

Free of Cost

ISBN : 978-81-7666-683-1

# SCANNER™ Appendix

CA Final Gr. II (Old Course)  
November - 2009

## INDEX

Paper 5	—	Cost Management	II-1
Paper 6	—	Management Information and Control System	II-8
Paper 7	—	Direct Taxes	II-10
Paper 8	—	Indirect Taxes	II-16

## PAPER'S

### Paper - 5 : Cost Management

#### Chapter-1 : Basic Cost Concepts for Decision Making

**2009 - Nov [2]** (b) Mr. X has taken a shop on lease and made a down payment of Rs. 2,50,000. Additionally, the rent under lease amount is Rs. 96,000 per annum. If lease agreement is cancelled by Mr. X, then the initial payment is forfeited. Mr. X plans to use the shop for the general stores business, and has estimated operations for the next year as follows :

Sales	Rs. 25,00,000	
Less : Value added tax (VAT)	Rs. 2,80,000	
Sales after VAT		22,20,000
Cost of goods sold	12,50,000	
Wages and wages related cost	2,76,000	
Rent including down payment	3,46,000	
Rates, lighting and insurance	2,80,000	
Audit, legal and general expenses	<u>50,000</u>	22,02,000
Net profit before tax		18,000

In the business, Mr. X will be devoting half of his time, however no provision has been made for his remuneration/salary. Mr. X also has an option to sublet the shop to his friend for a monthly rent of Rs. 18,000, if he does not use the shop himself.

You are required to :

- (i) Identify the sunk and opportunity cost in the above problem.
- (ii) State most profitable decision, which should be taken by Mr. X, supporting with appropriate calculation. (5 marks)

**2009 - Nov [5]** (c) "Sunk costs are irrelevant in decision-making, but irrelevant costs are not sunk cost." Explain with examples. (4 marks)

**Chapter-2 : Marginal Costing**

**2009 - Nov [3]** (b) What is Margin of safety ? How, margin of safety can be improved ? (5 marks)

**2009 - Nov [4]** (a) An agro-products producer company is planning its production for next year. The following information is relating to the current year :

Products/Crops	A1	A2	B1	B2
Area occupied (acres)	250	200	300	250
Yield per acre (ton)	50	40	45	60
Selling price per ton (Rs.)	200	250	300	270
Variable cost per acre (Rs.)				
Seeds	300	250	450	400
Pesticides	150	200	300	250
Fertilizers	125	75	100	125
Cultivations	125	75	100	125
Direct wages	4,000	4,500	5,000	5,700

Fixed overhead per annum (Rs.) 53,76,000.

The land that is being used for the production of B1 and B2 can be used for either crop, but not for A1 and A2. The land that is being used for A1 and A2 can be used for either crop, but not for B1 and B2. In order to provide adequate market service, the company must produce each year at least 2,000 tons each of A1 and A2 and 1,800 tons each of B1 and B2.

You are required to :

- (i) Prepare a statement of the profit for the current year.
- (ii) Profit for the production mix by fulfilling market commitment.
- (iii) Assuming that the land could be cultivated to produce any of the four products and there was no market commitment, calculate : Profit amount of most profitable crop and break-even point of most profitable crop in terms of acres and sales value. (11 marks)

**2009 - Nov [5]** (b) LMV Limited manufactures product Z in departments A and B which also manufacture other products using same plant and machinery. The information of product Z is as follows :

Items	Department A (Rs.)	Department B (Rs.)
Direct material per unit	30	25
Direct labour per unit (Rs. 10 per hour)	30	40
Overhead rates :		
Fixed	8 per hour	4 per hour
Variable	6 per hour	3 per hour
Value of Plant and Machinery	25 lakhs	15 lakhs

Overheads are recovered on the basis of direct labour hours. Variable selling and distribution overheads relating to product Z are amounting to Rs. 30,000 per month. The product requires a working capital of Rs. 4,00,000 at the target volume of 1,500 units per month occupying 30 per cent of practical capacity.

You are required :

- To calculate the price of product Z to yield a contribution to cover 21 percent rate of return on investment.
- Set the minimum selling price of the product if (1) the product is well established in the market; (2) the product is first time launched in the market.

(7 marks)

### Chapter-3 : Decision Making

**2009 - Nov [5]** (a) B Ltd. makes industrial power drills which is made by the use of two components A (electrical and mechanical components and B (plastic housing). The following table shows the cost of plastic housing separately from the cost of the electrical and mechanical components :

	A Electrical and Mechanical Components (Rs.)	B Plastic Housing (Rs.)	A & B Industrial Drills (Rs.)
Sales 1,00,000 units @ Rs. 100			1,00,00,000
Variable cost :			
Direct materials	44,00,000	5,00,000	49,00,000
Direct labour	4,00,000	3,00,000	7,00,000
Variable factory overhead	1,00,000	2,00,000	3,00,000
Other variable costs	1,00,000	—	1,00,000
Sales commissions @ 10% of sales	10,00,000	—	10,00,000
Total variable costs	60,00,000	10,00,000	70,00,000

Contribution	—	—	30,00,000
Total fixed costs	22,20,000	4,80,000	27,00,000
Operating income			3,00,000

Answer the following questions independently :

- During the year, a prospective customer offered Rs. 82,000 for 1,000 drills. The drills would be manufactured in addition to the 1,00,000 units sold. B Ltd. would pay the regular sales commission rate on the 1,000 drills. The Chairman rejected the order because “it was below our costs”. Calculate operating income if B Ltd. accepts the offer.
- A supplier offers to manufacture the yearly supply of 1,00,000 units plastic housing components for Rs. 13.50 each. Assume that B Ltd. would avoid Rs. 3,50,000 of the costs assigned to plastic housing if it purchases. Calculate operating income if B Ltd. decides to purchase the plastic housing from the supplier.
- Assuming that B Ltd. could purchase 1,20,000 units (plastic housing components) for Rs. 13.50 each and use the vacated plant capacity for the manufacture of delux version of drill of 20,000 units (and sell them for Rs. 130 each in addition to the sales of the 1,00,000 regular units) at a variable cost of Rs. 90 each, exclusive of housings and exclusive of the 10% sales commission. All the fixed costs pertaining to the plastic housing would continue, because these costs are related to the manufacturing facilities primarily used. Calculate operating income of B Ltd. purchases the plastic housings and manufacture the delux version of drills. (8 marks)

**Chapter-5 : Standard Costing and Variance Analysis**

**2009 - Nov [2]** (a) The following information relates to a manufacturing concern :

Standard	(Rs.)
Material A 24,000 kgs @ Rs. 3 per kg	72,000
Material B 12,000 kgs @ Rs. 4 per kg	48,000
Wages 60,000 hours @ Rs. 4 per hour	2,40,000
Variable overheads 60,000 hours @ Re. 1 per hour	60,000
Fixed overheads 60,000 hours @ Rs. 2 per hour	1,20,000
Total cost	5,40,000
Budgeted profit	60,000
Budgeted sales	6,00,000
Budgeted production (units)	12,000

Actual	(Rs.)
Sales (9,000 units)	4,57,500
Material A consumed 22,275 kgs.	62,370
Material B consumed 10,890 kgs.	44,649
Wages paid (48,000 hours)	1,91,250
Fixed overhead	1,20,900
Variable overhead	45,000
Labour hours worked	47,700
Closing work in progress	900 units
Degree of completion :	
Material A and B	100%
Wages and overheads	50%

You are required to :

- Calculate all the material and labour variances.
- Calculate variable overhead expenditure and efficiency variances, fixed overhead expenditure and volume variances and sales price and sales volume variances.

(10 marks)

#### Chapter-11 : Activity Based Cost Management

**2009 - Nov [1]** (a) X Ltd. is engaged in the production of four products : A, B, C and D. The price charged for the four products are Rs. 180, Rs. 175, Rs. 130 and Rs. 180 respectively. Market research has indicated that if X Ltd can reduce the selling prices of its products by Rs. 5, it will be successful in getting bulk orders and gain a significant share of market of those products. The company's profit markup is 25 per cent on cost of the product. The relevant information of products are as follows :

Products	A	B	C	D
Output in units	600	500	400	600
Cost per unit :				
Direct material (in Rs.)	40	50	30	60
Direct labour (in Rs.)	28	21	14	21
Machine hours (per unit)	4	3	2	3

The four products are usually produced in production runs of 20 units and sold in batches of 10 units. The production overhead is currently absorbed by using a machine hour rate, and the total of the production overheads for the period has been analysed as follows :

	(Rs.)
Machine department costs	52,130
Setup costs	26,250
Stores receiving	18,000
Inspection/Quality control	10,500
Material handling and dispatch	23,100

The cost drivers to be used for the overhead costs are as follows :

<u>Cost</u>	<u>Cost drivers</u>
Setup costs	Number of production runs
Store receiving	Requisitions raised
Inspection/Quality control	Number of production runs
Materials handling and dispatch	Order executed

The number of requisitions raised in the stores was 100 for each product and the number of orders executed was 210, each order being for a batch of 10 units of a product.

You are required :

- To compute the target cost for each product.
- To compute total cost of each product using activity based costing.
- Compare target cost and activity based cost of each product and comment whether the price reduction is profitable or not. (12 marks)

**Chapter-12 : Total Quality Management (TQM)**

**2009 - Nov [2]** (c) Explain four P's of quality improvement principle.

(4 marks)

**Chapter-14 : Budgeting Control and Performance Measurement**

**2009 - Nov [3]** (c) Explain briefly stages involved in the process of Bench marking.

(5 marks)

**Chapter-15 : Linear Programming**

**2009 - Nov [4]** (b) An oil refinery can blend three grades of crude oil to produce quality A and quality B petrol. Two possible blending processes are available. For each production run, the older process uses 5 units of crude Q, 7 units of crude P and 2 units of crude R and produces 9 units of A and 7 units of B. The newer process uses 3 units of crude Q, 9 units of crude P and 4 units of crude R to produce 5 units of A and 9 units of B.

Because of prior contract commitments, the refinery must produce at least 500 units of A and at least 300 units of B for the next month. It has 1,500 units of crude Q, 1,900 units of crude P and 1,000 units of crude R. For each unit of A, refinery receives Rs. 60 while for each unit of B, it receives Rs. 90.

Formulate the problem as linear programming model so as to maximise the revenue.

(4 marks)

**Chapter-16 : Transportation Problem**

**2009 - Nov [4]** (c) Explain the term degeneracy in a transportation problem.

(4 marks)

**Chapter-19 : Programme Evaluation and Review Technique**

**2009 - Nov [1]** (b) A company is launching a new product and has made estimates of the time for the various activities associated with the launch as follows :

Activity	Predecessor	Times (Days)		
		Optimistic	Most likely	Pessimistic
A	NONE	1	3	5
B	NONE	3	4	5
C	A, B	1	3	11
D	B	3	3	9
E	A	1	2	3
F	C	2	5	14
G	E, F	2	3	4
H	D, F	2	2	2
I	G, H	10	10	10

Required :

- Draw the network diagram.
- Calculate the expected time and variance of each activity.
- Find out the expected length of critical path and its standard deviation.
- Find the probability that the launching will be completed in 27 days.
- Find the duration, which has 95% probability of completion.

(8 marks)

#### Chapter-20 : Simulation

**2009 - Nov [3]** (a) At a small store of readymade garments, there is one clerk at the counter who is to check bills, receive payments and place the packed garments into fancy bags. The arrival of customer at the store is random and service time varies from one minute to six minutes, the frequency distribution for which is given below :

Time between arrivals (minutes)	Frequency	Service Time (in minutes)	Frequency
1	5	1	1
2	20	2	2
3	35	3	4
4	25	4	2
5	10	5	1
6	5	6	0

The store starts work at 11 a.m. and closes at 12 noon for lunch and the customers are served on the “first came first served basis”.

Using Monte Carlo simulation technique, find average length of waiting line, average waiting time, average service time and total time spent by a customer in system.

You are given the following set of random numbers, first twenty for arrivals and last twenty for service :

64	04	02	70	03	60	16	18	36	38
07	08	59	53	01	62	36	27	97	86
30	75	38	24	57	09	12	18	65	25
11	79	61	77	10	16	55	52	59	63

(9 marks)

#### **Chapter-21 : Learning Curve Theory**

**2009 - Nov [1]** (c) The following information is provided by a firm. The factory manager wants to use appropriate average learning rate on activities so that he may forecast costs and prices for certain levels of activity.

- (i) A set of very experienced people feed data into the computer for processing inventory records in the factory. The manager wishes to apply 80% learning rate on data entry and calculation of inventory.
- (ii) A new type of machinery is to be installed in the factory. This is patented process and the output may take a year for full fledged production. The factory manager wants to use a learning rate on the workers at the new machine.
- (iii) An operation uses contract labour. The contractor shifts people among various jobs once in two days. The labour force performs one task in 3 days. The manager wants to apply an average learning rate for these workers.

You are required to advise to the manager with reasons on the applicability of the learning curve theory on the above information.

(4 marks)

<b>Paper - 6 : Management Information and Control System</b>
--

#### **Chapter-1 : Basic Concepts of Systems**

**2009 - Nov [1]** (a) Explain the terms “system stress” and “system change”.

(5 marks)

#### **Chapter-2 : Transaction Processing System**

**2009 - Nov [1]** (b) Briefly describe the components of transaction processing system.

(5 marks)

#### **Chapter-3 : Basic Concepts of MIS**

**2009 - Nov [1]** (c) Explain the effect of applying Computer technology to information system.

(7 marks)

#### **Chapter-5 : Decision Support and Executive Information System**

**2009 - Nov [3]** (a) Describe the five characteristics of the types of information used in executive decision making.

(5 marks)



**Chapter-6 : Enabling Technologies**

**2009 - Nov [2]** (c) Explain the characteristics of client/server technology.  
(8 marks)

**2009 - Nov [3]** (b) What are the risks involved in the end-user computing ?  
(5 marks)

**Chapter-8 : Systems Design**

**2009 - Nov [3]** (d) What are the important factors which should be considered by the system analyst while designing user output ?  
(5 marks)

**Chapter-9 : System's Acquisition, Software Development and Testing**

**2009 - Nov [4]** (a) Briefly discuss some of the design tools that are available now-a-days.  
(5 marks)

**Chapter-10 : Systems Implementation and Maintenance**

**2009 - Nov [2]** (b) Explain the advantages and also the disadvantages of parallel conversion from manual to computerised system.  
(5 marks)

**Chapter-11 : Design of Computerised Commercial Application**

**2009 - Nov [1]** (d) What are the objectives of the inventory control applications ?  
(3 marks)

**2009 - Nov [2]** (a) What are the basic information requirements of production planning and control systems ?  
(5 marks)

**Chapter-12 : Enterprise Resource Planning : Redesigning Business**

**2009 - Nov [4]** (b) What are the key characteristics of a true ERP-enterprise resource planning solution ?  
(5 marks)

**Chapter-13 : Controls in EDP Set-up : General Controls**

**2009 - Nov [5]** (a) What are the objectives of audit trail ?  
(5 marks)

**Chapter-14 : Controls in EDP Set-Up : Application Controls**

**2009 - Nov [4]** (d) Give some techniques used to preserve audit trails in a computer based information systems environment.  
(5 marks)

**Chapter-15 : Detection of Computer Frauds**

**2009 - Nov [3]** (c) Give an example for the source document fraud. How will you control against this type of exposure ?  
(5 marks)

**2009 - Nov [5]** (b) Explain the characteristics of the internet which are likely to attract fraudsters.  
(5 marks)

**Chapter-16 : Cyber Laws and Information Technology Act 2000**

**2009 - Nov [5]** (d) Define the following terms :

- (i) Computer resource
- (ii) Digital signature
- (iii) Private key
- (iv) Public key
- (v) Key pair.

(5 marks)

**Chapter-17 : Audit of Information systems**

**2009 - Nov [5]** (c) The audit methods that are effective for manual audits prove ineffective in many 'IS' audits. Can you explain the reasons ? (5 marks)

**Chapter-18 : Information Security**

**2009 - Nov [2]** (d) What is meant by Information security ? (2 marks)

**Chapter-19 : Use of Simple CASE Tools, Analysis of Financial Statements Using Digital Technology**

**2009 - Nov [4]** (c) What are the different levels of integration of 'Case' tools ? (5 marks)

**Paper - 7 : Direct Taxes****Chapter-1 : Basic Concepts, Definitions and Residence and Scope of Total income**

**2009 - Nov [4]** (b) Ankur, the owner of a land situated in Kerala used for growing thereon different types of fruits, paddy, vegetables and flowers received from Yahoo Movies Ltd., Chennai an amount of Rs. 5 lacs as rent towards the use of this land for shooting of a film. The amount so received was accounted by him in the books as revenue derived from land and claimed to be exempt under Section 10(1). He now wants to confirm from you that the amount has been correctly treated by him as agricultural income. (4 marks)

**Chapter-2 : Income which do not form part of total income**

**2009 - Nov [6]** (b) Examine the correctness of the statement that "there exists no difference in the treatment of income claimed under Section 10 with those claimed under chapter VI-A of the Income-tax Act" ? (2 marks)

**Chapter-3 : Charitable or Religious Trusts and Institutions**

**2009 - Nov [5]** (a) A Trust unless created for "charitable purpose", does not qualify to claim exemption under Chapter-III of the Act. In this context explain the meaning of "charitable purpose" and examine whether the following objects constitute part of it :

- (i) Rural reconstruction and upliftment of the masses through Cottage Industry.
- (ii) Welfare of industrial workers with a stipulation that the workers of settler of trust have got preference over others. (5 marks)

**Chapter-6 : Profit and gains of Business or Profession**

**2009 - Nov [2]** (a) ABC Ltd. incorporated as a public limited company for construction of ships is to file its first return for the year ended 31.3.2009. The management is confused as to claim and the admissibility of the following expenses incurred and therefore, asks you to explain that how the same be dealt with while preparing the return to be filed for A.Y. 2009-10 :

- (a) Payments made for preparing of feasibility report of Rs. 25 lacs, for conducting market surveys of Rs. 15 lacs and for underwriting commission on shares of Rs. 85 lacs, besides fees and expenses of Rs. 70 lacs for incorporation of company. The capital employed in the business is of Rs. 3,500 lacs.
- (b) Amount of Rs. 15 lacs paid to a local mafia (DON) for the excavation of inhabitants who were occupying the land to be used as a yard.
- (c) Interest of Rs. 150 lacs paid on loans taken for purchase of plant and machinery out of which Rs. 130 lacs is for up-to the period till such machines were commissioned.
- (d) The amount of discount @ 2% on 5 years debentures of face value of Rs. 1,000 lacs issued at par and were subscribed in full.
- (e) Interest of Rs. 400 lacs on the term loan taken from financial institution was accounted up-to 31.3.2009 on accrual basis. The payment terms allowed a moratorium on interest for the period up-to 30.6.2008. The interest of Rs. 200 lacs outstanding on 31.3.2009 was paid by the company on 3.10.2009. (8 marks)

**Chapter-7 : Capital Gains**

**2009 - Nov [2]** (b) Aerochem, a partnership firm, transfers a piece of land situated in Thane district on 17.8.2008 for Rs. 50 lacs. The land purchased on 6.3.1980 for Rs. 1 lac got registered on 3.4.1983 on payment of stamp duty of Rs. 20,000. Expenses on land development and construction of boundary wall incurred in August, 1983 were of Rs. 1,50,000. The charges for the transfer of land paid to the broker were  $2\frac{1}{2}\%$  of the sale consideration. Fair market value of the land as on 1.4.81 was Rs. 1,50,000. The firm invested Rs. 30 lacs on 1.12.2008 in the bonds issued by National Highways Authority of India redeemable after a period of 48 months. Compute the amount of capital gain chargeable to tax for Asst. Year 2009-10 with the help of cost inflation index for F.Y. 1983-84 and 2008-09 of 116 and 582 respectively. Also give in brief the reasons and the provisions of the Act for each of the items dealt with.

(7 marks)

**Chapter-9 : Income of other persons included in Assessee's**

**2009 - Nov [3]** (b) Mr. Korani transferred 2,000 debentures of Rs. 100 each of Wild Fox Ltd. to Mrs. Rekha Korani on 3.10.07 without consideration. Company paid interest of Rs. 30,000 in September, 2008 which was deposited by Mrs. Korani with Kartar Finance Co. in October, 2008. Kartar Finance Co. paid interest of Rs. 3,000 up-to March, 2009. How both the interest income will be charged to tax in A.Y. 2009-10. (3 marks)

**Chapter-16 : Taxation of E-Commerce Transactions**

**2009 - Nov [3]** (a) Explain the core reasons of difference between the e-commerce transactions and the traditional business transactions causing difficulty to tax the income of e-commerce transactions. (3 marks)

**Chapter-18 : Assessment Procedure**

**2009 - Nov [5]** (b) An assessee who had been served with an order of assessment passed under Section 143(3) read with Section 147 on 1.1.2009 had filed an application against this order before the CIT as per Section 264 on 11.1.2009. However, the CIT refused to entertain the application on the pretext of premature application. Assessee seeks your opinion. (3 marks)

**2009 - Nov [7]** (a) Assessee failed to deposit the amount of tax u/s 140A for Rs. 10,000 but filed return of income in time. Assessing Officer besides charging of interest as per Section 234B & C also issued show cause notice to levy a penalty of Rs. 2,000. Assessee says that there is no provision in the Act to impose penalty for non-payment of tax u/s 140A. (3 marks)

**Chapter-19 : Search and Seizure and Assessment in search cases**

**2009 - Nov [3]** (d) A search was conducted under Section 132 in the business premises of Harish on 15th December, 2008. At that time assessments under Section 143(3) for assessment years 2006-07 and 2007-08 and reassessment proceeding under Section 147 for assessment year 2005-06 were pending before the Assessing Officer.

- (i) What are the assessment years for which notice can be issued for making post-search assessment ?
- (ii) What would be the fate of pending assessments and reassessment ?
- (iii) What would be the effect, if the post-search assessment orders are annulled by the Income-tax Appellate Tribunal ? (3 marks)

**2009 - Nov [7]**(c) Cash of Rs. 25 lacs was seized on 12.9.2008 in a search conducted as per Section 132 of the Act. The assessee moved an application on 27.10.08 to release such cash after explaining the sources thereof which was turned down by the department. Assessee seeks your opinion on the following issues :

- (i) Can the department with-hold the explained money ?
- (ii) If yes, then to which extent and up-to what period ? (3 marks)

**Chapter-22 : Appeal reference and revision**

**2009 - Nov [6]**(c) A petition for stay of demand was filed before ITAT by XYZ Ltd. in respect of a disputed demand for which appeal was pending before it, on which stay was granted by the ITAT vide order dated 1.1.08. The bench could not function thereafter till 1.2.09 and therefore, the disputed matter could not be disposed off. The A.O. attached on 16.1.09 the bank account and recovered the amount of Rs. 15 lacs against the arrear demand of Rs. 25 lacs. The assessee requested the A.O. to refund back the amount as it

holds stay over it. The A.O. rejected the contention of the assessee. Now the assessee seeks your opinion. (3 marks)

**2009 - Nov [7]** (b) Income-tax authority did not file an appeal to the Income-tax Appellate Tribunal against an order of the Commissioner (Appeals) decided against the Income-tax department on a particular issue in case of one assessee, Alpi for assessment year 2006-07 on the ground that the tax effect of such dispute was less than the monetary limit prescribed by CBDT. In assessment year 2007-08 similar issue arose in the assessments of Alpi and her sister Palki, which was decided by the Commissioner (Appeals) against the Department. Can the Income-tax department move appeal to the Tribunal in respect of assessment year 2007-08 against the orders of the Commissioner (Appeals) for Alpi and her sister Palki ? (3 marks)

**Chapter-23 : Penalties and prosecution**

**2009 - Nov [4]** (a) Can prosecution be launched for each of the following actions or committed defaults ? If yes, then explain the relevant provisions of the Act and the quantum of prescribed punishment.

- (i) The assessee had restrained and not allowed the officer authorized as per Section 132(1)(iib) of the Act to inspect the documents maintained in the form of electronic record and the books of accounts.
- (ii) The assessee deliberately has failed to comply with the requirement of Section 142(1) and or 142(2A).
- (iii) The assessee deliberately has failed to make the payment of the tax collected under Section 206C. (5 marks)

**2009 - Nov [6]**(d) X Ltd., operating in India, is the dealer for the goods manufactured by Yen Ltd. of Japan. Yen Ltd. owns 55% shares of X Ltd. and out of 7 directors of the company, 4 were appointed by them. The Assessing Officer after verification of transactions of Rs. 300 lacs of X Ltd. for the relevant year and by noticing that the company had failed to maintain the requisite records and had also not obtained the accountants report adjusted its income by making an addition of Rs. 30,00,000 to the declared income and also issued a show cause notice to levy various penalties. X Ltd. seek your expert opinion. (5 marks)

**Chapter-25 : Deduction and Collection of Tax at source**

**2009 - Nov [5]**(c) "X", while making payment to a non-resident for providing technical services on a world bank aided project "Net of Tax" had deducted tax as per rates prescribed but says that the payee is not entitled for the TDS certificate since the tax was not to be borne by the payee as per agreement. Examine. (3 marks)

**Chapter-29 : Assessment of HUF**

**2009 - Nov [6]** (a) Raj & Family is a HUF in which Mrs. Raj has impressed upon a house property owned by her for the common hotch potch of the family.

Examine whether the personal property of Mrs. Raj so blended by her be treated as a property of HUF ? (4 marks)

**Chapter-31 : Assessment of Companies**

**2009 - Nov [1]** Laxmi Tea Limited is engaged in growing and manufacturing tea in Assam and West Bengal. The company's Profit & Loss Account for the year ended 31st March, 2009 shows a net profit of Rs. 550 lacs after debiting or crediting the following amounts :

- (a) Depreciation Rs. 40 lacs.
- (b) Interest amounting to Rs. 2 lacs on term loan from a bank for purchase of machinery for one of its tea factories.
- (c) Repairs to factory building amounting to Rs. 15 lacs for which a sum of Rs. 10 lacs was withdrawn from Tea Deposit account maintained with National Bank for Agricultural and Rural Development (NABARD) as per Section 33AB of the Income-tax Act.
- (d) Profit from sale of green tea leaves plucked in own gardens Rs. 20 lacs.
- (e) Rs. 5 lacs on account of stamp duty and registration fees for the issue of bonus shares.
- (f) Rs. 10 lacs, being sales tax dues of earlier years determined during the year on disposal of appeals by the appellate authority, for which the company has furnished a bank guarantee to the Commercial Tax Authority.
- (g) Rs. 5 lacs written off as bad in respect of a trade debt transferred from Saraswati Tea Limited in previous year 2005-06 pursuant to a scheme of amalgamation approved by the jurisdictional High Court.
- (h) Rs. 2 lacs contributed to Employees' Welfare Trust.
  - (i) Interest on inter-corporate deposit Rs. 1 lac and Rs. 1.50 lacs for February, 2009 and March, 2009 respectively, for which tax deducted at source was paid to the Central Government in June, 2009.

Following additional information are furnished by the management :

- (i) Depreciation as per Tax Audit Report under Section 44AB Rs. 55 lacs.
- (ii) One financial institution converted arrear interest of Rs. 10 lacs into a new loan in financial year 2006-07, which is repayable in five annual instalments. The company has paid Rs. 2 lacs towards the instalment due for the financial year 2008-09 in February, 2009.
- (iii) A sum of Rs. 250 lacs deposited in NABARD on 15th June, 2009 as per the provision of Section 33AB.

Compute total income of the company for the Assessment Year 2009-10 stating the reasons for each item. Ignore provision relating to Minimum Alternate Tax. (16 marks)

**2009 - Nov [4]** (c) Fun India Limited has a carried forward credit of Rs. 2 lacs under Section 115JAA(3A) of the Income-tax Act from assessment year 2008-09. In the previous year 2008-09, the company's total income and "book profit" under Section 115JB are Rs. 5 lacs and Rs. 8 lacs respectively. Compute the tax payable by the company for assessment year 2009-10 and the amount to be carried forward under Section 115JAA. (4 marks)

**Chapter-35 : Liability of Special Cases**

**2009 - Nov [3]** (c) Sea Port Shipping Line, a non-resident foreign company operating its ships on the Indian Ports during the previous year ended on 31.3.2009 had collected freight of Rs. 100 lacs, demurrages of Rs. 20 lacs and handling charges of Rs. 10 lacs inclusive of an amount of Rs. 40 lacs collected in US dollars for the cargo booked for JNPT (Mumbai) from Antwerp. The expenses of operating its fleet during the year for the Indian Ports were Rs. 110 lacs. The Company denies its liability to tax in India. Examine. (3 marks)

**Chapter-37 : Wealth Tax**

**2009 - Nov [8]** (a) Owner of a house property located at New Delhi given on rent asks you to determine the value thereof on valuation date 31.3.2009 from the following information :

- (i) The annual value of property assessed by Delhi Development Authority is Rs. 10 lacs.
- (ii) The rent fixed is Rs. 80,000 p.m. out of which Rs. 5,000 is for the furniture.
- (iii) DDA has levied taxes @ 5% of rent of property which are being paid by the tenant.
- (iv) The cost of repairing in the house is also borne by the tenant.
- (v) The tenant has given a refundable deposit of Rs. 5 lacs on which he is entitled to receive a simple interest @ 10% p.a.
- (vi) The tenant is also required to make payment of yearly lease rent of Rs. 10,000 to the society.
- (vii) The unexpired period of lease on the valuation date is 35 years.

(6 marks)

**(b)** Examine the correctness of the following keeping into consideration the provisions of Wealth-tax Act :

- (i) The Commissioner of Wealth-tax is not empowered to reduce or waive penalty unless it is approved by the Chief Commissioner or Director General.
- (ii) Penalty for concealment of wealth can be imposed where the value of assets disclosed by the assessee is Rs. 4,00,000 but determined by the W.T.O. at Rs. 6,00,000.

(4 marks)

**Paper - 8 : Indirect Taxes****Chapter-1 : Basic Concepts**

**2009 - Nov [1]** (a) Briefly explain the following with reference to the provisions of the Central Excise Act, 1944 :

(i) Adjudicating authority

(ii) Excisable goods.

(2 × 2 = 4 marks)

**2009 - Nov [1]**(d) WM Ltd. is manufacturing a product which is captively consumed to produce a final product, which is exempt from the payment of excise duty. The intermediary product is having a distinct market of its own. The company is of the view that since the final product is exempt, no duty liability arises on intermediary product also. The department objected the view of the assessee.

Discuss, with reference to a decided case law, if any, whether the view of company is justifiable ?

(5 marks)

**Chapter-3 : Valuation of Excisable Goods**

**2009 - Nov [1]**(c) Distinguish between compounded levy scheme and duty based on annual production capacity under Central Excise. (4 marks)

**2009 - Nov [1]**(e) An assessee sold certain goods to PQR Company Limited for Rs. 20,000 on 09.09.2009. The buyer is a related person as defined under Section 4(3)(b) of the Central Excise Act, 1944. The buyer did not sale the goods but used it as intermediary product. The cost of production of the goods was Rs. 16,000. What should be the assessable value ?

What should be the assessable value, if the goods were sold to unrelated person for Rs. 20,000, who also used it as intermediary product ?

You may assume that the price charged from the buyer is excluding excise duty and other taxes.

(5 marks)

**Chapter-4 : CENVAT Credit Rules, 2004**

**2009 - Nov [2]** (a) M/s. XYZ Ltd. shifted its factory from Sitapura to Rampur and transferred all the available inputs and capital goods to the new site. The inputs, capital goods and the balance of unutilised CENVAT credit were duly received and accounted for in the registers of the new unit.

The said balance of unutilised CENVAT credit transferred was Rs. 8,00,000. However, the quantum of CENVAT credit attributable to the inputs and capital goods so transferred to the new site was Rs. 6,00,000 only. The Department raised the plea that the assessee was entitled to transfer only Rs. 6,00,000 of CENVAT credit and not the entire balance of unutilized credit of Rs. 8,00,000. Explain, with the help of a decided case law, if any, whether Department's plea is justified in law ?

(4 marks)



**Chapter-5 : General Procedures under Central Excise**

**2009 - Nov [1](b)** Mention the last date of filing the following returns under the Central Excise Rules, 2002 :

- (i) ER-4 for the financial year 2009-10
- (ii) ER-7 for the financial year 2009-10. (1 × 2 = 2 marks)

**2009 - Nov [2](b)** What are the circumstances under which the certificate of registration can be revoked or suspended under central excise ? (3 marks)

**Chapter-8 : Demand**

**2009 - Nov [2](e)** What is the difference between short levy and short payment? (2 marks)

**2009 - Nov [3] (b)** Which reasons shall not be considered as special and adequate for awarding sentence of imprisonment for a term of less than six months as per Section 9(3) of Central Excise Act, 1944 ? (4 marks)

**Chapter-10 : Appeals**

**2009 - Nov [2](c)** To whom should the matter be referred in a case where the committee of Chief Commissioners of Central Excise differs in its opinion as to the legality or propriety of the decision or order of the Commissioner of Central Excise and how the matter will be settled under Section 35E(1) of the Central Excise Act, 1944 ? (3 marks)

**2009 - Nov [3] (d)** Can department file appeal in respect of some assessee, if in respect of some years, no appeal was filed involving identical dispute ? (2 marks)

**Chapter-12 : Warehousing**

**2009 - Nov [3] (c)** How can the goods kept in warehouse for the purpose of export be diverted for home consumption ? Explain briefly. (4 marks)

**Chapter-13 : Exemption Based on value of clearances (SSI)**

**2009 - Nov [3] (a)** M/s. Silver Enterprises is manufacturing packing material namely printed cartons of paper and paper board with brand name of another company. Its turnover for the year 2008-09 was Rs. 2 crore and in the year 2009-10 it is expected to increase by 50%.

The firm has approached you as a consultant whether it is eligible for concession under Notification No. 8/2003 dated 01.03.2003 as amended. Is exemption available to the firm ? If yes, what is the limit of turnover, for which the exemption is available for both the years, i.e. 2008-09 and 2009-10 ?

(5 marks)

**Chapter-17 : Settlement Commission**

**2009 - Nov [2](d)** Discuss in brief the powers of Settlement Commission to grant immunity from prosecution. (3 marks)

**Chapter-20 : Levy of and Exemptions from Customs Duty**

**2009 - Nov [4] (c)** 'Goods manufactured or produced in India, which were earlier exported and thereafter imported into India will be treated at par with

other goods imported into India.' is the proposition correct or any concession is provided on such import ? Discuss briefly. (5 marks)

**Chapter-21 : Types of Duty**

**2009 - Nov [5]** (a) Assessable value of certain goods imported from USA is Rs. 10,00,000. The packet contains 10,000 pieces with maximum retail price Rs. 200 each. The goods are assessable under Section 4A of the Central Excise Act, 1944, after allowing an abatement of 40%. The excise duty rate is 8% advalorem. Calculate the amount of Additional duty of Customs Under Section 3(1) of the Customs Tariff Act, 1975; assuming basic customs duty @ 10% advalorem. (4 marks)

**Chapter-23 : Valuation under the customs Act, 1962**

**2009 - Nov [4]** (a) Briefly explain the following with reference to the Customs valuation (Determination of value of Imported Goods) Rules, 2007 :

- (i) Goods of the same class or kind
- (ii) Computed value. (3 + 3 = 6 marks)

**Chapter-26 : Warehousing**

**2009 - Nov [5]** (b) What are the provisions made under the Customs Act, 1962 regarding control of customs over the warehoused goods ? (4 marks)

**Chapter-27 : Demand and Appeals**

**2009 - Nov [4]** (b) Mr. Vasu, the assessee, was summoned under Section 108 of the Customs Act, 1962, to give his statement in the inquiry. He filed the application for anticipatory bail in the District and Sessions Court which was disposed on the ground of being premature. However, he later moved to the High Court, which granted him anticipatory bail with a direction to the authorities that he should not be arrested without giving a seven day's prior notice to him.

Revenue contended that the order passed by the High Court was illegal and erroneous. Explain, with the help of a decided case law, if any, whether the stand taken by Revenue is sustainable in law ? (5 marks)

**2009 - Nov [5]** (c) What are the orders that are appealable to High Court under the Customs Act, 1962 ? Can delay in filing appeal be condoned by High Court? (4 marks)

**Chapter-29 : Duty Drawback**

**2009 - Nov [4]** (d) Ascertain whether the exporter is entitled to duty drawback in the following independent cases and if yes, what is the quantum of such duty drawback :

- (i) FOB value of goods exported Rs. 50,000. Rate of duty drawback on such export of goods is 1%.
- (ii) FOB value of 2,000 kgs. goods exported Rs. 2,00,000. Rate of duty drawback on such export Rs. 30 per kg. Market price of goods Rs. 50,000 (in wholesale market). (2 + 2 = 4 marks)

**Chapter-32 : Advance Ruling**

**2009 - Nov [5]** (d) What are the provisions made under the Customs Act, 1962, regarding personal hearing and order under advance ruling ? (3 marks)

**Chapter-35 : Service Tax**

**2009 - Nov [6]** (a) State with reasons in brief, whether Service tax is payable in the following cases :

- (i) Services provided to Special Economic Zone (SEZ) unit and SEZ developer, except where services are wholly consumed within SEZ.
  - (ii) Services provided by SEZ to DTA (Domestic Tariff Area).
  - (iii) Services provided by Indian agents undertaking marketing in India of goods of a foreign seller. (2 × 3 = 6 marks)
- (b)** Briefly state the concept of export of taxable services under rule 3 of the Export of Services Rules, 2005. (3 marks)
- (c)** Ascertain whether the refund of Service tax paid on input services can be claimed in the following cases —
- Total credit of Service Tax on input services Rs. 6,000.  
Total turnover of output service Rs. 30,000.  
Output service exported Rs. 20,000. (3 marks)
- (d)** Explain the provisions of best judgement assessment provided under Section 72 of the Finance Act, 1994, as amended. (3 marks)

**Shuchita Prakashan (P) Ltd.**

25/19, L.I.C. Colony, Tagore Town,  
Allahabad - 211002

Visit us : [www.shuchita.com](http://www.shuchita.com)

