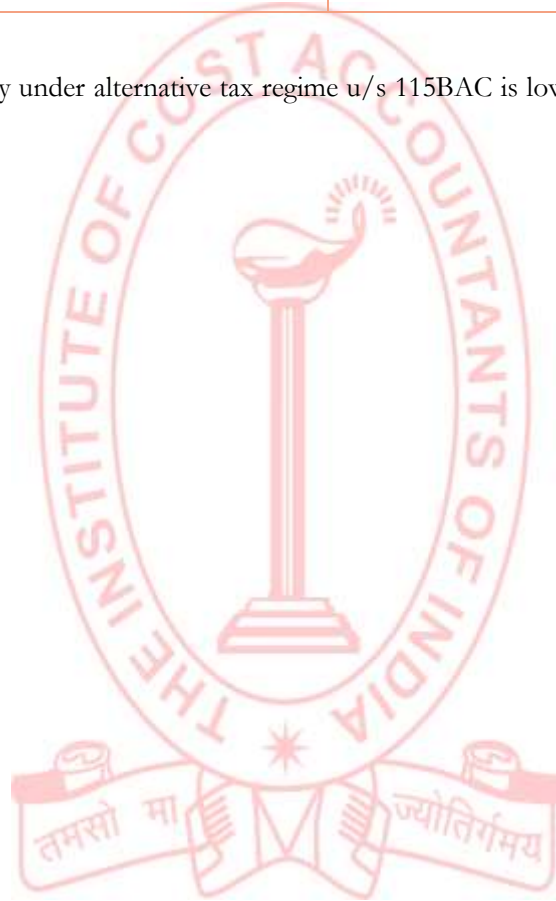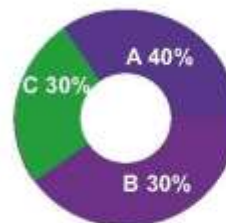
GROUP: 1, PART: 8

COST ACCOUNTING
(CAC)

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Your Preparation Quick

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

Learning Objectives:

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

Cost Accounting

The Problem of scarcity of resources is a very much relevant question in today's context. Hence maximum utilization of available resources is the urgent need of the day. The role of Cost Accountants in this regard plays an important role all over the Earth. Costing enable a business not only to find out what various jobs or processes have cost but also what they should have cost; it indicates where loses and waste are occurring before the work is finished, and therefore immediate action may be taken if possible to avoid such losses or waste . Business policy may require the consideration of alternative methods and procedures and this is facilitated by the presentation of Cost information correctly. At present the value and importance of cost accounting need hardly be overemphasized. Cost accounting, by exercising control over the entire business operations, enables management to eliminate wastages, leakages, increase efficiency and productivity and helps decision making by suitably fixing prices in case of competition, trade depression, and idle capacity with a view to maximizing the gains or minimizing the losses.

Out of all papers the **Paper eight** is a scoring subject. It is observed from the past experience that approximately 80% of the total questions are set from practical problems and the balance is theoretical part. Although only 20% questions are set from theoretical part, but a greater emphasis should be given on theoretical part, as most of the students are very much weak in theory. For easy understanding the topic you should go through the theory in details and then try to solve the problems in its Exercise. Starting from the first chapter we should go through all other chapter serially to understand the succeeding chapters in a better way.

We know, as it is a professional examination, hence emphasis should be given mainly on testing comprehension, self expression and managerial ability to apply knowledge in divergent situation. Chances of repetition of questions are normally avoided. The true success of this examination mainly depends on style of preparation which should have, perseverance, regularity of efforts, through practice, vision and objectivity.

I suggest some valuable guidelines based on my long time experience-

1. A time bound plan should be there, for completing the whole syllabus as well as revision within the target periods.
2. Try to go through your Study Note and know the complete syllabus. Remember all chapters are interlinked.
3. Analyze the trends of setting questions by taking at least ten to fifteen terms.
4. Please try to write all the important terms in your own words and read them regularly.
5. Improve your speed by regular practice and revision.
6. Always try to answer all objective type questions as practice, which carries 100% marks.
7. Try to develop a habit of reading the questions well, underlining and understanding the specific demands.

The main purpose of our study, **Paper Eight** are to understand the concept of cost, determining the Cost of product or services, understanding the concept of Standard Cost, applying the concept of the marginal costing , Budgetary Control and formulating of business strategy and operational planning.

The total syllabus is divided into six main chapters. Besides the other two branches viz, Financial Accounting and Management accounting, the basic concepts of cost accounting are discussed in first chapter. The second chapter described the Elements of cost thoroughly. Here a classification has to be made to arrive at the detailed cost of departments, processes, production orders, jobs or other cost units. The three vital elements of costs are – Material, Labour and Overheads. In this chapter cost concepts are discussed and analyzed element-wise. Material consists of the major part of total cost of a product, hence it is necessary to control this cost. You must read the scope and objectives of different Cost Accounting Standards. It will help to grasp the concept of cost accounting easily. Try to solve the problems on earnings of workers under different incentive schemes. The meaning of Cost allocation, Cost apportionment and cost absorption should be very clear by solving the practical problems regularly. It will help to grasp the concept of Cost Accounting very easily.

The chapter Cost Book-Keeping, which includes integrated accounting system, is not at all difficult. In this system, different accounts are to be opened, but it is not necessary to give much emphasis to complete its solution. Here, separate ledgers are maintained by the cost sections. The chapter is very easy to understand but the process is lengthy.

The third chapter relates to Contract Costing. The Job, Batch or Contract Costing is very important for the Intermediate Examinations. Most of the students often face difficulty in recommending the amount of profit to be taken into account for an incomplete contract. You should make sure that you are familiar with various methods/formulae for different stages of completion and share of profit. Students are also advised to go

through the topic "Profit on incomplete contracts based on SSAP – 9". Various problems on 'escalation clause' are used to be set at this level of examination also.

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

The next chapter relates to 'Marginal Costing' which aims to find out cost-volume-profit relationships of a product. It is not a system of costing , but is a especial technique concerned particularly with the effect which fixed overheads are distributed among the products. This is an important chapter from the students' perspective. Students should understand the concepts, uses, needs and importance of 'Marginal Costing' carefully. The Marginal Costing aims to find out Cost –Volume-Profit relationship of a product.   Break-even Analysis and finding out the Breakeven point is the basic part for solving the problem. For a product of different sales-mix, contribution per unit of key-factor should be found out and then different options should be marked on the same basis, i.e. contribution per unit of key factor. Here you should also study the effect on profits due to various changes, in Fixed Cost/ Variable Cost/ selling price/ sales-mix and again the effect of the above on BEP, Margin-of-safety. More than one problem is generally set from this chapter. Hence, various types of problems should be worked out for easy understanding.

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

The last chapter deals with Budget and Budgetary Control. Planning and control are the important function of management. For assisting management in these two functions, the technique of Budgetary Control and Standard Costing are applied. Budget is defined as a financial and / or quantitative statement, prepared prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective. " Budget and Budgetary Control" which requires preparation of ' Flexible Budget' . 'Functional Budget' and 'Cash Budget' for taking necessary action. Both theoretical and problem oriented questions may be set from this chapter. The students can easily understand the problems, if theory remains clear. The students are also suggested to go through the theoretical parts-like, concept of Zero based Budget, behavior and classification of budgets etc. very carefully. All functional budget are summarized into master budget consisting

of a budgeting of a budgeted profit and Loss account, a Balance Sheet and Cash Flow Statement. A common mistake is to incorrectly deduct closing stocks and opening stocks when preparing Production and Material Purchase Budget.

Budgetary control is a tool used widely for assisting management in planning and control. In practice budget is used in various fields viz. in our private life, in business and also in the Government departments. A problem relating to Flexible Budget is suggested here. Please try to solve by your own.

Problem: -

Viveka Elementary School has a total of 150 students consisting of 5 sections with 30 students per section. The school plans for a picnic around the city during the weekend to places such as the Zoo, the amusement park, the planetarium etc. A privet transport operator has come forward to lease out the buses for taking the students. Each bus will have a maximum capacity of 50 (excluding 2 seats reserved for the teachers accompanying the students). The school will employ two teachers for each bus, paying them an allowance of Rs. 50 per teacher. It will also lease out the required number of buses. The following are the other cost estimates:

	Cost per student	
Breakfast	5	
Lunch	10	
Tea	3	
Entrance fee at Zoo	2	

Rent Rs. 650 per bus
Special permit fee Rs. 50 per bus.
Block Entrance fee at the planetarium Rs. 250.
Prizes to students for games Rs. 250.

No Costs are incurred in respect of the accompanying teachers (except the allowance of Rs. 50 per teacher). You are required to prepare:

(a)   A flexible budget estimating the total cost for the levels of 30,60,90,120 and 150 students. Each item of cost is to be indicated separately.
(b) Compare the average cost per student at these levels.
(c) What will be your conclusions regarding the break-even level of students if the school proposes to collect Rs. 45 per student?

Solution

(a) Flexible Budget:

Level of Students.	30	60	90	120	150
Variable Cost (Rs.)					
Breakfast at Rs. 5	150	30	450	600	750
Lunch at Rs. 10	300	600	900	1200	1500
Tea at Rs. 3	90	180	270	360	450
Entrance fee at Zoo at Rs. 2	60	120	180	240	300
	---------	----------	-----------	----------	----------
Variable cost at Rs. 20	600	1200	1800	2400	3000
	-----------	-----------	-----------	----------	---------
Semi-variable Costs :					
Rent of Bus	650	1300	1300	1950	1950
Special permit fee	50	100	100	150	150
Allowance to teachers	100	200	200	300	300
	---------	-----------	-----------	----------	---------
	800	1600	1600	2400	2400
	----------	-----------	------------	----------	--------------
Fixed Costs :					
Block entrance fee	250	250	250	250	250
Prizes to students for games	250	250	250	250	250
	-----------	-----------	----------	-----------	------------
	500	500	500	500	500
	-----------	-----------	----------	------------	--------------
Total Cost	1900	3300	3900	5300	5900

(b) Average cost per student

	1900 ÷ 30	3300 ÷ 60	3900 ÷ 90	5300 ÷ 120	5900 ÷ 150
	63.33	55	43.33	44.17	39.33

(c) Break-even level.

First let us work out semi-fixed cost for levels of 50, 100 and 150 students.

Level of students	50	100	150
Semi-fixed costs	800	1600	2400
Fixed cost	500	500	500

	--------------	-------------	-------
------	1300	2100	2900

Collection per student   : 45

Variable cost per student   : 20

Contribution per student   : 25

Fixed Cost	1300	2100	2900
Contribution per student	25	25	25
Break-even Point	52	84	116

There are two break-even levels i.e. 84 students and 116 students.

Note: 52 is outside the level of 50.
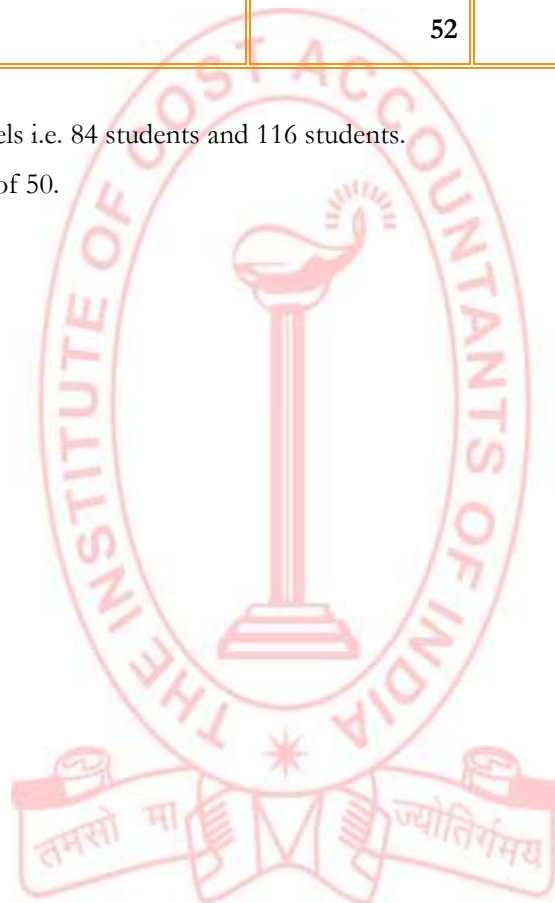
GROUP: 2, PART: 9, PART - I

OPERATIONS

MANAGEMENT & STRATEGIC MANAGEMENT (OMSM) - OPETATION MANAGEMENT

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Your Preparation Quick

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

Learning Objectives:

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

Operations Management

In this issue we will continue our discussion on Facility Layouts with Product layout –Line Balancing design illustrations

Q1. An assembly line with 15 tasks is to be balanced. The longest task is 2.5 minutes and the total time for all tasks is 20 minutes. The line will operate for 8 hours per day. Required

(a) What are the minimum and maximum cycle times?

(b) What range of output is theoretically possible for the line?

(c) What is the minimum number of workstations needed if the maximum output rate is to be sought?

(d) What cycle time will provide an output rate of 130 units per day?

(e) What output potential will result if the cycle time is (i) 10 minutes; (ii) 15 minutes?

Answer:

Given: For all 17 tasks, the longest task time is 2.5 minutes. The sum of all 17 task times is 20 minutes.

Operating time per day = 8 hours per day = 480 minutes.

(a) Minimum cycle time = length of longest task, which is 2.5 minutes per unit (this was given).

Maximum cycle time = Σ task times = 20 minutes per unit (this was given).

(b) Range of output (depends on the minimum and maximum cycle times):

@ 2.5 min: $\frac{480}{2.5} = 192\ units$

@ 20 min: $\frac{480}{20} = 24\ units$

Output will range from 24 to 192 units per day.

(c) Minimum number of workstations needed using the maximum output rate:

The maximum output rate corresponds to the minimum cycle time (2.5 minutes per unit).

$$N_{min} = \frac{\Sigma t}{Cycle\ time} = \frac{20\ minutes\ per\ unit}{2.5\ minutes\ per\ unit\ \ per\ workstation} = 8\ workstations$$

(d) Given: Desired output rate = 130 units per day.

$$Cycle\ time = \frac{Operating\ time\ per\ day}{Desired\ output\ rate\ per\ day} = \frac{480\ minutes\ per\ day}{130\ units\ per\ day} \cong 3.7\ minutes\ per\ unit$$

(e)

(i) Given: Cycle time = 10 minutes per unit

$$Output\ rate = \frac{Operating\ time\ per\ day}{Cycle\ time} = \frac{480\ minutes\ per\ day}{10\ minutes\ per\ unit} = 48.0\ units\ per\ day$$

(ii) Given: Cycle time = 15 minutes per unit

$$Output\ rate = \frac{Operating\ time\ per\ day}{Cycle\ time} = \frac{480\ minutes\ per\ day}{15\ minutes\ per\ unit} = 32.0\ units\ per\ day$$

Q2. A manager wants to assign tasks to workstations as efficiently as possible and achieve an hourly output of 33-1/3 units. Assume the shop works a 60 minute hour, assign the tasks shown in the accompanying table containing task details, to workstations using the following rules:

(a) In order of most following tasks. Tiebreaker: greater positional weights.

(b) In order of greatest positional weight. Tiebreaker: most following tasks

(c) What is the efficiency?

Task	Length (minutes)	Immediate predecessor
a	1.4	-
b	0.5	a
c	0.6	b
d	0.7	b
e	0.8	b
f	0.5	c
g	1	d, e
h	0.5	f, g
Total	6	

Answer:

Given: Desired output rate = 33 1/3 units per hour. Operating time = 60 minutes per hour. We are given the tasks and their times (in minutes) shown below.
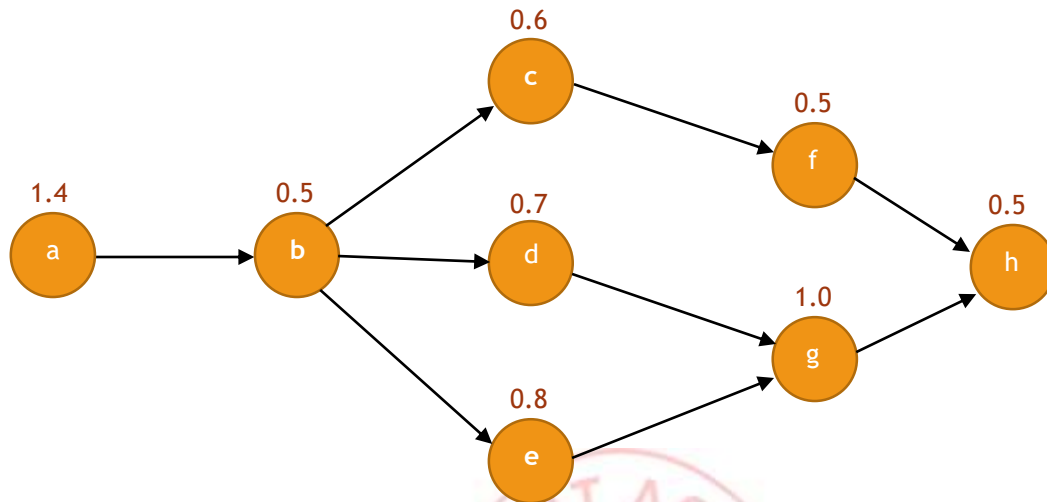
(a) Use the most following tasks heuristic, and in the case of a tie, use the greatest positional weight heuristic to break the tie. Before assigning tasks, we must determine the number of following tasks for each task. Then, we must determine the positional weight for each task. Positional weight for a task = the sum of task times for itself and all of its following tasks.

Task	Following tasks	Number of Following Tasks	Positional Weight
a	b, c, d, e, f, g, h	7	6.0
b	c, d, e, f, g, h	6	4.6
c	f, h	2	1.6
d	g, h	2	2.2
e	g, h	2	2.3
f	h	1	1.0
g	h	1	1.5
h	-	0	0.5

Task a is followed by all 7 other tasks.

The positional weight for Task a = 1.4 + 0.5 + 0.6 + 0.7 + 0.8 + 0.5 + 1.0 + 0.5 = 6.0.

Task c is followed by 2 tasks: Tasks f & h.

The positional weight for Task c = 0.6 + 0.5 + 0.5 = 1.6.

Task d is followed by 2 tasks: Tasks g & h.

The positional weight for Task d = 0.7 + 1.0 + 0.5 = 2.2.

Before assigning tasks, we must determine the cycle time:

$$Cycle\ time = \frac{Operating\ time\ per\ hour}{Desired\ output\ rate\ per\ hour} = \frac{60\ minutes\ per\ hour}{33\frac{1}{3}\ units\ per\ hour} = 1.8\ minutes\ per\ unit$$

Most Following Tasks Solution (Cycle time = 1.8 minutes per unit)

Station	Time Remaining	Eligible	Will Fit	Assign (task time)	Revised Time Remaining	Idle
1	1.8	a	a	a (1.4)	0.4	
	0.4	b	None	---		0.4
2	1.8	b	b	b (0.5)	1.3	
	1.3	c, d, e	c, d, e	e (0.8) (see Note 1)	0.5	
	0.5	c, d	None	---		0.5
3	1.8	c, d	c, d	d (0.7) (see Note 2)	1.1	
	1.1	c, g	c, g	c (0.6) (see Note 3)	0.5	
	0.5	f, g	f	f (0.5)	0.0	0.0
4	1.8	g	g	g (1.0)	0.8	
	0.8	h	h	h (0.5)	0.3	0.3

Note 1) Tasks c, d, & e are tied—each task has 2 following tasks. We break the tie by assigning Task e because it has the greatest positional weight among Tasks c, d, & e.

Note 2) Tasks c & d are tied—each task has 2 following tasks. We break the tie by assigning Task d because it has the greatest positional weight among Tasks c & d.

Note 3) Assign Task c because it has 2 following tasks while Task g has only 1 following task.

Overview of Workstations: Most Following Tasks Solution

Station	Tasks Assigned	Total Time Used at Station	Idle Time at Station
1	a	1.4	0.4
2	b, e	1.3	0.5
3	d, c, f	1.8	0.0
4	g, h	1.5	0.3

(b) Use the greatest positional weight heuristic. Tiebreaker: most following tasks.

Greatest Positional Weight Solution (Cycle time = 1.8 minutes per unit)

Station	Time Remaining	Eligible	Will Fit	Assign (task time)	Revised Time Remaining	Idle
1	1.8	a	a	a (1.4)	0.4	
	0.4	b	None	---		0.4
2	1.8	b	b	b (0.5)	1.3	
	1.3	c, d, e	c, d, e	e (0.8) (see Note 1)	0.5	
	0.5	c, d	None	---		0.5
3	1.8	c, d	c, d	d (0.7) (see Note 2)	1.1	
	1.1	c, g	c, g	c (0.6) (see Note 3)	0.5	
	0.5	f, g	f	f (0.5)	0.0	0.0
4	1.8	g	g	g (1.0)	0.8	
	0.8	h	h	h (0.5)	0.3	0.3

Note 1) Assign Task e because it has the greatest positional weight of Tasks among c, d, & e.

Note 2) Assign Task d because it has the greatest positional weight of Tasks among c & d.

Note 3) Assign Task c because it has the greatest positional weight of Tasks among c & g.

Overview of Workstations: Greatest Positional Weight Solution

Station	Tasks Assigned	Total Time Used at Station	Idle Time at Station
1	a	1.4	0.4
2	b, e	1.3	0.5
3	d, c, f	1.8	0.0
4	g, h	1.5	0.3

(c) Efficiency of both solutions is the same because the two solutions are identical.

Efficiency = 100% - Percent idle time

Idle time per cycle (from either solution) = 0.4 + 0.5 + 0.0 + 0.3 = 1.2 minutes

Percent idle time $= \frac{Idle\ time\ per\ cycle}{N_{actual}\ x\ Cycle\ time} x\ 100 = \frac{1.2}{4\ x\ 1.8} x\ 100 = 16.67\%$

<u>Note:</u> Each solution used 4 stations. Calculated cycle time equals the actual bottleneck station time. As shown above, Station 3 is the bottleneck and uses all 1.8 minutes.

Efficiency = 100% - 16.67% = 83.33%

Q3: Consider the information given in the following table.

Task	Immediate Predecessor	Task Time (in minutes)
a	-	0.2
b	a	0.2
c	-	0.8
d	c	0.6
e	b	0.3
f	d, e	1
g	f	0.5
h	g	0.4
		$\Sigma t = 4$

(a) Draw a precedence diagram;

(b) Assuming a ten hour workday, compute the cycle time needed to obtain an output of 500 units per day;

(c) Determine the minimum number of workstations required;

(d) Assign tasks to workstations using the rule: Assign tasks according to greatest number of following tasks.

In case of a tie, use the tiebreak of assigning the task with the longest processing time first.

(e) Compute the resulting percent idle time and efficiency of the system.

Answer:

(a)
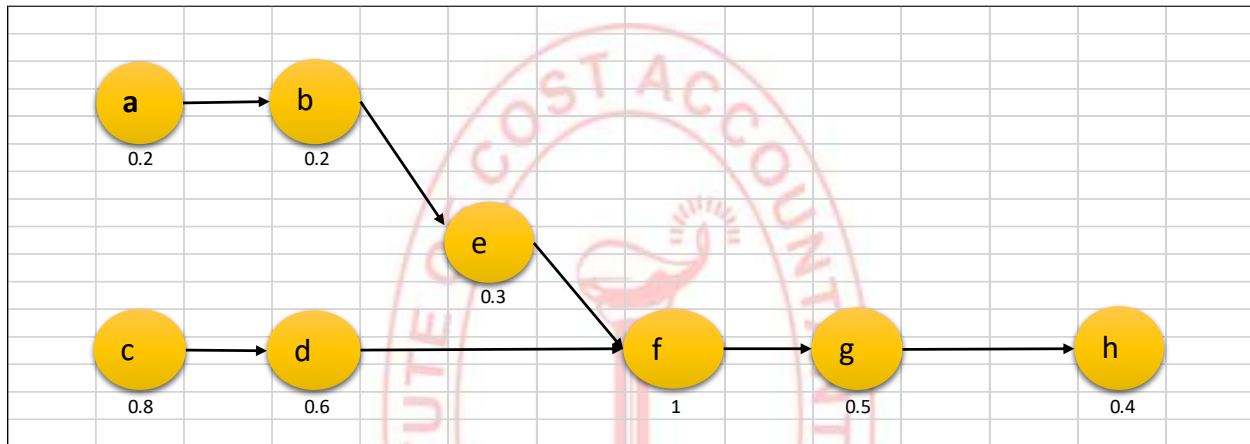
(b)

$$Cycle\ time = \frac{Operating\ time\ per\ day}{Desired\ output\ rate}$$

$$= \frac{60 * 10}{500} = 1.2\ minutes\ per\ cycle = 1.2\ minutes\ per\ unit$$

(c)

$$Theoretical\ minimum\ number\ of\ stations = N_{min} = \frac{\Sigma t}{Cycle\ time}$$

$$= \frac{4}{1.2} = 3.33 = rounded\ to\ 4\ station$$

(d)

The solution is given in the following table.

* In workstation 1, both a & c are eligible but task a is fit to be assigned as it has the maximum followers (b, e, f, g, h) whereas task c has 4 followers (d, f, g, h);

** Tasks c & b both are eligible as preceding tasks are already assigned and respective task's time are not exceeding the station's remaining time. But since both have same number of followers, task c is fit to be assigned first as it has longest processing time compared to b;

*** In workstation 2 tasks d & e both are eligible as preceding tasks are already assigned and respective task's time are not exceeding the station's remaining time. But since both have same number of followers, task d is fit to be assigned first as it has longest processing time compared to e;

Station	Time Remaining	Eligible	Will fit	Assign (Task Time)	Revised time Remaining	Idle
1	1.2	a,c	a*	a(0.2)	1	
	1	c, b	c**	c(0.8)	0.2	
	0.2	b		b(0.2)	0	0
2	1.2	e,d	d***	d(0.6)	0.6	
	0.6	e		e(0.3)	0.3	
	0.3	Nil		Nil		0.3
3	1.2	f		f(1)	0.2	
	0.2	Nil		Nil		0.2
4	1.2	g		g(0.5)	0.7	
	0.7	h		h(0.4)	0.3	
	0.3					0.3
						0.8

(e)

$$Percentage\ of\ idle\ time = \frac{Idle\ time\ per\ cycle}{N_{actual}*Cycle\ time} * 100$$

$$= \frac{0.8}{4*1.2} * 100 = 16.67\%$$

$$Efficiency = 100\% - Percentage\ of\ idle\ time = 100\% - 16.67\% = 83.33\% \text{ or}$$

$$Efficiency\ of\ the\ line = \frac{N_{Actual}*Cycle\ time - Idle\ time}{N_{Actual}*Cycle\ time} * 100$$

$$= \frac{4*1.2-0.8}{4*1.2} * 100 = 83.33\%$$

Suggestions:

The study guide needs to be studied thoroughly. Supplementary readings could be made from other resources. This issue is based on theoretical discussions made on this topic in Modern Production/Operations Management by Buffa and Sarin. Production and Operations Management by SN Cherry, Operations Management by R.S Russell & BW Taylor, Operations Management by J Stevenson. Discussions are made here as an extension & supplementary to the knowledge shared on the topic in study guide and previous issues of bulletin. This is for updating of knowledge and could be used as an aid to the study guide. No discussions are held on formulae used as everything are available in guide book.

GROUP: 2, PART: 9, PART - II

OPERATIONS

MANAGEMENT & STRATEGIC MANAGEMENT

(OMSM) - STRATEGIC MANAGEMENT

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Your Preparation Quick

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

A 40%
B 30%
C 30%

Learning Objectives:

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

Strategic Management

1. **Low cost, Differentiation and Focus are examples of _____**

   A. Corporate strategies

   B. Operational Strategies

   C. Business Strategies

   D. Functional Strategies

2. **The word tactic is most likely to be associated with _____**

   A. Business Strategy

   B. Corporate strategy

   C. Operational Strategy

   D. All of the above

3. **In BCG Matrix, what is the label of the Vertical axis?**

   A. Relative Market share

   B. Business Strength

   C. Industry Growth Rate

   D. Market Growth Rate

4. **In Strategic Management, another name for GE 9 cell model is _____**

   A. Three colour matrix

   B. Stop light matrix

   C. Strategic Portfolio Matrix

   D. Colour light matrix

5. **In BCG matrix, _____ is the label of the horizontal axis**

   A. Relative Market share

   B. Business Strength

   C. Industry Growth Rate

D. Market Growth Rate

6. **The three organizational levels include_____**

   A. Corporate level

   B. Business level

   C. Functional level

   D. All of the above

7. **Full form of VUCA is Volatility, Uncertainty, Complexity and_____**

   A. Ambition

   B. Anxiety

   C. Ambivalence

   D. Ambiguity

8. **Removing the barriers for group countries is known as _____**

   A. Horizontal Integration

   B. Vertical Integration

   C. Internal Integration

   D. Regional Integration

9. **In SWOT analysis, OT reflects _____factors**

   A. Internal

   B. External

   C. International

   D. Necessary

10. **Competitive advantage can best be described as _____**

    A. Perfect Competition in The Market

    B. Advantages of Competition

    C. Increased Efficiency of the organization

    D. Stand out the organization

11. **Market penetration strategy can be executed by _____**

    A. Decreasing Prices

    B. Increasing Prices

    C. Increasing Margin

    D. Producing at mass level

12. **The foundation of blue ocean strategy is _____**

    A. Evaluation

    B. Creativity

    C. Core strength

    D. Value Innovation

13. **BCG in BCG matrix stands for _____**

    A. Boston Chalmette Group

    B. British Consulting Group

    C. Boston Corporate Group

    D. Boston Consulting Group

14. **The fundamental purpose for the existence of any organization is described by its:**

    A. Policies

    B. Mission

    C. Procedures

    D. Strategy

15. **When defining strategic management, the most important thing to remember is that it is:**

    A. Not so easy as one think

    B. Mainly the province of senior managers

    C. More conceptual than practical

    D. A way of determining responsibilities

Answer:

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

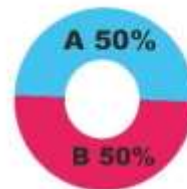GROUP: 2, PART: 10,

COST & MANAGEMENT

**ACCOUNTING AND FINANCIAL
MANAGEMENT - (CMFM)**

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Your Preparation Quick

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

Learning Objectives:

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

GR – II CMA & FM

Question No. – 1 (Sales)

SQC Ltd. provides the following data for the month of November, 2022:

Budget

Product	Budgeted Sales Quantity	Budgeted Selling Price Per Unit (Rs.)	Standard Cost Per Unit (Rs.)
A	2,160	12	9
B	1,440	5	8

Actual

Product	Actual Sales Quantity	Actual Selling Price Per Unit (Rs.)	Actual Cost Per Unit (Rs.)
A	2,240	11	8
B	960	6	5

What shall be the: -

1) Budgeted Margin on Sales   : (a) Rs.9,160 (b) Rs.9,260 (c) Rs.9,360 (d) Rs.9,460
2) Actual Margin   : (a) Rs.7,360 (b) Rs.7,460 (c) Rs.7,560 (d) Rs.7,660

3) Standard Margin on Actual Quantity   : (a) Rs. 8,340 (b) Rs. 8,440 (c) Rs. 8,540 (d) Rs. 8,640
    (AQ)

4) Std. Margin on Revised Standard   : (a) Rs.8,320 (b) Rs.8,420 (c) Rs.8,520 (d) Rs.8,620
    Quantity (RSQ)

5) Sales Margin Price Variance   : (a) Rs.1280 F (b) Rs.1280 A (c) Rs.1380 A (d) Rs.1380 F

6) Sales Margin Volume Variance   : (a) Rs.710 A (b) Rs.710 F (c) Rs.720 A (d) Rs.720 F

7) Sales Margin Mix Variance   : (a) Rs.320 F (b) Rs.320 A (c) Rs.330 A (d) Rs.330 F

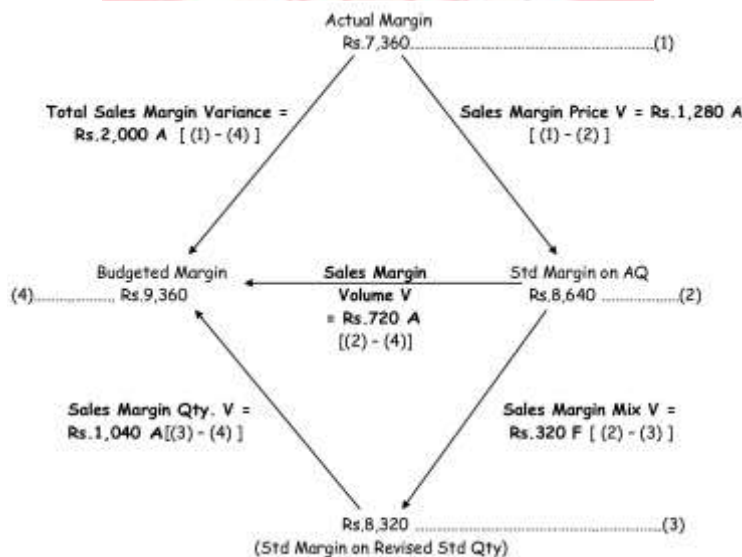8) Sales Margin Quantity Variance   : (a) Rs.1030 F (b) Rs.1030 A (c) Rs.1040 F (d) Rs.1040 A

Answer:

1)	(c) Rs.9,360	2)	(a) Rs.7,360	3)	(d) Rs.8,640
4)	(a) Rs.8,320	5)	(b) Rs.1,280 A	6)	(c) Rs.720 A
7)	(a) Rs.320 F	8)	(d) Rs.1,040 A		

Steps for Solution through diagrams for both Question 1 and 2:

1) Draw diagrams as shown in respect of each Question.

2) Put the given data as well as data derived from the Working Notes in the appropriate places of the diagrams as specified.

3) Start connecting the same by the arrows having spearheads in the way embodied therein.

4) The requisite Variances / data will emerge automatically.

5) In case of any difficulty, please have a look to the **Solutions through diagrams** at the end of this e-bulletin.

Solution with Working Notes

Actual Margin
Rs.7,360..(1)

Total Sales Margin Variance =   Sales Margin Price V = Rs.1,280 A
Rs.2,000 A [(1) - (4)]   [(1) - (2)]

Budgeted Margin   Sales Margin   Std Margin on AQ
(4)............. Rs.9,360   Volume V   Rs.8,640 ....(2)
                          = Rs.720 A
                          [(2) - (4)]

Sales Margin Qty. V =   Sales Margin Mix V =
Rs.1,040 A[(3) - (4)]   Rs.320 F [(2) - (3)]

Rs.8,320 ....(3)
(Std Margin on Revised Std Qty)

RECONCILIATION

Sales Margin Quantity V :   Rs.1,040 A

Sales M Mix V   :   Rs. 320 F

Sales M Volume V   :   Rs. 720 A

Sales M Price V   :   Rs.1,280 A

Total Sales M Value V   :   Rs.2,000 A

Working Notes :

Budgeted Margin

Product	Budgeted Selling Price (Rs.)	Std Cost per Unit (Rs.)	Std Margin per Unit (Rs.)	Budgeted Quantity (Units)	Total Budgeted Margin
A	12	9	3	2,160	6,480
B	5	3	2	1,440	2,880
				3,600	Rs.9,360

Actual Margin

Product	Actual Selling Price (Rs.)	Std Cost per Unit (Rs.)	Actual Margin per Unit (Rs.)	Actual Quantity (Units)	Total Actual Margin
A	11	9	2	2,240	4,480
B	6	3	3	960	2,880
				3,200	Rs.7,360

Std Margin on AQ

Product	Actual Quantity (Units)	Std Margin per unit (Rs.)	Amount (Rs.)
A	2,240	3	6,720
B	960	2	1,920
	3,200		Rs.8,640

Std Margin on Revised Standard Quantity

Product	AQ in Std proportion	RSQ	Std Margin per unit (Rs.)	Amount (Rs.)
A	3200 x 2160/3600 i.e.	1,920	3	5,760
B	3200 x 1440/3600 i.e.	1,280	2	2,560
		3,200		Rs.8,320

Question No. – 2 (All Costs)

ZED Ltd. has a Standard Costing system for its single output. Their standard cost for 100 units produced are as follows :

Material------- 100 kg @ Rs.10	Rs.1,000
Labour -------- 40 Hours @ Rs.20 per hour	800
Variable factory overhead ----- @ Rs.10 per standard direct labour hour	400
Fixed factory overhead ----- @ Rs.5.00 per standard direct labour hour	200
	2,400

The following operating data were taken for November, 2022:

    i)   500 units are manufactured.

    ii)   Normal volume is 220 direct labour hours.

    iii)   520 kg of material at Rs.11.00 were consumed.

    iv)   190 labour hours at Rs.19.00 were used

    v)   Actual variable factory overhead – Rs.2090

    vi)   Actual fixed factory overhead – Rs.1150

What shall be the: -

REG. MATERIAL

1) Standard Quantity of material per unit   :   (a) 1 Kg (b) 2 Kg (c) 3 Kg (d) 4 Kg

2) Std Qty of material for Actual Production (AP)   :   (a) 450 Kg (b) 460 Kg (c) 480 Kg (d) 500 Kg

3) Standard Cost of Actual Production (SCAP)   :   (a) Rs.4500 (b) Rs.5000 (c) Rs.5500 (d) Rs.6000

4) Std Cost of Actual Quantity used   :   (a) Rs.5,125 (b) Rs.5,150 (c) Rs.5,175 (d) Rs.5,200

5) Price V   :   (a) Rs.520 A (b) Rs.520 F (c) Rs.550 A (d) Rs.550 F

6)   Usage V   :   (a) Rs.175 F (b) Rs.175 A (c) Rs.200 A (d) Rs.200 F

7)   Cost V   :   (a) Rs.720 F (b) Rs.720 A (c) Rs.750 A (d) Rs.750 F

REG. LABOUR

8)   Std. Hour per unit   :   (a) 0.20 Hr (b) 0.30 Hr (c) 0.40 Hr (d) 0.50 Hr

9)   Std Hour for Actual Production (AP) :   (a) 125 Hr (b) 150 Hr (c) 175 Hr (d) 200 Hr

10) Std Cost of Actual Production   :   (a) Rs.3500 (b) Rs.4000 (c) Rs.4500 (d) Rs.5000
     (SCAP)

11) Std Cost of Actual Hours worked   :   (a) Rs.3800 (b) Rs.3850 (c) Rs.3900 (d) Rs.3950

12) Wage Rate Variance   :   (a) Rs.180 F (b) Rs.180 A (c) Rs.190 F (d) Rs.190 A

13) Efficiency Variance   :   (a) Rs.200 A (b) Rs.200 F (c) Rs.250 A (d) Rs.250 F

14) Labour Cost Variance   :   (a) Rs.380 A (b) Rs.380 F (c) Rs.390 A (d) Rs.390 F

REG. VARIABLE OVERHEADS

15) Std. Hour for Actual Production   :   (a) 100 Hr (b) 150 Hr (c) 200 Hr (d) 250 Hr
     (AP)

16) Std. V.OH for Actual Production   :   (a) Rs.2000 (b) Rs.2050 (c) Rs.2100 (d) Rs.2150

17) Std. Cost of Actual Hour (AH)   :   (a) Rs.1750 (b) Rs.1800 (c) Rs.1850 (d) Rs.1900

18) Expenditure Variance   :   (a) Rs.180 F (b) Rs.180 A (c) Rs.190 A (d) Rs.190 F

19) Efficiency Variance   :   (a) Rs.190 A (b) Rs.190 F (c) Rs.200 A (d) Rs.200 F

20) Total V.OH Cost Variance   :   (a) Rs.80 F (b) Rs.80 A (c) Rs.90 F (d) Rs.90 A

REG. FIXED OVERHEADS

21) Std Hour for Actual Production   :   (a) 200 Hr (b) 220 Hr (c) 225 Hr (d) 230 Hr

22) Std F.OH for Actual Production   :   (a) Rs.850 (b) Rs.900 (c) Rs.1000 (d) Rs.1100

23) Budgeted Overhead   :   (a) Rs.1100 (b) Rs.1200 (c) Rs.1250 (d) Rs.1300

24) Expenditure Variance   :   (a) Rs.40 F (b) Rs.40 A (c) Rs.50 F (d) Rs.50 A

25) Volume Variance   :   (a) Rs.100 F (b) Rs.100 A (c) Rs.150 A (d) Rs.150 F

26) Std Hour for Actual Production   :   (a) 200 Hr (b) 210 Hr (c) 220 Hr (d) 230 Hr

27) Efficiency Variance   :   (a) Rs.40 A (b) Rs.40 F (c) Rs.50 F (d) Rs.50 A

28) Capacity Variance   :   (a) Rs.150 F (b) Rs.150 A (c) Rs.175 A (d) Rs.175 F

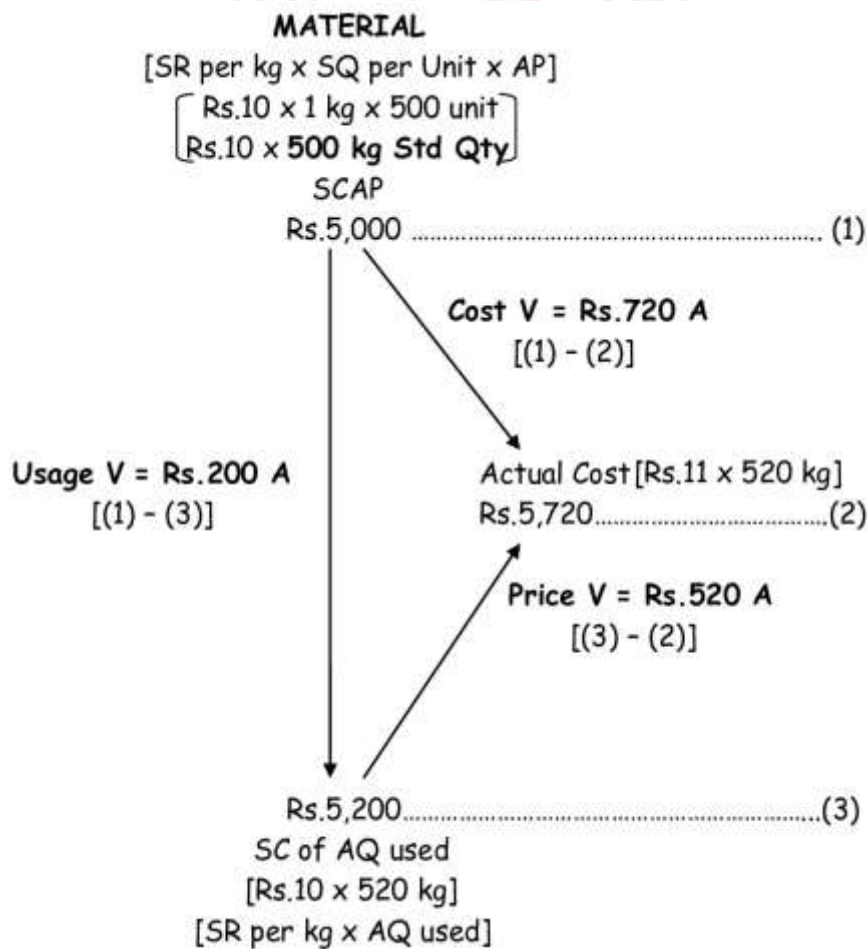29) Calender Variance   :   (a) NIL (Since Number of days are not given)

Answer :

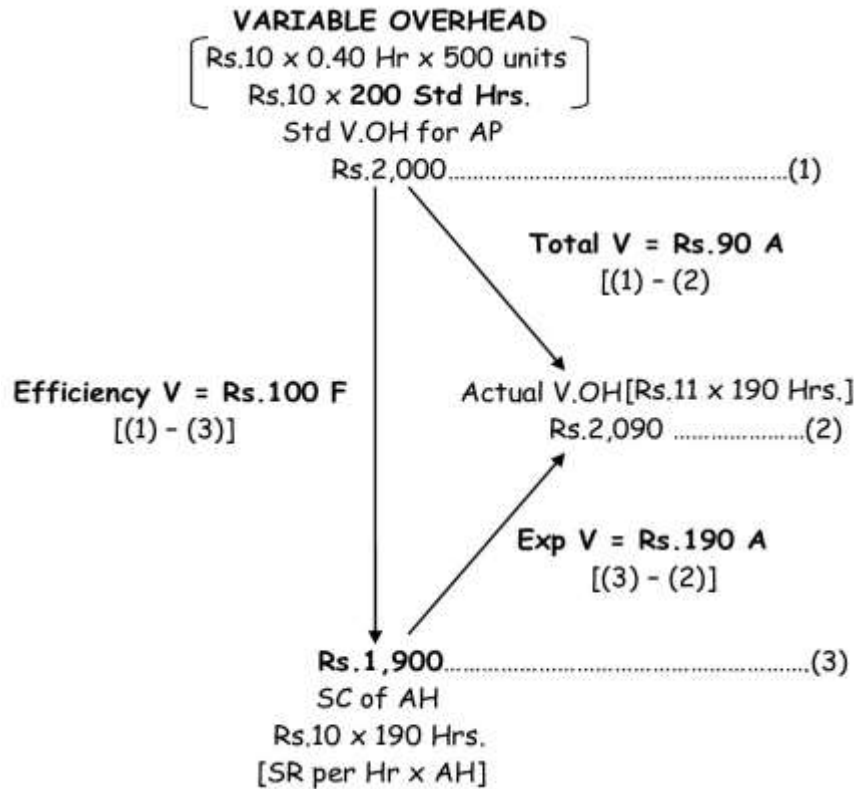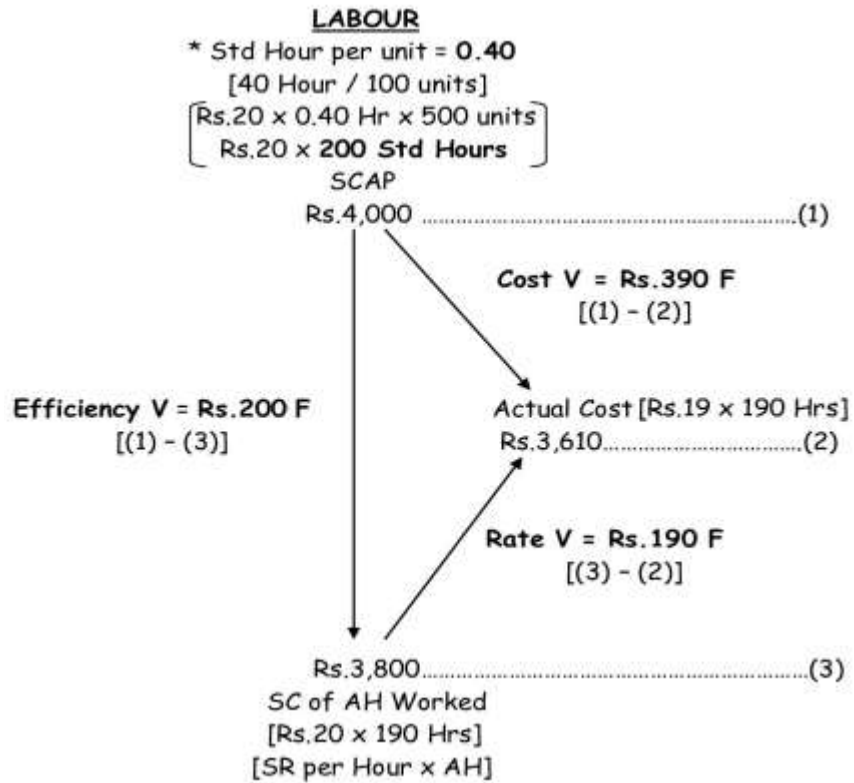| **1)**	(a) 1 Kg	2)	(d) 500 Kg	3)	(b) Rs.5,000

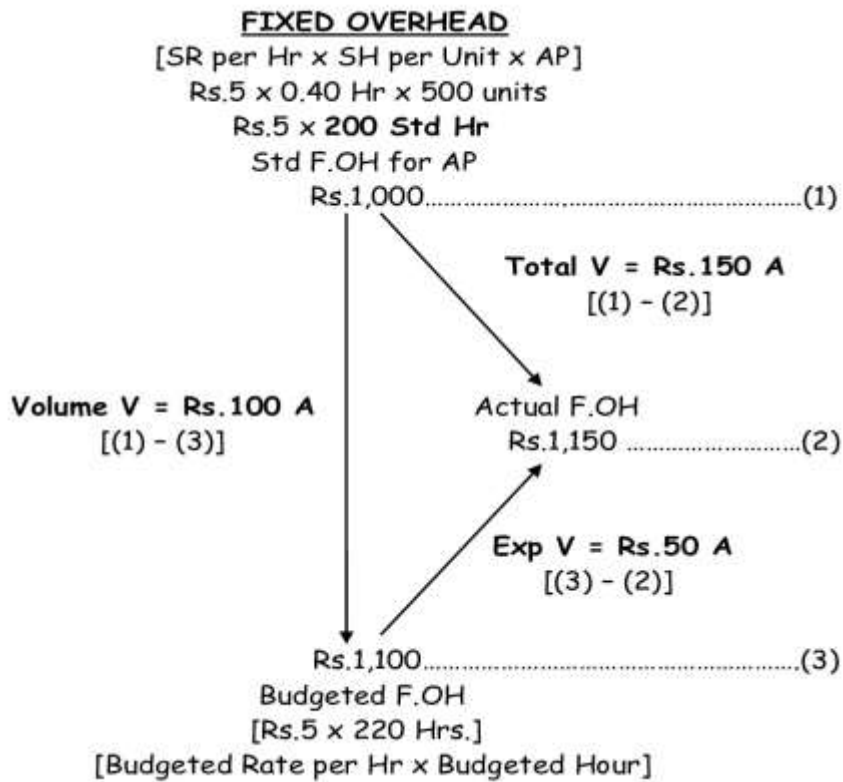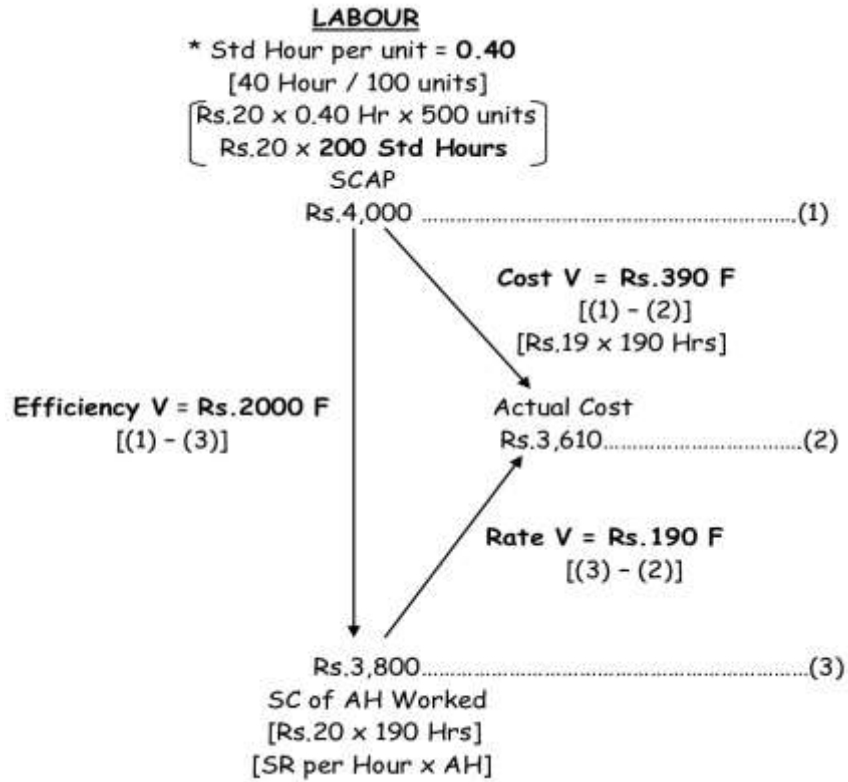| 4)	(d) Rs.5,200	5)	(a) Rs.520 A	6)	(d) Rs.200 F
7)	(b) Rs.720 A	8)	(c) 0.40 Hr	9)	(d) 200 Hr
10)	(b) Rs.4000	11)	(a) Rs.3,800	12)	(c) Rs.190 F
13)	(b) Rs.200 F	14)	(d) Rs.390 F	15)	(c) 200 Hr
16)	(a) Rs.2000	17)	(d) Rs.1900	18)	(c) Rs.190 A
19)	(a) Rs.190 A	20)	(d) Rs.90 A	21)	(a) 200 Hr
22)	(c) Rs.1000	23)	(a) Rs.1,100	24)	(d) Rs.50 A
25)	(b) Rs.100 A	26)	(a) 200 Hr	27)	(c) Rs.50 F
28)	(b) Rs.150 A	29)	(a) NIL		

Solution with Working Notes : Basic data : Actual Production (AP) = 500 units

*Std Material per unit = **1 Kg**

[100 kg / 100 units]

MATERIAL
[SR per kg x SQ per Unit x AP]
Rs.10 x 1 kg x 500 unit
Rs.10 x **500 kg Std Qty**
SCAP
Rs.5,000 .... (1)

Cost V = Rs.720 A
[(1) – (2)]

Usage V = Rs.200 A
[(1) – (3)]

Actual Cost [Rs.11 x 520 kg]
Rs.5,720 ....(2)

Price V = Rs.520 A
[(3) – (2)]

Rs.5,200 ....(3)
SC of AQ used
[Rs.10 x 520 kg]
[SR per kg x AQ used]

LABOUR

* Std Hour per unit = 0.40

[40 Hour / 100 units]

$$\begin{bmatrix} \text{Rs.20} \times 0.40 \text{ Hr} \times 500 \text{ units} \\ \text{Rs.20} \times 200 \text{ Std Hours} \end{bmatrix}$$

SCAP

Rs.4,000 ....(1)

Cost V = Rs.390 F

[(1) – (2)]

Efficiency V = Rs.200 F

[(1) – (3)]

Actual Cost [Rs.19 × 190 Hrs]

Rs.3,610................................(2)

Rate V = Rs.190 F

[(3) – (2)]

Rs.3,800...(3)

SC of AH Worked

[Rs.20 × 190 Hrs]

[SR per Hour × AH]

VARIABLE OVERHEAD

$$\begin{bmatrix} \text{Rs.10} \times 0.40 \text{ Hr} \times 500 \text{ units} \\ \text{Rs.10} \times 200 \text{ Std Hrs.} \end{bmatrix}$$

Std V.OH for AP

Rs.2,000..(1)

Total V = Rs.90 A

[(1) – (2)]

Efficiency V = Rs.100 F

[(1) – (3)]

Actual V.OH [Rs.11 × 190 Hrs.]

Rs.2,090 ....(2)

Exp V = Rs.190 A

[(3) – (2)]

Rs.1,900.................................(3)

SC of AH

Rs.10 × 190 Hrs.

[SR per Hr × AH]

LABOUR

* Std Hour per unit = **0.40**

[40 Hour / 100 units]

⎡ Rs.20 x 0.40 Hr x 500 units ⎤
⎣ Rs.20 x **200 Std Hours** ⎦

SCAP

Rs.4,000 ....(1)

Cost V = Rs.390 F
[(1) – (2)]
[Rs.19 x 190 Hrs]

Efficiency V = Rs.2000 F   Actual Cost
[(1) – (3)]   Rs.3,610.............................(2)

Rate V = Rs.190 F
[(3) – (2)]

Rs.3,800...(3)
SC of AH Worked
[Rs.20 x 190 Hrs]
[SR per Hour x AH]

FIXED OVERHEAD

[SR per Hr x SH per Unit x AP]

Rs.5 x 0.40 Hr x 500 units

Rs.5 x **200 Std Hr**

Std F.OH for AP

Rs.1,000...(1)

Total V = Rs.150 A
[(1) – (2)]

Volume V = Rs.100 A   Actual F.OH
[(1) – (3)]   Rs.1,150 ....(2)

Exp V = Rs.50 A
[(3) – (2)]

Rs.1,100...(3)
Budgeted F.OH
[Rs.5 x 220 Hrs.]
[Budgeted Rate per Hr x Budgeted Hour]

HOUR BASIS (FIXED OVERHEADS)

SH for AP
200

Volume V
= Rs.5 × (– 20) Hr
= Rs.100 A

Efficiency V
= Rs.5 × 10 Hrs
= Rs.50 F

Budgeted Hour

Actual Hour

Capacity V

220 ⟵ 190

Rs.5 × (– 30) Hrs
= Rs.150 A

Std Hour for AP = 200

	Units	Hours
Std	100	40
	500	**200**

Solution through diagrams

A diagrammatic solution is characterized by arrows having spearhead in one side. The basic principle is that the amount standing at the spearhead side should always be deducted from that of the bottom side of the same. The resulting balance, if positive, signifies a Favourable Variance whereas a negative balance invariably signifies an Adverse or Unfavourable Variance, automatically. The principle involved can be clearly understood with a simple illustration following :

1) Rs.52 – Rs.48 = (+) Rs.4 =   Rs.4 Favourable Variance, shown as Rs.4 (F)
2) Rs.52 – Rs.61 = (-) Rs.9 =   Rs.9 Adverse or Unfavourable Variance, shown as Rs.9 (A)

Some of the multiple advantages associated with the diagrammatic solution of Variance Analysis are noted hereunder:

1) Diagram works as a road map which leads one to reach destination in the easiest way.
2) Diagrams are simple, easy to understand and use.
3) Solution can be arrived at within the shortest possible time.
4) Nature of Variance (Favourable or Adverse) emerges automatically due to in-built system.
5) Inter-relationship of related Variances are clearly visible and understood.
6) Inconsistency in on-going computation is promptly detected for correction.
7) It is easier to memorize the diagrams than a bunch of confusion-raising formulae.

A sincere practice of Variance Analysis through diagrams over a couple of days is likely to pay a rich dividend.

GROUP: 2, PART: 11,

INDIRECT TAXATION
(ITX)

Ms. Poushali Das
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Your Preparation Quick

Syllabus Structure
A Canons of Taxations -
   Indirect Tax GST **80%**
B Customs Laws **20%**

B 20%

A 80%

Learning Objectives:

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

REFUND UNDER GST

Meaning of refund

• If any excess tax has been paid or if there is any unutilized input tax Credit, a person can claim such tax back is called as refund of tax.

• Refund means any amount due to the taxpayer from the tax administration.

• For example: Mr. X's GST liability is Rs. 5,000, But due to mistake, Mr. X has made a GST payment of Rs. 50,000, Mr. X has made an excess GST payment of Rs 45,000. Now, Mr. can claim refund of Rs 45,000.

• According to Section 38 (2), refund includes refund of tax on goods or services exported out of India or on inputs or input Services or in goods or services are exported outside India, or refund of tax on the supply of goods as considered as deemed exports, Or refund of unutilized input tax credit.

Timely refund mechanism is Very important because even a slight delay in the refund process will impact on the working capital and cash flow of the manufacturers and exporters.

What Refund includes?

As per Explanation - 1 given under Section 54, refund includes:

I. II. III. IV.

Refund of tax paid on zero - rated supplies of goods or services or both or On inputs or input Services used in making such zero - rated supplies, or refund of tax on the supply of goods regarded as deemed exports, or refund of unutilized input tax Credit as provided under sub - section (3) Situations in which the refunds will arise:

As per Section 54 of the CGST Act, 2017, a claim for refund may arise in following situations:

1. Excess payment of tax due to mistake or inadvertence.

2. Export of goods or services under claim of rebate or refund.

3. Refund in case of finalization of Provisional Assessment.

4. Refund of pre - deposit for filing appeals.

5. Refund arises during investigations where no or lesser actual liabilities arise.

6. Refund due to year end or volume based discount by credit note.

1. The excess payment of tax due to mistake:

It refers to the circumstances where the tax payer has made excess payment of tax either by mistake or inadvertence which results in tax paid more than actual due to Government. Since the tax that has been paid in excess, the excess amount can be refunded to the taxpayer. The excess payment may be made in following situations:

a) Wrong mention of nature of tax that is the payment of IGST instead of CGST & SGST and vice versa.

b) Wrong mention of GSTIN, or

c) Wrong mention of tax amount.

Case of Wrong mention of nature of tax (CGST / SGST / IGST) or in case of wrong mention of GSTIN,

the tax administration is required to verify the correctness of the taxpayer's claim and therefore the taxpayer should file a refund application which should be decided within specified period.

2. Export of goods or services:

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The major claim for refund may arise on account of exports. The exporters suffer due to heavy working capital blockages either due to payment of IGST making exports or of un- utilized ITC on inputs. The export of goods or by way services can be made in 3 ways:

A. By obtaining inputs without payment of tax and exporting final product.

B. By obtaining tax paid input and exporting final product without payment of tax payment of tax. At the time of export, input tax credit can be claimed.

C. By obtaining tax paid inputs, availing the input tax credit thereon and exporting finished goods after of payment of tax by utilizing input tax credit. Later rebate of tax paid on exported goods can be claimed.

All exports of goods or services to SEZs have been categorized as Zero Rated Supplies in the IGST

Act. "Zero rated supply" under Section 16 of the IGST Act, 2017, means any of the following supplies of goods or services or both, namely:

I. Export of goods or services or both; or

II. Supply of goods or services or both to a SEZ developer or a SEZ unit.

In case of zero rating of supplies, the supplier is entitled to claim input tax credit in respect of goods or services which are used for such supplies. Such zero rated suppliers can supply in two ways:

1. He can export the services goods or services without payment of tax by executing Bond/ letter of Undertaking (LUT) and claim refund of accumulated Input Tax Credit, or

2. He may export on payment of IGST and claim refund of thereof provisions of Section 54 of CGST Act, 2017.

Thus, GST paid on the inputs or on exported finished goods is refund the exporter. The exporter can claim refund on exported goods by following the process below:

A) The Importer Exporter Code (IEC) details of taxpayer will be verified - Verifying the Correctness of the Exporter's particulars.

B) The refund of ITC rebate of GST will be granted by the taxpayer,

C) The event of export need to be verified to minimize cases of Erroneous /fraudulent claims. D) For export verification the following documents are required:

i) Shipping Bill. ii) Transporter's Challan (in case of export by road) iii) Export invoice; iv) Packing list;

v) Bill of Lading! Airway Bill;

In case of export of services, no shipping bill is required. Only invoice and bank realization certificate (BRC) are required. Therefore, in case of export of services, BSR will be required to grant the refund of GST on inputs (input services) /Rebate of GST paid on exported services.

Generally, up to 90% of the refund claimed by the taxpayer may be sanctioned automatically by the system. And the Remaining 10% of the refund will for completion of verification of documents / accounts done for the financial Year and to be completed within a period of three months. Be granted after completion of verify at the end of the Financial year and to be completed within a period of three months.

3. Refund in case of finalization of Provisional Assessment:

A. The GST returns of the taxpayer will be filed electronically. In the return itself, there is a field for indicating whether the tax being paid is provisional or final.

B. In case the tax has been paid on provisional basis, a drop box to be made available indicating the reasons for which the tax has been made on a provisional basis, a drop box to be made available indicating the reasons for which the tax has been paid on a provisional basis.

vi) Bank Realization Certificate (BRC).

If the Assessing Officer agrees with the reason mentioned, the return may be kept provisional. Thereafter, the return to be taken up for finalization within 90 days.

At the time of finalization of the return, a speaking order will be issued to mention the amount the taxpayer is required to pay or eligible for refund.

The refund will be granted only if the incidence of tax paid by taxpayer has not been passed on to the consumer.

The principle of unjust enrichment will be applicable for refund. Taxpayer is required to submit a self-certification or CA Certificate certifying the fact of non-passing of the GST burden by the taxpayer.

Refund of pre -deposit for filing appeals:

Taxpayer may file a simple refund application along with a CA Certificate certifying the fact of non-passing of the GST burden by the taxpayer.

Refund may not to be kept in suspension only on the ground of fling appeal by the respondent unless the jurisdictional authority has obtained a stay of the order (in favour of the taxpayer) from higher appellate authority.

GST Law may provide for certain predefined cooling period during which refund may not be granted which can be regarded as the mandatory waiting period for the outcome of the appeal / application for stay GST.

Law Drafting Committee may also consider for providing jurisdictional authority at sufficiently senior level for with in exceptional cases. In such case interest has to be paid.

The refund may be on account of CGST, SGST or IGST as be.

Refund arises during investigations where no or lesser actual liability arises:

Refund arises during investigations requires utmost attention as such amount of tax paid during investigation, etc. become non leviable once the investigation is finalized and / or an adjudication order in favor of the taxpayer is issued. Therefore, this process should be simple.

As soon as the investigation is over which does not lead to issuance of a show cause notice or where after investigation, show cause notice is issued but the adjudication order is in favor of the taxpayer, the taxpayer should be immediately eligible to claim refund of the amount which is paid in excess during investigation.

Taxpayer may file a simple refund application along with a CA Certificate certifying the fact of non-passing of the GST burden by the taxpayer.

Refund can be sanctioned only after lapse of time available for filing an appeal by tax authorities.

Refund may be withheld only if the department has obtained a stay order on the operation of the adjudication order.

6 Refund due to year end or volume based discount by credit note:

Section 34 of the CGST Act, 2017 provides for issuance of credit notes by the supplier for post supply discounts or if goods are returned back within a stipulated time.

When such credit notes are issued, the output liability of the supplier will be reduced. Hence, the taxes paid on earlier supply will be higher than what is actually payable.

In such cases, the excess tax paid by the supplier needs to be refunded.

The refund will be sanctioned on submission of an application along with a Certificate of Chartered Accountant certifying the fact of non-passing of the GST burden by the taxpayer.

The eligibility for ITC of the buyer and the output liability of the supplier will the reduced simultaneously. For that the supplier will issue credit notes and the corresponding debit notes will be issued by the buyers.

In case of mismatch between credit and debit notes, the reduction of

Output tax liability of the supplier will be reversed.

Documents required for the refund as per Rule-89 (2):

Copy of challan and copy of return evidencing payment of duty.

In case refund is on account of export of goods: A state Documents required for refund as per

Rule-89 be and the date of the relevant export invoices.

In case refund is on account of export of services: A statement the containing the number and date of invoices and date of shipping bills or bills of export and the relevant bank Realization certificates or Foreign Inward Remittance Certificates. case may be.

In case supply of goods made to a SEZ unit or a SEZ developer : statement containing the number and date of invoices along evidence regarding the endorsement in the case of the supply made to a SEZ unit or a SEZ developer.

In case supply of goods or services made to a SEZ unit or a SEZ developer: A declaration to the effect that the SEZ unit or the SEZ developer has not availed the input tax credit of the tax paid by the supplier of goods or services or both.

In a case where the claim pertains to refund of any unutilized input tax credit where the credit has accumulated on account of the rate of tax on the inputs being higher than the rate of tax on output supplies, other than nil rated or fully exempt supplies: A statement containing the number and tie date of the invoices received and issued during a tax period.

If the claim is for refund of accumulated ITC: Only a statement containing invoice details as prescribed in the Refund rules.

In case of claim of refund on account of any order or judgment of appellate authority or court: The reference number of the order giving rise to refund.

For crossing the bar of unjust enrichment, if the refund claim is less than Rs.2 Lakhs : then a self-declaration by the applicant to the effect that the incidence of tax has not been passed to any other person will suffice to

process the refund claim. For refund claims exceeding Rs. 2 Lakhs, a certificate from a Chartered Accountant/Cost Accountant need to be submitted 9

Time Limit for Filling GST Refund Request:

Any person claiming the refund of the GST tax, or the interest paid should make an application within a period of 2 years from the relevant date using the Form GST RFD-01 electronically.

If the claim is in order, the refund has to be sanctioned within a period of 60 days from the date of receipt of the application.

Interest on the delayed refund (beyond 60 days, arising from order of authority / court) is paid at 6 % per annum.

Azadi Ka Amrit Mahotsav
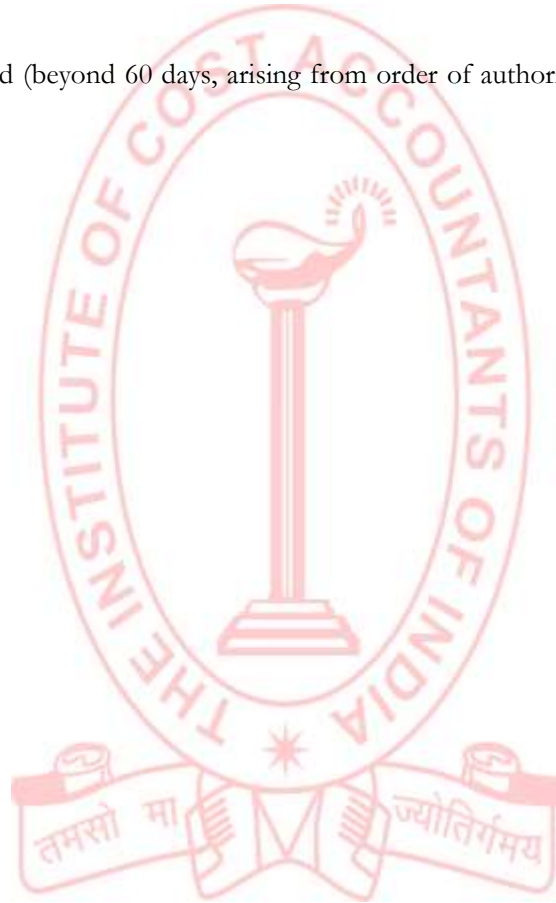
GROUP: 2, PART: 12,

COMPANY
ACCOUNTS & AUDIT
(CAA)

Dr. Malay Kr. Nayak
Associate Professor,
Dept. of Commerce,
He can be reached at:
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Your Preparation Quick

A 50%

B 50%

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

Learning Objectives:

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

Company Accounts & Audit

Today we back to discuss same basic features of Accounting Report.

What is the essence of measurement in accounting?

Ans;- The primary objective of accounting measurement is to disclose the amount by which specific characteristics of an object or situation have changed. That is accounting may seek to disclose how much more income, prestige or power a company has taken two points of time.

What are the requirements to have accounting measurement?

Ans:- Three thing are required

    i)   There must exist some characteristics of an object or situation that is to be measured.

    ii)   There must be available an instrument or   as transaction on market to make the measurement.

    iii)   A trained observer must be present to make of and observe the instrument or To do this, it would be appropriate to select: -

    i)   The objects characteristic according to the criterion of relevance's for the problems under consideration.

    ii)   The instrument according to the criterion of application to the observation to be made.

    iii)   The observer according to the criterion of competence or capecity to use the instrument correctly

What is the importance of corporate annual report?

Ans;- Annual report has become a significant medium of corporate reporting to the day, although information about a company 's affairs can be communicated through other media also for example prospectus financial interim report.

Despite the existence of different source of information, the annual report is regarded as the most important sources of information about a company's affairs is really directed to the communities at large, to whomever it may have been formally

The annual report is the single most important document in corporate reporting of is a bench mark of measuring performance a periodical of program and an auditing check point.

There are reason why the annual report is regarding as a valuable sources of information about a company affairs.

Firstly, annual report is relatively more and easily accessible than any other source of information.

Secondly, annual report contains audited information which create confidence among the public.

Thirdly annual reports included besides financial statement some more information such as statistical data, plan an policies etc.

Give some suggestion as from import bodies.

Report of high power committee, thereafter called such are committee report has given some suggestion. The committee has given rate

a blanket option in the matter of presentation of balance sheet and profit and loss a/c and also suggested a model for vertical statement of balance sheet.

In USA the basis rules governing financial accounting disclosure publishing by public companies is GAAP. The responsibility of promulgating GAAP rests with FASB (Financial accounting Standard Board)

Although GAAP is the basic criterion for use in preparing financial statement other regulations must also be met when filing statement with the SEC (Securities Exchange Commission).
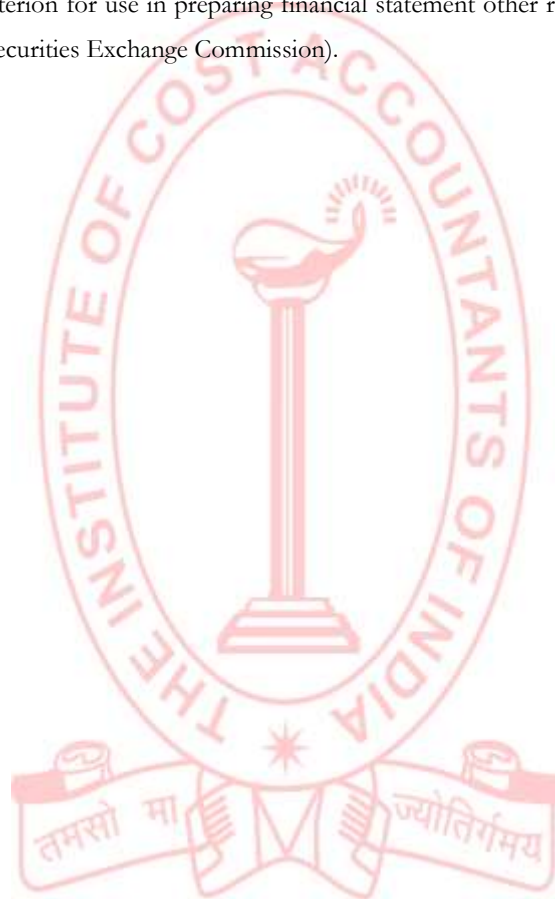
Examination Time Table

Examination Time Table

Day & Date	Intermediate Examination Syllabus-2016 (Time: 10:00 A.M. to 01:00 P.M)	
	(Group – I)	(Group – II)
Thursday, 5th January, 2023	Financial Accounting (P-05)	....
Friday, 6th January, 2023	....	Operations Management & Strategic Management (P-09)
Saturday, 7th January, 2023	Laws & Ethics (P-06)	....
Sunday, 8th January, 2023	....	Cost & Management Accounting and Financial Management (P-10)
Monday, 9th January, 2023	Direct Taxation (P-07)	....
Tuesday, 10th January, 2023	....	Indirect Taxation (P-11)
Wednesday, 11th January, 2023	Cost Accounting (P-08)	....
Thursday, 12th January, 2023	....	Company Accounts & Audit (P-12)

Practical Advice

Submissions

SUBMISSIONS

Submissions
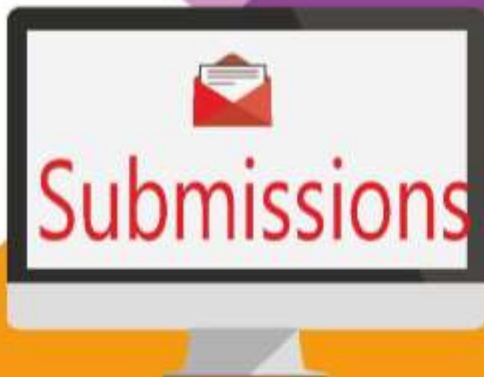
Updation of E-Mail Address/Mobile:

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

Dear Students,

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

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

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

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

Message from Directorate of Studies

Message form
Directorate of Studies

Dear Students,

We from the Directorate of Studies understand your expectations from us and accordingly we are trying to deliver some meaningful tips through various publications in soft versions like-E-bulletins, Mock Test Papers (MTPs), and we also have conducted Webinar Sessions for the benefit of the students. Supplementary and Amendments are also uploaded from time to time to keep the students updated about the recent changes made in the papers; wherever applicable.

You must be aware that India is celebrating Azadi Ka Amrit Mahotsav, which is an initiative of the Government of India to celebrate and commemorate 75 years of independence and the glorious history of its people, culture and achievements. Along with pan India, your Institute has also observed and took part in various meaningful activities throughout the year. We also expect that our students should also take part in the development of the nation and make the country proud.

"Freedom has only one motto, may our country be happy and prosperous" ....

let you all observe the message cited above.
- Certain general guidelines are listed below and which will help you in preparing for the examinations:
- Conceptual understanding and overall understanding of the subjects should be clear,
- Students are advised to go through the study material provided by the Institute meticulously,
- Students should know and learn the basic understandings of the subjects with focus on core concepts,
- Students are expected to give to the point answer which is a pre-requisite for any professional examination,
- To strengthen the answers, students are advised to answer precisely and in the structured manner,
- Proper time management is also important while answering.

Please refer the link mentioned below:

https://icmai.in/studentswebsite/index.php

GOOD LUCK
Be prepared and be successful

Disclaimer:
Although due care and diligence have been taken in preparation and uploading this E-Bulletin, the Institute shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents of this E-Bulletin.

Few Snapshots

CMA Vijender Sharma elected as President and CMA Rakesh Bhalla as Vice President of the Institute for the year 2022-23.

CMA Vijender Sharma elected as President and CMA Rakesh Bhalla as Vice President of the Institute for the year 2022-23.

CMA Vijender Sharma, President of the Institute along with CMA B.B. Goyal, Former Addl Chief Advisor (Cost), MoF, GoI extending greetings to Shri Gyanesh Kumar, IAS, Secretary to the Government of India, Ministry of Cooperation on 6th December, 2022.

CMA Vijender Sharma, President along with CMA Rakesh Bhalla, Vice President, CMA Biswarup Basu, Past President and CMA Kaushik Banerjee, Secretary of the Institute extending greetings to Shri Manoj Govil, IAS, Secretary to the Government of India, Ministry of Corporate Affairs on 29th November 2022.

CMA Vijender Sharma, President along with CMA Rakesh Bhalla, Vice President, CMA Biswarup Basu, Past President and CMA Kaushik Banerjee, Secretary of the Institute extending greetings to Shri Manoj Govil, IAS, Secretary to the Government of India, Ministry of Corporate Affairs on 29th November 2022.

BEHIND EVERY SUCCESSFUL BUSINESS DECISION, THERE IS ALWAYS A CMA

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Behind every successful business decision, there is always a CMA