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# The Chartered Accountant

# STUDENT

Your monthly guide to CA news, information and events



## UNION BUDGET 2016-2017

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## SWACHH BHARAT - A STEP TOWARDS CLEANLINESS

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My Dear Students,

**T**he Union Budget for the financial year 2016-17 was recently presented in the Parliament. The efforts of the Union Finance Minister, Shri Arun Jaitley to present a well-balanced growth oriented budget with focus on rural-social sector are commendable. Overall the budget proposals are in line with the development priorities of the nation. The Finance Minister has attempted to provide strong impetus to the rural economy and the infrastructure sector. For an agrarian economy like India where almost two-third of total population is living in rural areas, this would yield dividends and being professionals, we can foresee a multiplier effect in the form of demand generation and employment creation over time. The Union Budget was preceded by the presentation of the Railway Budget by CA. Suresh Prabhu, Hon'ble Minister for Railways. Amidst challenges, the focus is on to reorganize, restructure and rejuvenate Indian Railways.

I wish to extend my best wishes to all the students appearing in the forthcoming May 2016 examinations. This is a very important phase of your life and accordingly demands full concentration on your studies. Don't be anxious and judiciously use your time to develop an integrated approach to learn theoretical concepts and solve numerical problems. You need to work on your strengths and overcome your weaknesses. Self study and self confidence are master keys to unfold the doors of success in the examination. I believe that you must have derived maximum benefit out of the oral coaching classes and mock test papers regularly organised by the Institute. As far as your preparation is concerned, I would further advise you to solve old question papers without referring to the solutions, then compare your performance with solutions. This approach will provide you an opportunity to judge your performance and at the same time help you to improve your writing skills

and complete the paper within the stipulated time. While preparing for the examination, your supreme goal should be success. As **Mahatma Gandhi** said *"He who concentrates on any one thing with singleness of purpose, will ultimately acquire the capacity to do everything"*.

Never aim merely to pass examinations. It is said that aim for the sky and you will hit the mountain top. If you have the courage to dream, if you have conviction in yourself, there exists no ambition which you cannot achieve. *"Let us work as if success depends on ourselves alone, but with the heartfelt conviction that we are doing nothing and God everything"*- St. Ignatius Loyola.

The students of today will become members of this illustrious Institution in the course of time. It is our endeavour to mould our students as outstanding professionals who can render quality services to the society and the nation. To keep abreast of the latest developments taking place in the accountancy field globally, the Institute has already brought out a new scheme of education and training which is likely to be implemented after due process. Very shortly, ICAI would also be announcing the revised syllabi in the new scheme.

Another area which is in the process of review is the Advanced Information Technology Training Course. The Board of Studies has also developed a Practice Manual and revised the e-learning DVD to provide greater practical exposure as a part of the course through inclusion of practical exercises and case studies. The e-learning DVDs now also contain three e-learning modules.

ICAI's endeavour is to devise innovative ideas and methods to make our profession meet the requirements of the various stakeholders and the society at large. The inherent strength of Chartered Accountants lies in their professional competence. The ICAI persistently strives to equip our present and future members to attain strong process and analytical skills coupled with strategic business knowledge.

At the same time, the overall impact of our actions on the society must always be kept in mind. The Bhagavad Gita states - *The wise should work without attachment, for the welfare of the society.*

Wish you all the best.

Jai Hind,

Yours sincerely,

**CA. M. DEVARAJA REDDY**  
PRESIDENT,  
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

## VICE PRESIDENT'S COMMUNICATION ||



My Dear Students,

**A**t the beginning, I really appreciate the meticulous efforts of our Hon'ble Finance Minister Mr. Arun Jaitely for presenting a Pro-Farmer Budget for the financial year 2016 -17. The Finance Minister announces the nine pillars of his Budget — Agriculture and farmers' welfare, rural sector, social sector including healthcare, education, skills and job creation, infrastructure, financial sector reforms, ease of doing business, fiscal discipline, tax reforms to reduce compliance burden. I think that under the present circumstances this budget will prove to be beneficial for agriculture which is undoubtedly the top priority of our country. Being the generation next of our profession, you are expected to understand the barebones of this budget. I do hope that you will live up to the expectations and will leave no stone unturned to enrich your knowledge domain.

Recently, the Economic Survey 2015-16 was presented in the Parliament. India registered robust growth of 7.2 per cent in 2014-15 and 7.6 per cent in 2015-16, thus becoming the fastest growing major economy in the world. India's share in world GDP has increased from an average of 4.8 percent during 2001-07 to 6.1 percent during 2008-13 and further to an average of 7.0 per cent during 2014 to 2015 in current PPP terms (IMF).

With about a month left for the examinations, each day of your preparation time is precious and hence, managing your time and efforts is crucial. Therefore, a carefully devised strategy considering your strengths and weaknesses coupled with meticulously designed study plan followed by impeccable execution will take you through. The Chartered Accountancy course is very challenging and demands your complete dedication, focus and hard work. However, with proper time management, sincere efforts, hard work, positive attitude and a burning desire for success, you

will be able to emerge successful. Once you decide and determine to reach the acme, nothing can prevent you from accomplishing your goals. Do not struggle with insignificant issues, but focus on your set objectives. Make your resolutions loud and clear. Take the optimum utilization of the facilities that are being provided by the Institute.

I urge all of you to use the Study Material/Practical Manuals/Suggested Answers/ Revision Test Papers/ Mock Test Papers of the Institute in a well-planned and cohesive manner. The CA Course being in a distance mode, the BoS also provides the facility of LIVE Online Mentoring to the students that enable them to get mentoring Subject Wise for CPT, Intermediate (IPC) and Final Courses. Students are able to ask queries on the session/event topic, which would get answered subject to the availability of time and relevance. We are determined to cater to the requirements of your professional endeavours.

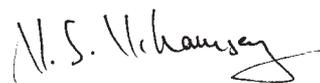
When learning takes the centre stage, it brings with it a whole lot of add-ons. Unquenching thirst for knowledge is something that keeps a professional always alert and open to improvement. It is aptly said, *"Learning is a never ending process as we learn something new everyday."* It is necessary for all professionals to update and enrich their knowledge bank.

*"Believe in yourself! Have faith in your abilities! Without a humble but reasonable confidence in your own powers, you cannot be successful or happy."*

— Norman Vincent Peale

Finally, I urge each one of you to put your best efforts with firm dedication and commitment to achieve your life's dream. I do believe you will continue to enhance and uphold the glory of the coveted profession of chartered accountancy in a stupendous way.

Wishing you all a very auspicious Ram Navami.



**CA. NILESH SHIVJI VIKAMSEY**  
VICE PRESIDENT  
ICAI, NEW DELHI



My Dear Students,

**B**y the time this journal reaches you, you should be in full swing in your preparation for the May examinations. You need to prepare for the examinations with full seriousness and earnestness to achieve success. Our examination is generally perceived to be difficult. I do agree that, CA examination is not easy, but do not make it difficult without adequate preparation.

This is not only the case with the examination, but is true with all significant issues in life. Set your goals, plan, work hard and conquer. Success has no reservations, it is for those who dream of it and work for it. There is no substitute for hard work. In the words of *Mahatma Gandhi* "The future depends on what we do in the present".

### PLANNING IS THE CORNER STONE FOR SUCCESS

A good plan implies a good beginning. A goal without a plan is just a wish. Translate your wish into an actionable plan to succeed. There is no mantra for success devoid of smart work. It is imperative to plan your studies focusing on your examination. You are required to ensure systematic study to qualify the so called difficult examination. Planning should cover your timing, hours of study, topics to be covered, strategy for retrieval and finally how to make an impressive presentation in your answer book. I'm reminded of the words of *Benjamin Franklin* "If you fail to plan, you are planning to fail!". Instead you should plan to win. It is better late than never.

### STRATEGIC STUDIES

Strategy for your studies is equally important considering the voluminous syllabus. Your approach to study can make a difference. One should be conscious of the following three things;

#### (I) WHAT TO STUDY

The syllabus and weightage of marks, trend in past question papers and study material will give an overall idea about what to study.

#### (II) HOW TO STUDY

It is advisable to allocate your available time into 3 buckets, first revision covering 50% of your study time, second revision should target in 30% of the time and the third and final covering the balance 20% time.

During your 1<sup>st</sup> revision, you should complete the reading of your study material cover to cover. While doing so, please do highlight the important contents of each chapter. When you

take a non-theory paper, you should carefully understand the concepts and based on that solve all illustrations. During your 2<sup>nd</sup> revision you should be able to prepare your study notes out of the segregated contents. One should complete all problems in the practice manual without referring the solution, in the case of subjects other than theory. Please identify only those problems where you got stuck for your final revision. Don't waste your time on a problem which you could solve at the first instance. The final round should help you to reproduce your understanding on any topic you have been examined.

### STUDY FROM STUDY MATERIAL

The cardinal principle for success in CA exam is to study from study material and is imperative. That is why the Institute provides you with quality material. Don't get carried away with private coaching notes which necessarily need not cover the whole of the study material.

I was a member of the examination committee for two years and I can assure all of my friends in the students' fraternity that you will not find a question for which the answer is not covered in your study material. You may study beyond study material for a wider understanding.

Unless you practice intensely you may not gain the required speed and expertise to face the examination confidently especially in the case of non-theory papers. The Board of Studies gives you exclusive practice manual for all subjects. If you are able to solve all problems in the practice manual and past 10 years question papers, without the aid of answer key, your success in exam is certain.

### BOARD OF STUDIES INITIATIVES FOR STUDENTS

**BOS cloud campus** at the ICAI website is a reservoir of information whether it be study material, practice manual, revision test papers, suggested answers, audio- video lectures, analysis of the comments of the examiners on the past exams so on and so forth, the online e-resources are innumerable. You can log in with your student registration number (WRO/SRO etc.). Please don't miss it. This Learning Management System has a comprehensive coverage and also exercises and instant evaluation. Subject wise CDs are also available for those who do not have online access, for a nominal fee per subject.

Before the crucial test, undergo few exams at your home. Set your questions, answer it under exam conditions, do a self-evaluation and find out where you stand. One of the major deficiencies among today's students is that, they lack writing skills and even the patience for sitting through under exam conditions for 3 hours. Command over English language is lacking. You may be aware that, the Board of Studies regularly organises mock test before the examinations, at almost every branch of the Institute. It is a matter of great concern that only a handful of students utilise this facility to assess them of the preparedness. I strongly recommend all of you to make use of this golden opportunity.

#### (III) HOW TO WRITE THE EXAMINATION

### ART OF WRITING EXAMINATION

It is of paramount importance how you write the examination or how you present your answers. **Always keep in mind, what you are expected to study in 18 months is going to be examined in 3 hours and will be evaluated in less than an hour.**

## CHAIRMAN'S COMMUNICATION ||

Understanding the question is a prerequisite for answering. I would advise you to read the questions carefully, understand the requirements of the questions and the issues involved before answering. You should answer to the question with clarity and what is relevant rather than what you presume.

As in the case of first impression is the best impression, your first answer should be the best answer. Don't be under the false impression that one need to stick to the serial order of the question paper, but don't forget to indicate the serial number legibly. Your introduction and conclusion to any answer should contain the crux of the question in an impressive and effective manner. Every point can start with a paragraph and may even highlight if you want to draw the specific attention of the examiner.

Refer relevant case laws, legal provisions of the concerned legislations and Accounting/ Auditing Standards provided you are sure of. Don't forget to give working notes wherever necessary instead of venturing out to direct answer.

### FACE THE EXAM WITH CALM

Be at the exam venue at least 15 minutes before the start. Only a calm mind can comprehend, recapitulate and reproduce. While writing exam peace of mind is paramount. Effectively utilize the pre-start 15 minutes to plan meticulously. Allocate available time to each question leaving a cushion of at least 20 minutes to face any contingency. At the end quickly review your answers, take stock of the situation and do what is best possible in the remaining time. Do not leave any question unanswered entirely unless and until you have no clue. Similarly, do not answer any question when you are blank, giving an opportunity to the examiner to assess the depth of your ignorance.

### ENJOY THE POWER OF POSITIVE THINKING

*"If you think you can – you can! If you think you cannot – you cannot! and either way...you are right"- Shiv Khera.*

If you don't believe in yourself who else will? Your success in exam depends on your decision and determination to succeed. Be positive and it can do wonders in all your endeavours. Your hard work combined with positive thinking will lead to success.

Till last minute of the last examination, it is all in your control. You should not leave hope even if your performance at some stage was not at your expected level. Some of the students, during the examination, fear for the worst and make more mistakes. If you possess the spirit of positive thinking, nothing can stop you from achieving your goal. With sincerity, enthusiasm, determination, dedication, consistent performance and hard work, any student can become a Chartered Accountant.

Follow the advice of *Dr. APJ Abdul Kalam* *"To succeed in your mission, you must have single minded devotion to your goal"*. I firmly believe that, if you are able to follow what is written above, you will come out in flying colours in your exams. All the very best, success is yours.

Yours sincerely,



**CA. BABU ABRAHAM KALLIVAYALIL**  
CHAIRMAN, BOARD OF STUDIES, NEW DELHI

## ANNOUNCEMENT

### THE S. VAIDYANATH AIYAR MEMORIAL FUND (SVAMF)

The Managing Committee of the S. Vaidyanath Aiyar Memorial Fund have decided to award scholarships to 100 students (who are currently undergoing articled training in accordance with The Chartered Accountants Regulations, 1988 who are poor, needy but meritorious) requiring scholarship to pursue the Chartered Accountancy course @ ₹1000/- p.m. for one year with effect from 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016 to be paid in lump sum, subject to filing of application for the same.

The eligibility criteria for obtaining scholarship from SVAMF are as under:

- i) Passed 10 + 2 examination with a minimum of 70 percent marks and also have Passed Common Proficiency Test of ICAI in the first attempt

or

Passed B. Com Examination of a recognized University with a minimum of 60% marks.

- ii) Currently undergoing articled training as per CA Regulations.
- iii) Annual income of parents from all sources must be less than ₹1.50 lakh.

Students who are needy, poor but meritorious and are fulfilling the above criteria may apply for scholarship from the S. Vaidyanath Aiyar Memorial Fund. Students may send their request in the prescribed and duly filled in form to the Member Secretary, S. Vaidyanath Aiyar Memorial Fund at the following address so as to reach on or before **15<sup>th</sup> May, 2016**. The form can be downloaded from website of the Institute [www.icai.org](http://www.icai.org).

The Managing Committee of the S. Vaidyanath Aiyar Memorial Fund will consider each of such cases on merit basis and decide at their discretion the amount to be granted from S. Vaidyanath Aiyar Memorial Fund

**Member Secretary**  
**S. Vaidyanath Aiyar Memorial Fund**  
**C/ O The Institute of Chartered Accountants of India,**  
**"ICAI Bhawan", A-29, Sector-62,**  
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**Website: [www.icai.org](http://www.icai.org) email : [cafb@icai.in](mailto:cafb@icai.in)**

# Highlights of Economic Survey 2015-16

The Government of India recently presented the Economic Survey 2015-16. Following are its main highlights:

- ◆ **Global Growth:** As per the estimates of the International Monetary Fund (IMF), global growth averaged 3.1 per cent in 2015, declining from 3.4 per cent registered in 2014.
- ◆ **India's GDP Growth:** India registered robust growth of 7.2 per cent in 2014-15 and 7.6 per cent in 2015-16, thus becoming the fastest growing major economy in the world. India's share in world GDP has increased from an average of 4.8 percent during 2001-07 to 6.1 percent during 2008-13 and further to an average of 7.0 per cent during 2014-2015 in current PPP terms (IMF).
- ◆ **Agriculture:** The contribution of agriculture and allied sectors to the Gross Value Added (at 2011-12 prices) of the country has been declining. The growth rates in agriculture have been fluctuating at 1.5 percent in 2012-13, 4.2 per cent in 2013-14, (-) 0.2 per cent in 2014-15 and a likely growth of 1.1 per cent in 2015-16. India is rainfall dependent and there have been two consecutive years of less than normal rainfall in 2014-15 and 2015-16.
- ◆ **Industry:** The industrial sector has continued to perform well in the wake of various reforms measures undertaken by the government recently. As per the revised data of National Income, the growth of the industrial sector comprising mining and quarrying, manufacturing, electricity, gas, water supply and other utility services, and construction is 5.9 percent during 2014-15, as against 5.0 per cent during 2013-14. The growth is expected to strengthen further to 7.3 per cent for 2015-16 as per the estimates released by the CSO recently. Within the industrial sector, manufacturing is expected to register a growth of 9.5 percent.
- ◆ **Infrastructure:** The eight core infrastructure supportive industries-coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity--that have a total weight of nearly 38 per cent in the IIP registered a cumulative growth of 1.9 per cent during April-December 2015-16 as compared to 5.7 per cent during April-December, 2014-15. Major infrastructure sectors, namely power, road, railways, civil aviation, ports and telecommunication, have performed better during 2014-15 as compared to 2013-14.
- ◆ **Services:** The services sector has emerged as the most dynamic sector globally and remains the key driver of India's economic growth. India's service sector growth in the pre-crisis period was 9.3 per cent which declined to 8.6 per cent in the post crisis period.
- ◆ **Public Finance:** The Budget 2015-16 sought to contain the fiscal deficit at 3.9 per cent of GDP, as against 4.1 per cent of GDP, in 2014-15 (Revised Estimates). Given the pattern of revenue and expenditure in the first nine months of the current financial year, in spite of the challenges posed by the lower-than-projected nominal GDP growth, the fiscal deficit target of 3.9 per cent of GDP seems achievable.
- ◆ **Prices:** The year 2015-16 continues to experience moderation in general price levels in the country. The substantial decline in price of the Indian basket of crude oil, through its direct and second round effects, partly contributed to the decline in general inflation for the second successive year. Further, the astute policies and management of inflation by the government through buffer stocking, timely release of cereals and import of pulses and moderate increase in Minimum Support Prices (MSP) of agricultural commodities helped in keeping prices of essential commodities under check during 2015-16. Headline inflation, based on the Consumer Price Index (CPI) (combined for rural and urban areas) series, dipped to 4.9 per cent during April-January 2015-16 as against 5.9 per cent in 2014-15. Food inflation in terms of the Consumer Food Price Index (CFPI) declined to 4.8 per cent during April-January 2015-16 as compared to 6.4 per cent in 2014-15. CPI based core (Non food, non-fuel) inflation also remained range-bound, inching marginally upwards from 4.2 per cent in March 2015 to 4.7 per cent in January 2016. For various subgroups of the CPI (combined), the decline in inflation was broad based and mainly driven by lower inflation of food articles and items under the non-food non fuel category. The decline in CPI non-food, non-fuel inflation was largely on account of decline in the inflation of housing (rent), transport, communication, education and other services.

- ◆ **Monetary Development:** With the easing of inflation and moderation in inflationary expectations, the RBI reduced the repo rate by 25 basis points (bps) to 7.75 per cent on 15<sup>th</sup> January 2015. Subsequent reductions by 25 bps each on 4 March 2015 and 2 June 2015 and 50 bps on 29 September 2015 - brought it down another 100 bps to 6.75 per cent. The RBI has kept the policy repo rate unchanged in its sixth bi-monthly monetary policy statement on 2 February 2016. Liquidity conditions were generally tight during Q1 of 2015-16, mainly due to restrained government spending.
- ◆ **Banking Sector:** The performance of Scheduled Commercial Banks during the current financial year remained subdued. The Year-on-Year growth in bank credit remained below 10 per cent. For the fortnight ended November 2015, credit growth stood at 9.3 per cent. The sluggish growth of bank credit can be attributed to several factors; (a) incomplete transmission of the monetary policy as banks have not passed on the entire benefit to borrowers; (b) unwillingness of the bank to lend credit on account of rising Non-performing Assets (NPA); (c) worsening of corporate balance sheets, forcing them to put their investment decisions on hold; (d) interest rates in the bond market being more attractive to borrowers.
- ◆ **External Sector:** Overall global economic activity remained subdued in 2015. In its latest Update of the World Economic Outlook, the IMF projected growth in the global economy to improve from 3.1 per cent in 2015, to 3.4 per cent in 2016 and further to 3.6 per cent in 2017.

The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large Emerging Market and Developing economies are likely to continue to weigh on their growth prospects in 2016-17. India and the rest of emerging Asia are bright spots, with some other countries facing strong headwinds from China's rebalancing and global manufacturing weakness.

- ◆ **India's merchandise trade:** After reaching unsustainably high levels, trade and current account deficits moderated on import restrictions in 2013-14 and continued so in 2014-15.

In keeping with the global trends of slow growth, imports have declined by 15.5 per cent in 2015-16 (April-January). Lower imports of petroleum,

oil and lubricants (POL) were the main reason for the decline in total imports this year so far. Moderation in trade deficit in 2014-15 was due to, among other factors, decline in the value of POL imports by 16.0 per cent, caused by fall in international oil price by 20.2 per cent in 2014-15. The moderation continues through in 2015-16 with further decline in global crude oil prices.

The composition and direction of trade is undergoing changes and sectors that are resilient are accounting for higher proportions to total trade and also changing the trade direction. During 2015-16 (April-December), there was a broad-based decline in exports to Europe, America, Africa, Asia and the CIS. Imports from all five regions declined, with the highest decline of 21.5 per cent in imports from America in 2015-16 (April-December). India's imports from China registered a growth of 2.5 per cent in 2015-16 (April-December) while imports from other major countries registered negative growth rates.

- ◆ **Trade policy and World Trade Organization negotiations:** In the wake of declining exports, the government took various measures to boost exports in the Union Budget 2015-16 and in the new Foreign Trade Policy (FTP), for the period 2015-20, announced on 1 April 2015. The focus of the new FTP has been on supporting both manufacturing and services exports and improving ease of doing business. The FTP aims to increase India's exports to US\$900 billion by 2019-20 and it also provides the road map for it by aligning it with the 'Make in India' and 'Digital India' programmes and to ease trade.
- ◆ **Balancing of Payments:** Despite the decline in merchandise exports during the first half of 2015-16, India's BoP position remained comfortable. Some of the salient external sector developments are: (i) lower trade deficit and modest growth in-invisibles resulted in lower Current Account Deficit (CAD), (ii) continued increase in Foreign Direct Investment (FDI) inflows and Non-resident Indian (NRI) deposits and (iii) net outflow of portfolio investment. Trade deficit (on BoP basis) declined from US\$74.7 billion in 2014-15 (April-September) to US\$71.6 billion in 2015-16 (April-September).
- ◆ **Foreign exchange reserves:** India's foreign exchange reserves were at US\$351.5 billion as on 5 February 2016.

◆ **External debt :** As per the latest available data, India's external debt stock increased by US\$8.0 billion (1.7 per cent) to US\$483.2 billion at end-September 2015 over end-March 2015. This rise in external debt occurred on account of long-term debt, particularly commercial borrowings and NRI deposits. India's foreign exchange reserves provide a cover of 72.5 per cent to total external debt stock at end-September 2015 *vis-a-vis* 71.9 per cent at end-March 2015.

◆ **Social Infrastructure, Employment and Human Development**

- **Education:** Though India has made considerable progress in education over the years, there still persist inequalities in access and achievements across regions and populations. As per the Annual Status of Education Report (2014), the trends in enrolment reflect a decline in the percentage of enrolment in government schools from 72.9 per cent in 2007 to 63.1 per cent in rural areas (with corresponding increase in private schools enrolment), while levels of the children in class V who can read class II text declined during the same period.

- **Employment Scenario:** As per the fourth-Annual Employment-Unemployment Survey conducted by the Labour Bureau during the period January 2014 to July 2014, the Labour Force Participation Rate (LFPR) (usual principal status) is 52.5 for all persons. The LFPR of women is significantly lower than that of males in both rural and urban areas. The Worker Population Ratio (WPR) reflects similar patterns.

- **Skill Development:** At present there is preponderance of unskilled workers in India, mainly engaged in less productive informal sectors. According to the NSDC (National Skill Development Corporation), there is a severe quality gap, and lack of availability of trainers in the vocational education and training sector. By 2017, the skill gap within the vocational training sector including both teachers and non-teachers will be to the tune of 211,000. The workforce requirement is projected to increase to 320,000 by 2022. The government has to invest in bridging the skill gap in the vocational education and training sector to improve the employability of people.

- **Health and Sanitation:** There are innumerable challenges in the delivery of efficient health services in India given the

paucity of resources and the plethora of requirements in the health sector. According to the World Bank's Universal Health Coverage (UHC) Index 2015 India's level of immunization is very low. The progress in sanitation has witnessed spurt since the launch of the Swachh Bharat Mission. More than 122 lakh toilets have already been constructed in rural areas since the beginning of the Swachh Bharat Mission (Gramin). It is also imperative that the constructed toilets are maintained and utilized by the beneficiaries to reap the benefits of the Swachh Bharat Mission. In order to improve availability of drinking water in rural areas, the National Rural Drinking Water Programme initiated a new World Bank-supported project named the Rural Water Supply and Sanitation Project-Low Income States.

- **Poverty:** Poverty estimates by the Tendulkar Committee methodology using household consumption expenditure survey data collected by the NSSO in its 68th round (2011-12), show that the incidence of poverty declined from 37.2 per cent in 2004-5 to 21.9 percent in 2011-12 for the country as a whole, with a sharper decline in the number of rural poor. The high rural poverty can be attributed to lower farm incomes due to subsistence agriculture, lack of sustainable livelihoods in rural areas, impact of rise in prices of food products on rural incomes, lack of skills, underemployment and unemployment.

- ◆ **Outlook:** The Indian economy has made substantial improvements in its macroeconomic fundamentals and impressive strides in reducing macro-vulnerability with reforms in key areas, pursuit of fiscal prudence and consolidation, focus on price stability and the resultant benign price situation and comfortable level of external current account. With improved industrial growth supplementing the buoyant services sector, overall economic growth has also picked up. Set against the background of the unsupportive global economic landscape, and back-to-back weak monsoons with deleterious effects on farm production, the growth rate of 7.6 per cent in 2015-16 as estimated, by CSO is encouraging. The Indian economy stands out as a haven of macroeconomic stability, resilience and optimism and can be expected to register GDP growth that could be the range of 7.0 to 7.75 per cent in the coming year. ■

# Highlights of Union Budget 2016-17

In the Union Budget 2016-17, the significant role of taxation as an instrument to remove poverty and inequality from the society has been acknowledged. Resultantly, the tax proposals in the Union Budget are directed towards achieving this overall objective of the Government. Accordingly, the tax proposals have been divided into nine categories, namely, relief to small tax payers, measures to boost growth and employment generation, incentivizing domestic value addition to help Make in India, measures for moving towards a pensioned society, measures for promoting affordable housing, additional resource mobilization for agriculture, rural economy and clean environment, reducing litigation and providing certainty in taxation, simplification and rationalization of taxation and use of Technology for creating accountability.

## Direct Taxes

The major tax proposals on the direct taxes front are as follows:

### Rates of Taxes

- ♦ **Rate of surcharge:** The rate of surcharge to be raised from 12% to 15% in case of individuals, HUF, AOP or BOI and every artificial juridical person, having total income exceeding ₹1 crore. However, the rate of surcharge remains unchanged for co-operative societies, firms, LLPs and companies.
- ♦ **Corporate tax rate**
  - (i) For companies with total turnover/gross receipts not exceeding ₹5 crore (in the financial year 2014-15), the rate of corporate tax to be reduced from 30% to 29% plus applicable rate of surcharge, if any, and cess for A.Y 2016-17.
  - (ii) Domestic manufacturing companies incorporated on or after 1.03.2016 to be given an option to be taxed at 25% plus applicable rate of surcharge, if any, and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation.No change in the basic exemption limit and the tax rates of individuals or HUF or AOP or BOI or cooperative societies. Also, there is no change in the tax rates of local authority and firm.
- ♦ **Rebate under sec 87A:** Section 87A to be amended so as to increase the maximum amount of rebate available from existing limit of ₹2,000 to ₹5,000, in case of resident individuals having total income not exceeding ₹5,00,000.
- ♦ **Gross Dividend to be taxable in the hands of recipients receiving dividend in excess of ₹10 lakhs:** The income by way of gross dividend, to be chargeable to tax in the case of an individual, Hindu undivided family (HUF) or a firm, who is resident in India @ 10%, if the same is in excess of ₹10 lakh.
- ♦ **Concessional Tax Regime for income from patents:** For encouraging indigenous research & development activities and to make India

a global R & D hub, a concessional taxation regime is proposed for income from patents. Royalty income in respect of a patent developed & registered in India would be taxable at a concessional rate of 10% (plus surcharge, if applicable, and cess) on gross basis in the hands of an eligible assessee being a person resident in India, who is the true and first inventor of the invention and whose name is entered in the patents register.

### Residential status and scope of total income

- ♦ The determination of residency of foreign company on the basis of place of effective management (POEM) is proposed to be deferred by one year i.e., from 1.4.2016 to 1.4.2017.

A transition mechanism to be provided for a company incorporated outside India (which has not earlier been assessed to tax in India), if it becomes a resident in India for the first time due to its POEM being in India.

### Income which do not form part of Total Income

- ♦ **Gold Monetization Scheme, 2015:** Interest on deposit certificates issued under Gold Monetization Scheme, 2015 to be exempt from tax.
- ♦ **National Pension System:** Any payment from National Pension System Trust to an employee on account of closure or his opting out of the pension scheme referred to in Section 80CCD, to the extent it does not exceed 40% of the total amount payable to him at the time of closure or his opting out of the scheme, to be exempt from tax.

### Income from Business or Profession

- ♦ **Taxability of non-compete fees for not carrying out any profession:** The non-compete fees received or receivable in relation to not carrying out any profession to be treated as "Income from business or profession". Further, the receipts for transfer of right to carry on any profession, which are

chargeable to tax under the head “Capital gains”, would not be taxable as profits and gains of business or profession. Also, the ‘cost of acquisition’ and ‘cost of improvement’ for computing “Capital gains” on transfer of such capital receipts to be taken as ‘nil’.

- ◆ **Increase in threshold limit for persons other than companies /LLP’s having income from business opting presumptive taxation under Section 44AD:** In order to reduce the compliance burden of the small tax payers and facilitate the ease of doing business, the threshold limit for availing the benefit of presumptive taxation scheme to be increased from ₹1 crore to ₹2 crore, in respect of eligible businesses. The threshold limit proposed to be increased to bring relief to large number of assessees in the Micro Small and Medium Enterprises (MSME) category.
- ◆ **Presumptive taxation scheme extended to professionals:** In order to rationalize the presumptive taxation scheme and to reduce the compliance burden of the small tax payers having income from profession, the presumptive taxation regime to be extended to professionals having gross receipts not exceeding ₹50 lakhs in the previous year at a sum equal to 50% of such gross receipts.
- ◆ **Threshold limit increased for tax audit for persons having professional Income:** The threshold limit for tax audit under section 44AB, for getting accounts audited to be increased from ₹25 lakhs to ₹50 lakhs, in case of persons carrying on profession.
- ◆ **Additional depreciation:** Plant & Machinery acquired and installed for transmission activity to be eligible for additional depreciation.
- ◆ **Amortisation of spectrum fees:** Fees paid for obtaining right to use the spectrum to be amortised over the period for which the right to use the spectrum has been granted.
- ◆ **Phasing out of incentives:** In the Budget Speech 2015, the Finance Minister had announced that the corporate tax rate would be reduced from 30% to 25% over a period, accompanied by rationalization and removal of various tax exemptions and incentives. In the Union Budget 2016-17, this decision is proposed to be implemented in a phased manner. Some of these tax exemptions and incentives which are proposed to be withdrawn in phased manner are as follows:
  - The highest rate of depreciation under Income-tax Act, 1961, to be limited to 40% from P.Y. 2017-18.
  - The benefits of weighted deductions for Research & Development to be limited to 150% from P.Y. 2017-18 and 100% from P.Y. 2020-21, where such weighted deduction is currently more than 150%. In cases, where the weighted

deduction is currently 150% or 125%, the same to be restricted to 100% from P.Y. 2017-18.

- The benefits of Section 10AA to new SEZ units will be available only to those units which commence activity before 31.03.2020.
- Weighted Deduction under section 35CCD for skill development will continue up to P.Y. 2019-20.
- Weighted deduction for expenditure on notified agriculture extension project under section 35CCC to be restricted to 100% from P.Y. 2017-18.

### Capital Gains

- ◆ **Rationalisation of provisions of section 50C:** In line with provisions of section 43CA, the provisions of section 50C to be amended so as to provide that where the date of the agreement fixing the amount of consideration for the transfer of immovable property and the date of registration are not the same, the stamp duty value on the date of the agreement may be taken for the purposes of computing the full value of consideration. However, this provision to apply only in a case where the amount of consideration referred to therein, or a part thereof, has been paid by way of an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account, on or before the date of the agreement for the transfer of such immovable property.

### Deductions from Gross Total Income

- ◆ **Mandatory filing of return of loss on or before due date under section 139(1) to carry forward and set-off losses in respect of specified business:** Section 80 to be amended to provide that the loss determined as per section 73A (i.e. specified business) shall not be allowed to be carried forward and set off, if such loss has not been determined in pursuance of a return filed in accordance with the provisions of section 139(3).
- ◆ **Additional deduction of interest to “first home buyers”:** In furtherance of the goal of the Government to provide ‘housing for all, first-home buyers availing home loans, to be eligible for additional deduction of ₹50,000 in respect of interest on loan taken for residential house property from any financial institution.

This incentive to be available in respect of a house property of a value less than ₹50 lakhs in respect of which a loan of an amount is not exceeding ₹35 lakh has been sanctioned during the Financial Year 2016-17. Further, this benefit to be extended till the repayment of loan continues.

- ◆ **Maximum limit of deduction under section 80GG increased:** The maximum limit of deduction under section 80GG, in respect of rent paid by

## BUDGET - DIRECT TAXES ||

individuals who do not get any house rent allowance from the employer and who do not own any house, to be increased from ₹2,000 p.m to ₹5,000 p.m.

- ◆ **100% deduction of the profits of an assessee developing and building affordable housing projects:** In order to encourage affordable housing sector as a part of larger objective of 'Housing for All', 100% deduction of the profits to be allowed to an assessee developing and building affordable housing projects, if the housing project is approved by the competent authority before the 31<sup>st</sup> March, 2019 and completed within 3 years of approval.
- ◆ **Tax Incentives to start ups:** In order to encourage start-ups and aid their growth in the early phase of their business, a deduction of 100% of the profits and gains derived by an eligible start-up from a business involving innovation development, deployment or commercialization of new products, processes or services driven by technology or intellectual property to be provided. Such benefit would be available to an eligible start-up which is setup before 01.04.2019.

The deduction may, at the option of the assessee, be claimed by him for any three consecutive assessment years out of five years beginning from the year in which the eligible start-up is incorporated. However, MAT will apply in such cases and Capital Gains will not be taxed if invested in units of specified notified Fund, provided that the amount remains invested for three years.

### Assessment of various entities

- ◆ **Complete Pass through status to securitization trust:** In order to encourage more investment in Asset Reconstruction Companies (ARC), it is proposed to provide complete pass through of income to securitization trust. Consequently, the income will be taxed in the hands of investors instead of the trust. However the trust will be liable to deduct tax at source.
- ◆ **SPV to be exempted from Dividend Distribution Tax (DDT) on distribution made to Business Trust:** In order to rationalize the taxation regime for business trusts (REITs and Invits) and their investors, a special dispensation and exemption from levy of dividend distribution tax to be provided. Accordingly, the SPV would not be liable to pay DDT on the income distributed to business trusts. Such dividend received by the business trusts and its investors shall not be taxable in the hands of trust or investors.
- ◆ **MAT provisions not to be applicable on foreign companies:** In order to provide certainty in taxation of foreign companies, the provisions of section 115JB not to be made applicable to a

foreign company, with retrospective effect from 01.04.2001, if -

- (i) the assessee is a resident of a country or a specified territory with which India has an agreement referred to section 90(1) or the Central Government has adopted any agreement under section 90A(1) and the assessee does not have a permanent establishment in India in accordance with the provisions of such Agreement; or
- (ii) the assessee is a resident of a country with which India does not have such an agreement of the nature referred to in clause (i) above and the assessee is not required to seek registration under any law for the time being in force relating to companies.

### Assessment Procedure

- ◆ **Scope for e-assessment to be expanded:** Expansion in the scope of e-assessments to all assesseees in 7 mega cities in the coming years for reducing face to face contact with the assesseees.
- ◆ **E-sahyog project to be expanded:** Income-tax Department (ITD) to fully expand the pilot initiative of 'e-Sahyog' with a view to reduce compliance cost, especially for small tax payers. The e-Sahyog' pilot project is to provide an online mechanism to resolve mismatches in income-tax returns without requiring taxpayers to attend the Income-tax office.
- ◆ Scope of adjustment at the time of processing of return under section 143(1) expanded.
- ◆ Return to be processed under section 143(1) before making assessment under section 143(3).
- ◆ **Time limit for furnishing of belated return to be reduced and such return can be revised:** Section 139(4) to be substituted to provide that any person who has not furnished a return within the time allowed to him under section 139(1), may furnish the return for any previous year at any time before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

Further, section 139(5) also to be substituted to provide that if any person, having furnished a return under section 139(1) or under section 139(4), or in a return furnished in response to notice issued under section 142(1), discovers any omission or any wrong statement therein, he may furnish a revised return at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

### Reducing litigation and providing certainty in taxation

- ◆ **Limited period Compliance Window to be introduced:** For domestic taxpayers to

declare undisclosed income or income represented in the form of any asset and clear up their past tax transgressions, the Income Declaration Scheme, 2016 to be introduced as limited period compliance window for taxing such undisclosed income @ 45% (i.e., @30% plus surcharge @ 7.5% and penalty @ 7.5%). There will be no scrutiny or enquiry regarding income declared in these declarations under the Income-tax Act, 1961 or the Wealth-tax Act, 1957 and the declarants will have immunity from prosecution.

### Direct Tax Dispute Resolution

- ◆ **The Direct Tax Dispute Resolution Scheme, 2016:** In order to reduce the huge backlog of cases and to enable the Government to realise its dues expeditiously, the Direct Tax Dispute Resolution Scheme, 2016 to be introduced in relation to tax arrears and specified tax. Tax arrears to be defined as the amount of tax, interest and penalty under the Income-tax Act, 1961 or the Wealth-tax Act, 1957, in respect of which appeal is pending before the Commissioner (Appeals). Under this scheme, the declarant to pay tax at the applicable rate plus interest upto the date of assessment and no penalty to be leviable for disputed tax upto ₹10 lakhs. However, in case of disputed tax exceeding ₹10 lakhs, 25% of the minimum penalty leviable shall also be required to be paid.
- ◆ **One time Dispute Resolution scheme for cases ongoing under retrospective amendment:** Under the Direct Tax Dispute Resolution Scheme, 2016, person may also make a declaration in respect of any tax determined in consequence of or is validated by an amendment made with retrospective effect in the Income-tax Act, 1961 or Wealth-tax Act, 1957, as the case may be, for a period prior to the date of enactment of such amendment and a dispute in respect of which is pending as on 29.02.2016, subject to their agreeing to withdraw any pending case lying in any Court or Tribunal or any proceeding for arbitration, mediation etc. Consequently, they can settle the case by paying only the tax arrears in which case liability of the interest and penalty shall be waived.

### Penalties

- ◆ **Penalty leviable for concealment of income rationalised:** The entire scheme of penalty to be modified by providing different categories of misdemeanour with graded penalty and thereby substantially reducing the discretionary power of the tax officers. The penalty rates will now be 50% of tax in case of underreporting

of income and 200% of tax where there is misreporting of income.

### Deduction, Collection & Recovery of Tax

- ◆ **Exemption from requirement of furnishing PAN under section 206AA to certain non-residents:** In order to reduce compliance burden, section 206AA to be amended so as to provide that the provisions of this section attracting higher rate of TDS shall not apply in respect of payment of interest on long-term bonds referred to in section 194LC and any other payment to non-residents, on furnishing of alternative documents, subject to such conditions as may be prescribed.
- ◆ **Rationalization of tax deduction at Source (TDS) provisions:** In order to rationalise the TDS provisions and improve cash flow of small tax payers, the existing threshold limit for deduction of tax at source and the rates of deduction of tax at source to be revised in the case of Winnings from Horse Race, Payments to Contractors, Insurance commission, Commission on sale of lottery tickets etc.
- ◆ **Scope of Tax Collection at Source (TCS) expanded to include sale of luxury cars and other goods and services:** In order to reduce the quantum of cash transaction in sale of any goods and services and for curbing the flow of unaccounted money in the trading system and to bring high value transactions within the tax net, the seller to be required to collect tax @1% from the purchaser on sale of motor vehicle of the value exceeding ₹10 lakhs and sale in cash of any goods (other than bullion and jewellery), or providing of any services (other than payments on which tax is deducted at source under Chapter XVII-B) exceeding ₹2 lakhs.
- ◆ **Rate of interest on refunds to be increased:** The rate of interest on the refunds to be increased from 6% p.a. to 9% p.a., in case there is delay in giving effect to Appellate order beyond ninety days.

### Equalisation levy

- ◆ **Equalisation levy @6% of the consideration for specified services received by non-residents from e-commerce transactions:** In order to tap tax on income accruing from e-commerce transactions to non-residents from India, it is proposed that a person making payment exceeding ₹1 lakh in aggregate in a year to a non-resident, who does not have a permanent establishment, as consideration for online advertisement, will withhold tax at 6% of gross amount paid, as Equalisation levy. The levy will only apply to B2B transactions.

## Indirect Taxes

The major tax proposals on the Indirect Taxes front are as follows:

### A. Central Excise

#### Amendments made effective immediately

- ♦ The Clean Energy cess is renamed as Clean Environment cess. The effective rate of Clean Energy cess is increased from ₹200 per tonne to ₹400 per tonne.
- ♦ Infrastructure cess is levied on motor vehicles under heading 8703 subject to certain exceptions. Further, this cess is not CENVATable and CENVAT credit cannot be utilized for its payment.
- ♦ Excise duty of 2% (without CENVAT credit) or 12.5% (with CENVAT credit) has been levied on readymade garments and made up articles of textiles falling under Chapters 61, 62 and 63 of the Central Excise Tariff except those falling under 6309 and 6310 of retail sale price (RSP) of ₹1000 and above when they bear or are sold under a brand name.

This optional levy would apply regardless of the composition of the garment / article. However, in respect of readymade garments and made up articles of textiles other than those mentioned above, the optional levy of “Nil (without CENVAT credit) or 6% (with CENVAT credit)” in case of garments / articles of cotton, not containing any other textile material and “Nil (without CENVAT credit) or 12.5% (with CENVAT credit)” in case of garments / articles of other composition, as the case may be, shall continue.

- ♦ Excise duty of 1% (without CENVAT credit) or 12.5% (with CENVAT credit) has been levied on articles of jewellery with a higher threshold exemption upto ₹6 crore in a year and eligibility limit of ₹12 crore. Silver jewellery, other than studded with diamonds or other precious stones namely, ruby, emerald and sapphire have been excluded from the excise duty.

#### Amendments to be effective from the date on which Finance Bill receives the assent of the President

##### Amendments in the Central Excise Act, 1944

- ♦ Requirement of publishing and offering for sale any notification issued, by the Directorate of Publicity and Public Relations of CBEC under section 5A proposed to be done away with.
- ♦ The time-limit for issuance of show cause notice under section 11A for recovery of service tax not levied/paid/short levied/short paid/erroneously refunded, for non-fraud cases is proposed to be enhanced by 1 year, i.e. from 1 year to 2 years.
- ♦ It is proposed to empower the Board under section

37B to issue orders, instructions and directions for the implementation of any other provision of the Central Excise Act, 1944.

#### Amendments effective from 01.04.2016

##### Amendments in the CENVAT Credit Rules, 2004

The CENVAT Credit Rules, 2004 have been simplified and rationalized with an endeavor to improve CENVAT credit flow, reduce the compliance burden and associated litigations, predominantly those relating to apportionment of credit between exempted and non-exempted final products/services. Primary amendments include:

- ♦ The equipment and appliance used in an office located within a factory are to be included in the definition of capital goods so as to allow CENVAT credit on the same.
- ♦ CENVAT credit to be allowed in case of inputs and capital goods used for pumping of water, for captive use in the factory even when such capital goods are installed outside the factory.
- ♦ Capital goods upto the value of ₹10,000 per piece are included in the definition of inputs. Consequently, entire credit on such capital goods can be taken in the year of receipt itself.
- ♦ Banks and other financial institutions are to be allowed to reverse credit in respect of exempted services, on actual basis also, in addition to the option of 50% reversal under rule 6(3B).
- ♦ Inputs and input services commonly used in providing taxable output service and an activity which is not a ‘service’ under the Finance Act, 1994 also to attract reversal provisions under rule 6.
- ♦ CENVAT credit of service tax paid on amount charged for assignment by Government or any other person of a natural resource available, allowed over such period of time as the period for which the rights have been assigned.
- ♦ Input service distributor allowed to distribute the input service credit to an outsourced manufacturing unit also under specified circumstances.
- ♦ Manufacturers with multiple manufacturing units allowed to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units by inserting new rule 7B.
- ♦ Annual return is to be filed by a manufacturer of final products or provider of output services for each financial year, by the 30th day of November of the succeeding year.
- ♦ Deemed FIFO basis utilization of credit done away with.

# BUDGET - INDIRECT TAXES ||

## Amendments in the Central Excise Rules, 2002

The Central Excise Rules, 2002 are proposed to be amended as follows:

- (a) Reduction of the number of returns to be filed by a central excise assessee above a specified threshold to 13, that is, 1 annual return and 12 monthly returns.  
The said annual return is also required to be filed by the service tax assessee above a specified threshold. Thus, now three service tax returns need to be filed instead of two.
- (b) Like under service tax, the facility of revision of return to be available under central excise also.
- (c) Manual attestation of copy of invoice, meant for transporter, is not required in cases where invoices are digitally signed.
- (d) In case of finalization of provisional assessment, the interest will be chargeable from the original date of payment of duty.

## B. Service Tax

### Amendments effective from 01.03.2016

#### Exemption withdrawn

- ◆ Exemption with respect to construction, erection, commissioning or installation of original works pertaining to monorail or metro in respect of contracts entered into on/after 01.03.2016, has been withdrawn.

#### New Exemptions

Following services have also been exempted:

- ◆ Services by way of construction, erection, commissioning, etc. in respect of-
  - a) housing projects under Housing For All (HFA) (Urban) Mission/Pradhan Mantri Awas Yojana (PMAY)
  - b) low cost houses up to a carpet area of 60 m<sup>2</sup> in a housing project under "Affordable housing in Partnership" component of PMAY
  - c) low cost houses up to a carpet area of 60 m<sup>2</sup> in a housing project under any housing scheme of the State Government.
- ◆ Services provided by the Indian Institutes of Management (IIM) to their students, by way of the specified educational programmes.

#### Other Amendments

- ◆ CENVAT credit has been allowed to service providers providing services by way of transportation of goods by a vessel from India to abroad.
- ◆ Rule 5 of the Point of Taxation Rules, 2011 has been amended so as to clarify that this rule shall apply mutatis mutandis in case of new levy on services and new levy or tax shall be payable on all the cases other than specified in said rule.
- ◆ Information Technology Software (IT Software)

on media bearing RSP is exempted from service tax provided central excise duty is paid on RSP in accordance with section 4A of the Central Excise Act.

Further, IT Software recorded on media which is "NOT FOR RETAIL SALE" is exempted from so much of the Central Excise duty/CVD as is equivalent to the duty payable on the portion of the value of such IT Software recorded on the said media, which is leviable to service tax. In such cases, manufacturer/importer would therefore be required to pay Central Excise duty/CVD only on that portion of value representing the value of the medium on which it is recorded along with freight and insurance.

Thus, levy of excise duty and service tax is mutually exclusive.

### Amendments effective from 01.04.2016

#### Exemptions withdrawn

With a view to broaden the tax base, following exemptions are to be withdrawn:

- ◆ services provided by-
  - (i) a senior advocate to an advocate or partnership firm of advocates providing legal service; and
  - (ii) a person represented on an arbitral tribunal to an arbitral tribunal.Service tax would be payable under forward charge on such services.
- ◆ transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway.

#### New Exemptions

Exemption has been provided with respect to the following services:

- ◆ Services of life insurance business provided by way of annuity under the National Pension System.
- ◆ Services provided by SEBI by way of protecting the interests of investors in securities and to promote the development of, and to regulate, the securities market.
- ◆ Services provided by Employee Provident Fund Organisation (EPFO) to employees.
- ◆ Services provided by Biotechnology incubators approved by Biotechnology Industry Research Assistance Council (BIRAC) approved biotechnology incubators to the incubatees.
- ◆ Services provided by National Centre for Cold Chain Development by way of knowledge dissemination.
- ◆ Services provided by Insurance Regulatory and Development Authority (IRDA) of India.
- ◆ Services of general insurance business provided under Niramaya Health Insurance scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability in collaboration with private/public insurance companies.
- ◆ Services provided by way of skill/vocational training

by Deen Dayal Upadhyay Grameen Kaushalya Yojana training partners.

- ◆ Services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship.

### Amendments in existing exemptions

- ◆ Hitherto, service tax payable on a performance in folk or classical art forms of music/ dance/ theatre is exempt provided the consideration therefor exceeds ₹1,00,000. This limit has been increased to ₹1,50,000.

### Rationalisation of abatements alongwith the conditions for availing such abatements

- ◆ Abatement at the existing rate of 70% will continue to be available on transport of passengers and goods by rail and on transport of goods by vessel, with the CENVAT credit of input services now being allowed [earlier, the credit of input services was not allowed when abatement was being claimed].
- ◆ A lower rate of abatement of 60% for transport of goods in containers by any person other than Indian railway, with the CENVAT credit of input services being allowed.
- ◆ Uniform rate of abatement of 70% on services by way of construction of residential complex, building, civil structure, or a part thereof, irrespective of the carpet area of the units and amount charged for such units.
- ◆ Abatement on services by a tour operator in respect of a tour only for the purpose of arranging or booking accommodation for any person, retained at the existing rate of 90%. However, abatement in respect of any other tour, is rationalised from 75% and 60% to 70%.
- ◆ A lower rate of abatement of 60% on shifting of used household goods by a Goods Transport Agency (GTA) with no CENVAT credit being availed on inputs, input services and capital goods.
- ◆ Abatement of 70% on services of a foreman to a chit fund restored, with no CENVAT credit being availed on inputs, input services and capital goods.

### Amendments in Service Tax Rules, 1994

- ◆ Rule 6 of the Service Tax Rules, 1994 to be amended to extend the benefit of quarterly payment of service tax to One Person Company (OPC) whose aggregate value of services provided is up to ₹50 lakh in the previous financial year and an HUF. Further, payment of service tax on receipt basis is also extended to such OPC.
- ◆ With respect to services provided by mutual fund agents/distributor to a mutual fund or asset management company, service tax to be payable under forward charge provisions, i.e. service provider to be liable to pay service tax.
- ◆ Rule 6(7A) of the Service Tax Rules, 1994 to be amended to provide that an insurer carrying on

life insurance business to have an option to pay tax at 1.4% of the total premium charged on single premium annuity (insurance) policies, in cases where the amount allocated for investment/savings on behalf of policy holder is not intimated to such policy holder at the time of providing of service.

- ◆ With effect from 01.04.2016, any service (and not only support services) provided by Government or local authorities to business entities are leviable to service tax. Consequently, service tax on any (and not only support services) service payable by the service recipient on reverse charge basis from said date.

### Amendments to be effective from the date on which Finance Bill, 2015 receives the assent of the President

- ◆ Finance Act, 2015 had inserted Explanation 2 to the definition of "service" under section 65B(44) of the Finance Act, 1994 to specifically state that service tax is leviable on activities undertaken by lottery distributors and selling agents, in relation to lotteries. The said explanation is proposed to be amended to clarify that it is the activity in relation to promotion, marketing, organizing, selling of lottery or facilitating in organizing lottery of any kind, in any other manner, of the State Government as per the provisions of the Lotteries (Regulation) Act, 1998, carried out by a lottery distributor/selling agent, which is leviable to service tax.
- ◆ The Negative List entry under section 66D(l) of the Finance Act, 1994 covering 'educational services is proposed to be omitted. The said benefit would continue by way of exemption under mega exemption *Notification No. 25/2012 ST* dated 20.06.2012.
- ◆ Assignment by the Government of the right to use the radio-frequency spectrum and subsequent transfers thereof is proposed to be declared as a service.
- ◆ Section 67A of the Finance Act, 1994 is proposed to be amended to obtain specific rule making powers in respect of Point of Taxation Rules, 2011.
- ◆ The time-limit for issuance of show cause notice under section 73 of the Finance Act, 1994, for recovery of service tax not levied/paid/short-levied/short paid/erroneously refunded, for non-fraud cases is proposed to be enhanced by 1 year, i.e. from 18 months to 30 months.
- ◆ Interest rates on delayed payment of duty/tax across all indirect taxes are proposed to be made uniform at 15% p.a. However, under service tax, in case where any amount is collected as service tax but amount so collected is not paid to the credit of the Central Government on/before the date on which such payment becomes due, proposed interest rate is 24% p.a.
- ◆ Power to arrest under section 91 of the Finance Act, 1994 proposed to be restricted only in case where the

# BUDGET - INDIRECT TAXES ||

tax payer has collected the tax of more than ₹2 crore, but not deposited it to Government. The monetary limit for launching prosecution under section 89 proposed to be increased to ₹2 crore of the amount of service tax collected but not deposited to the credit of the Central Government beyond a period of 6 months from the date on which such payment becomes due.

- ◆ Section 93A of the Finance Act, 1994 proposed to be amended so as to allow rebate by way of notification as well as rules.
- ◆ Indirect tax Dispute Resolution Scheme, 2016, wherein a scheme in respect of cases pending before Commissioner (Appeals), the assessee, after paying the duty, interest and penalty equivalent to 25% of duty, can file a declaration, is proposed to be introduced. In such cases, the proceedings against the assessee will be closed and he will also get immunity from prosecution. However, this scheme will not apply in certain specified type of cases.

## Amendments to be effective from 01.06.2016

### Krishi Kalyan Cess

- ◆ It is proposed to levy a Krishi Kalyan Cess on **ANY OR ALL** the taxable services at the **rate of 0.5%** of the value of taxable services. It is important to note here that unlike Swachh Bharat Cess, service provider shall be allowed to utilize the CENVAT credit of Krishi Kalyan Cess paid on input services for payment of such cess on the output service provided by it.
- ◆ Service tax proposed to be levied on transportation of passengers, with or without accompanied belongings, by a stage carriage by amending Negative List of services. However, transportation of passengers by non-air conditioned stage carriage had been exempted vide mega exemption notification.
- ◆ Service tax proposed to be levied on transportation of goods by an aircraft or a vessel from a place outside India up to the customs station of clearance by omitting the negative list entry to said effect. However, said services had been exempted vide mega exemption notification.

## C. Customs

### Amendments to be effective from the date on which Finance Bill, 2015 receives the assent of the President

- ◆ Section 2(43) of the Customs Act, 1962 is proposed to be amended so as to include Special Warehouse [licensed under section 58A] for enabling storage of specific goods under physical control of the Department, as control over the other types of warehouses would be only record based.
- ◆ Section 25 of the Customs Act, 1962 is proposed to be amended so as to omit the

requirement of publishing and offering for sale any notification issued, by the Directorate of Publicity and Public Relations of CBEC. For this purpose, it has been proposed to provide that every notification issued shall unless otherwise provided come into force on the date of its issue by the Central Government for publication in the official Gazette.

- ◆ The period of limitation under section 28 of the Customs Act, 1962 is proposed to be increased from one year to two years in case of non-fraud cases.
- ◆ Amendments have been proposed in sections 28, 47, 51 and 156 of the Customs Act to provide for deferred payment of customs duties for importers and exporters with proven track record. The proposed amendment aims at reducing the cargo release time and transaction cost of exports and imports. The details changes in this regard would be prescribed by rules.
- ◆ It is proposed that instead of Deputy/Assistant Commissioner, the Principal Commissioner/Commissioner to be empowered to license public and private warehouses, subject to such conditions as may be prescribed. Further, they would also be empowered to license a special warehouse wherein dutiable goods may be deposited and be locked by the proper officer and no person would enter the warehouse or remove any goods therefrom without his permission.
- ◆ The bond amount for the warehousing bonds submitted by importers availing duty deferred warehousing has been increased to thrice the duty amount as against earlier requirement of twice the duty amount. In addition to furnishing of bond, security may also be required. In case of ownership of such goods being transferred to another person, the transferee would need to execute bond and security
- ◆ The provisions of section 61 relating to period of warehousing are proposed to be extended to all goods intended for use in any 100% EOU, Electronic Hardware Technology Parks unit, Software Technology Parks unit, Ship Building Yards and other units manufacturing under bond. Moreover, Principal Commissioners/ Commissioners to be empowered to extend the warehousing period upto 1 year at a time.
- ◆ Provisions relating to control over warehousing goods and payment of rent and warehousing charges are proposed to be done away with. Further, free samples from the warehouse can no longer be taken away.
- ◆ It is proposed that the payment of fees to Customs for supervision of manufacturing facilities under Bond would no longer be required. Further, Principal Commissioner/ Commissioner of Customs empowered to license such activities.

- ◆ Customs Single Window Project to be implemented at major ports and airports starting from beginning of next financial year.
- ◆ The rate of interest on delayed payment of duty proposed to be revised to 15% from earlier rate of 18%.

Indian resident/a foreign residing in India/ a tourist of Indian origin arriving from any country other than Nepal, Bhutan or Myanmar to be increased. Further, Customs Baggage Declaration Regulation, 2013 is also being amended so as to provide for custom declaration only for those passengers who carry dutiable and/or prohibited goods. ■

### Amendment effective from 01.04.2016

- ◆ New Simplified Baggage Rules, 2016 has been notified which would be effective from 1<sup>st</sup> April, 2016. Free baggage allowance for an

**Note:** The key features of the Union Budget 2016-17 discussed above reflect the position prior to passing of the Finance Bill, 2016 by the Parliament.

## ANNOUNCEMENT

### Stringent Action Against Adoption of Unfair Means

Cases of adoption/attempt to adopt unfair means are reported in respect of the examinations held every time. In respect of the Examinations held in November, 2015, over 64 cases of infringement/ violation of Instructions to Examinees, which tantamounts to adoption of unfair means, were reported. The nature of infringement/ violation in these cases, inter alia, included the following.

- (1) Writing/jotting on the question paper [other than Roll Number at the specified place].
- (2) Writing in the answer book or additional book of, e.g. Roll Number [other than at the specified space]/ Registration Number, Name, Mobile number, unwarranted Remarks, irrelevant notes etc.
- (3) Possession of material inside the examination hall/room/washroom, e.g. writing/copying material / books / notes / writing on desk/writing on writing pad/geometric box/admit card (relevant for the day of the examination or otherwise), mobile phone [in switched off mode or otherwise], I Pod etc.
- (4) Seeking sympathy/making appeal, e.g. parent or relative passed away, met with accident /was hospitalized/ award marks/minimum required marks, inducement to examiner/writing irrelevant / unrelated remarks etc.
- (5) Writing/making in the answer book or additional answer book distinguishing marks - e.g. religious symbols, prayers, Om, Swastika, 786, etc.
- (6) Others, e.g. not handing over the answer book at the conclusion of the specified time, taking away the answer book, misbehaving with the examination functionaries, use of different inks/highlighter, availing of the services of an ineligible person as a writer by differently abled candidates.

The above cases were considered by the Examination Committee in accordance with the provisions of Regulation 41, read with Regulation 176, of the Chartered Accountants Regulations, 1988. The decision taken by the Committee included cancellation of result and debarment from appearing in the examination in future.

In view of the above, students are advised to read the Instructions to Examinees supplied with the admit card. Even where the admit card is downloaded from website, Instructions to Examinees also be downloaded without fail. Hence, students may acquaint themselves with the instructions to avoid falling within the ambit of unfair means leading to avoidable difficulties.

**Examination Department**

## CORRIGENDUM

### **RTP (Revisionary Test Paper) of May 2016 examination for Paper No. 4, Corporate and Allied Laws (Final Level)**

Students are advised to read question no. 2(a) as follows in the respective RTP:

“Rajasthan Textiles Limited is a company in India with a subsidiary company M and subsidiary company S in USA. Examine the provisions with respect to preparation of the consolidated financial statements by Rajasthan Textiles Limited under the Companies Act, 2013.”

# EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES

## Paper – 1 : Financial Reporting

### Specific Comments

#### Question 1.

- (a) Many examinees have not computed adjustment factor required for calculation of restated EPS for 2013-14 or erred while calculating the same. Wrong computation of this led to mistake in restated EPS. While some examinees were unable to calculate the theoretical ex-rights value of a share.
- (b) Some examinees had not adjusted excess depreciation from revaluation reserve as required in the question at the time of calculation of impairment loss to be debited to Profit and Loss Account.
- (c) Few examinees wrongly valued the Government Securities at market value instead of cost.
- (d) Some examinees worked out 'actuarial loss' instead of 'actual return'.

#### Question 2.

Most of the examinees have not commented on the impact of demerger on shareholder's wealth.

In most cases, narrations were not given or the Balance Sheets were not in proper format. While some of the examinees have not given 'Notes to Accounts' and others went wrong in passing the journal entries for loss on demerger and calculation of intrinsic value before/after demerger.

#### Question 3.

No examinees could answer the question correctly. Mostly made mistake in analysis of profit of Z Ltd., ascertainment of carrying value of investment in Z Ltd. and consolidated reserves and surplus. Conversion of relationship from subsidiary to associate and how to deal with the same in accounts proved to be most difficult for them.

#### Question 4.

- (a) A little examinees have failed to correctly calculate total number of employees on the basis of estimation of employees leaving the job in future. Some examinees had passed journal entries instead of 'Provision of SARs A/c'.
- (b) Majority of the examinees have not prepared the table showing bond liability at the end of each year. Examinees failed to distinguish between equity and liability component and hence erred in the calculation of the same.

#### Question 5.

- (a) Some of the examinees have not calculated Operation Synergy expected to arise out of merger separately. Therefore, faulted in the calculation of the maximum value to be quoted for acquisition of ACL. Some of the examinees were not able to calculate correctly the amount of current liabilities as well.
- (b) Many examinees have wrongly used capitalisation of super profit approach for the purpose of calculating goodwill.

#### Question 6.

- (a) Some examinees made mistake in calculation of PBIT and NOPAT. Also many examinees flawed in the calculation of weighted average cost of capital employed. Also, the explanation as to how calculated EVA differed from MVA was not satisfactory in many cases.
- (b) Many examinees have not answered this part of the question. Those who have attempted this question, were not able to correctly calculate amount of intangible assets and expenses to be amortised over 5 years. Extracts of Balance Sheet, Statement of Profit and Loss and Notes to Accounts have not been separately shown in the answer by many examinees.

#### Question 7.

- (a) Examinees were not able to substantiate the creation of provision with proper reasoning. "Accrual" principle and problem of making "reasonable estimate" were not well-thought-out by many examinees.
- (b) Examinees failed to distinguish between the accounting treatment to be done for put option in the books of the company and the investor.
- (c) Examinees have failed to calculate depreciation as per Accounting Books and depreciation as per Income-tax records.
- (d) Examinees have given answers correctly but without substantiating their answers with adequate/required explanations. Some examinees were not able to understand the derivative characteristic of the forward contract.
- (e) Only few examinees have assigned the activity in Nepal as 'commercial activities' and concluded that the expenditure incurred therein cannot be termed as expenditure on CSR. Many examinees did not catch the commercial nature and foreign country aspect of activities and have treated it as an extraordinary expense.

# EXAMINATION – FINAL ||

## Paper 2 : Strategic Financial Management

### Specific Comments

#### Question 1.

- (a) This part of the question has been poorly attempted by majority of examinees as they could perceive the logical flow required to solve the question due to lack of proper knowledge of computation of cross rates and cancellation of forward contracts related to foreign exchange. Further even some candidate instead of dividing, multiplied the rates.
- (b) In this question of Bond Valuation, the overall performance was satisfactory. However, some examinees could not perceive the inverse relationship between yield and price and hence went wrong.
- (c) In this question of option valuation, the overall performance was below average as majority of examinees have exhibited lack of knowledge of basic concept of option valuation. Further, even some examinees failed to calculate the option delta.
- (d) Overall performance was satisfactory. However, some examinees though calculated forward cover correctly but committed mistake in option cover. Even some examinees have considered call option instead of put option.

#### Question 2.

- (a) In this question, based on the concept of Merger and Acquisitions, overall performance was good but some examinees could not calculate the promoter's holdings and free float market capitalization. Even some examinees committed mistake in calculation of Market Price Per Share, EPS and Book Value Per Share and hence further went wrong.
- (b) In this question, overall performance was poor.

#### Question 3.

- (a) In this question based on the concept of Index Future, overall performance was not good as first part of question done correctly but further went wrong. Some examinees could not use the formula of interpolation correctly and hence committed mistake in the calculation of theoretical value of May and June Futures.
- (b) Overall performance in the question of leasing was of average level as majority of examinees could not calculate Break Even Lease Rentals correctly. Some examinees even adopted 14% rate for discounting for leasee as well.

#### Question 4.

- (a) In this question of International Capital Budgeting the overall performance was below average as majority of examinees have committed mistake in computing the forward rates based on inflation rates in two countries.
- (b) In this question of mutual funds, overall performance was found good. Common mistake found in some

answers was considering 115% of return for 12 months instead of holding period.

#### Question 5.

- (a) In this question, based on the concept of Foreign Exchange, majority of examinees have performed well. However, some examinees have committed mistake in calculation of cash outflows in option and money market strategies. Even some examinees considered given deposit and borrowing rates as annual rates instead of 180 days.
- (b) In this question, based on the concept of Mutual Funds, overall performance was poor exhibiting lack of clarity of concepts.

#### Question 6.

- (a) In this question based on the concept of Merger and Acquisitions the overall performance has been found satisfactory. However, some examinees have given decision on the basis of EPS instead of Market Price.
- (b) Overall performance in this question was of average level as some examinees have calculated the EPS and DPS of the years 2010-2014 instead of 2015-2017. Even some examinees made mistake in taking constant growth rate of 10%.

#### Question 7.

- (a) In this question on assumptions of Modigliani & Miller Hypothesis the overall performance was of average level. Some examinees even explained the dividend formula and their effects.
- (b) In this question based on the concept of option the overall performance was poor exhibiting lack of conceptual skills about option terminology.
- (c) In this theoretical question, overall performance was not satisfactory as majority of examinees have written general point instead of specific one exhibiting sheer ignorance and lacunae to learn and attempt theory questions.
- (d) In this theoretical question, overall performance was not satisfactory as majority of examinees were not aware about instruments of international finance and most of them wrote about GDRs and ADRs in detail.
- (e) In this theoretical question, overall performance was of average level. Some examinees confused forfeiting with forfeiting of securities.

## Paper - 3 : Advanced Auditing and Professional Ethics

### Specific Comments

#### Question 1.

- (a) **Factors Influencing the Amount of Working Papers:** Many examinees did not discuss the factors influencing the amount of audit working papers and the answers were general in nature explaining the type of working papers. Also some

examinees wrote about the importance of working papers. A few examinees described the need of the working papers which was not required. Some examinees also discussed about current audit file and permanent audit file.

- (b) **Inability to Continue as a Going Concern:** Although majority of examinees have mentioned that the going concern assumption does not seem appropriate yet some examinees failed to explain the disclosure aspects and the expression of opinion by the auditor. Some examinees wrote about liquidity proceedings. A few examinees explained consequences of fraud and reporting by auditor.
- (c) **Attendance at Physical Inventory Counting When Inventory is Material:** Examinees failed to highlight the procedure that an auditor would perform to obtain sufficient appropriate audit evidence by attending the physical inventory counting. Irrelevant points on AS-2 and CARO, 2015 were discussed. Some examinees wrote regarding physical verification which was not required. Also, few examinees discussed about audit of stocks.
- (d) **Relationship Among Joint Auditors:** Most of the examinees explained the topic correctly but few failed to narrate the situations in which the Joint auditors are jointly and severally responsible.

### Question 2.

- (a) **Evaluation of Specific Work Done by Internal Auditor:** Most of the examinees discussed how to verify fixed assets instead of explaining about evaluation be carried out of specific work done by the internal auditor. Some examinees wrote about the importance of internal audit which was not required.
- (b) **Relevance of SA 600 While Auditing Consolidation of Financial Statements:** Examinees failed to explain the various aspects the principal auditor would consider while complying with the requirements of SA 600, 'Using the Work of another Auditor'. Many examinees described only consolidation of financial statements rather than using the work of another auditor.
- (c) **Relevant Criteria for Determining Reliability of Data:** Examinees did not explain the relevant criteria when determining whether data is reliable for the purpose of designing substantive analytical procedures. Irrelevant points on AS-18 were discussed. Some examinees wrote wrongly about analytical procedures. Also some examinees answered with respect to source and type of audit evidence instead of reliability of audit evidence.
- (d) **Review of Records and Documentation Regarding Related Party Transaction:** Examinees did not write about the inspection of various records

or documents that may provide information about related party relationships and transactions. Many examinees wrote about related parties transactions and its reporting requirements rather than how to find these.

### Question 3.

- (b) **Capital Receipts to be Reported in Form 3CD:** Some examinees wrote about form no. 3CD. Also, few examinees discussed about the items of profit and loss account which was not required.
- (c) **Audit of Depositories:** Examinees are not aware of the topic. Most of the examinees discussed the type of books maintained.
- (d) **Contents of a Due Diligence Report:** Presentation of the answers regarding the contents of a due diligence report was not satisfactory. Many examinees mentioned the types of due diligence instead of contents.

### Question 4.

- (a) **Basic System of Control:** Examinees did not discuss the general conditions pertaining to the internal check system. The answers were general. Many examinees applied internal control instead of internal check. Also, some examinees wrote about stock audit.
- (b) **Steps to be taken to Investigate Frauds of Cash Receipts:** Instead of explaining about steps to be taken to investigate frauds of cash receipts, examinees wrote about verification of cash balance and cash payments.
- (c) **Relationship between Management and Operational Audit:** Examinees failed to emphasize how the Operational audit and Management audit are complementary and supplementary to one another instead examinees merely wrote the meaning of Operational and Management audit.
- (d) **Advertisement of Professional Attainment:** Many examinees wrongly referred to clause (6) of Part I of First Schedule to the Chartered Accountant Act, 1949, and wrongly concluded that by printing names of all 4 firms on the personal letter heads in which a member holding certificate of practice is a partner is guilty of any professional misconduct in the given case.

### Question 5.

- (a) **Minimum Audit Fee:** Some examinees related it to number of companies in which a CA can be appointed as an auditor.
- (c) **Important Points to be kept in Mind While Drafting Letter of Weakness:** Examinees failed to point out the important points to be included in letter of weakness.
- (d) **Providing Depreciation ignoring Schedule II to the Companies Act, 2013:** Many examinees

## EXAMINATION – FINAL ||

have not referred to Section 129 of the Companies Act, 2013. They also failed to mention that if the justification has not been disclosed by the management for consideration of different useful life, then the auditor should qualify his report accordingly. Some examinees were not aware about Schedule II of the Companies Act, 2013.

### Question 6.

- (a) **Advising on Portfolio Management Services:** Examinees failed to point out that Chartered Accountants in practice are not permitted to undertake the activities of broking, underwriting and portfolio management services as per resolution of the Council pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 regarding "Management Consultancy and other Services."
- (c) **Risk Factors Relating to Misstatements Arising from Misappropriation of Assets:** The conditions generally present when fraud exists namely incentives/pressures, opportunities, and attitudes/rationalization are not focused by majority of examinees. Examinees wrote irrelevant answers. Many examinees explained the effect of misappropriation of assets instead of risk factors relating to misstatements arising from misappropriation of assets.
- (d) **Non-Compliance with the Accounting Standards:** Some examinees have misunderstood the question and answers were wrongly based on audit of accounts instead of compilation. They failed to mention that as per SRS 4410, "Engagements to Compile Financial Informations", the accountant should bring this matter to the attention of the management for rectification and if the same is not rectified by the management, he should include the same in the Notes to the Accounts and the compilation report. Also some examinees misunderstood compiling of accounts as finalization of accounts and answered accordingly.

### Question 7.

- (b) **Permanent Consolidated Adjustments:** Most of the examinees referred to irrelevant points on AS-21 and temporary adjustment.
- (c) **Aspects to be covered in the Books of Accounts to be maintained by a Multi-State Co-operative Society:** Many examinees failed to mention the aspects to be covered in the books of accounts to be maintained in case of Multi-State co-operative society rather they explained features of co-operative society. Also some examinees discussed about enquiry and inspection of co-operative society. Some examinees wrote irrelevant points regarding the Registers and Bye laws.
- (d) **Matters addressed in Clause 49 regarding Corporate Governance:** Most of the examinees did not highlight the matters addressed in Clause 49 regarding Corporate Governance, instead they wrote

general answers on Corporate Governance. Also some examinees explained about audit committee.

- (e) **Obligation of the Statutory Auditor to report Frauds to the Central Government during the audit carried out under the Companies Act, 2013:** The procedures to be followed as per Companies (Audit and Auditors) Rules, 2014 to report frauds have not been properly explained by examinees.

## Paper – 4 : Corporate and Allied Laws

### Specific Comments

#### Question 1.

- (a) The performance of the students was satisfactory. Though some of the students did not mention about non-compliance of the company by way of not communicating the shareholder about returning of the dividend by the bank due to surname mismatch.
- (b) The performance of the students was average as most of the students have merely explained the meaning of insider trading instead of preparing a note for internal circulation among the employees of the company as required by the question.
- (c) The performance of the students was average. Most of the students were unaware of the penalty provision of section 23A of the Securities Contracts (Regulation) Act, 1956.
- (d) The performance was not upto the mark as most of the students could not comprehend the difference between the Central Government and the Company Law Board in the matter of appointing an inspector to carry out the investigation.

#### Question 2.

- (a) The performance of the students was average and large number of the students have stated the duties of the statutory auditors regarding the accounts of the company instead of mentioning the duties of the auditors regarding valuation of stock in trade.
- (c) The performance of the students was satisfactory. They answered correctly the provisions of section 134(1) of the Companies Act, 2013 regarding the authentication of the financial statements.

#### Question 3.

- (a) (i) Performance of the students was average in this question. Many of them did not know the provisions of Section 439 of the Companies Act, 2013 regarding the offences to be non-cognizable.
- (ii) Most of the students were unaware of the conditions for reducing the denomination of equity shares and making an IPO at premium under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. They were lacking the knowledge of the SEBI Regulations.
- (b) Almost all the students attempted this question properly. They answered correctly the provisions of

section 161(1) of the Companies Act, 2013 relating to the appointment of the additional director.

### Question 4.

- (a) Performance of the students was quite satisfactory in the first part of the question. Though drafting of notice of first Board meeting in second part of the question was not upto the mark.

### Question 6.

- (a) The performance was not satisfactory as most of the students have confused with the provisions applicable to general companies whereas the producer companies have specific provisions relating to quorum, co-option of expert as director and internal audit etc.
- (b) (ii) Performance of the students was below average in this question. Most of the students were unaware of the provisions of section 442 of the Companies Act, 2013 regarding Mediation and Conciliation Panel.

### Question 7.

- (b) Performance of the students was below average as most of the students have given vague replies without stating the concept of public interest relevant to the Companies Act, 1956.
- (c) Performance of the students was not upto the mark as most of the students did not mention any one situation in which the SARFAESI Act, 2002 are not applicable.

## Paper 5 : Advanced Management Accounting

### General Comments

*“The overall performance was not satisfactory. Majority of examinees showed inattention to the specific requirements of the questions.”*

### Specific Comments

#### Question 1.

- (a) This was a practical question. It was required to calculate *cost indifference point* as well as *interpret the results thereof*. Majority of the examinees calculated cost indifference point, but failed to interpret the result correctly.
- (b) This was a theoretical question relating to topic ‘**TQM**’ in which examinees were asked to *classify the given items under appropriate categories of quality costs*. This was well answered by most of the examinees.
- (c) This was a practical question relating to topic ‘**Transportation Problem**’. Examinees in general were aware of the concept of VAM and answered well.
- (d) This was a practical question relating to topic ‘**Profitability Analysis**’. Examinees were required to analyze the profitability and comment on the discount policy. Majority of the examinees answered

first part of the question well. However, they failed to comment on discount policy. Overall performance of the examinees was average in this question.

#### Question 2.

- (a) This was a practical question relating to topic ‘Just in Time’. Examinees were required to *calculate the incremental production cost/ the savings in inventory holding cost by JIT production system and advice on choice of a plan*. While calculating the inventory holding cost most of the examinees have not considered average inventory per period. Most of the examinees depicted poor understanding while solving the question. Overall performance of the examinees was below average in this question.
- (b) This was a practical question relating to topic ‘**Assignment Problem**’. Most of the examinees answered the first part well but failed to understand the concept of non-zero values in part (ii). Overall performance of the examinees was average in this question.

#### Question 3.

- (a) This was practical question related to topic ‘**Standard Costing**’ in which examinees were required to calculate *the variances* as well as *to comment on findings*. Most of the examinees calculated variances correctly. However, a number of examinees failed to comment on findings. Overall performance of the examinees was good in this question.
- (b) This was a practical question relating to topic ‘**PERT & CPM**’ in which examinees were required to find *normal project duration/ cost incurred for optimal crashing exercise and associated savings for 5 days of relaxation*. Most of the examinees answered part (i) and part (ii) well but failed to understand the relaxation in time and associated cost in part (iii). Overall performance of the examinees was average in this question.

#### Question 4.

- (a) This was a practical question relating to topic ‘**Budget and Budgetary Control**’. Examinees were required to *prepare production budget, material purchase budget and find the principal budget factor*. This question was very well answered by most of the examinees. Few examinees could not find principal budget factor. Overall performance of the examinees was good in this question.
- (b) This was a practical question relating to topic ‘**Linear Programming**’. Risk and return constraints in formulation of linear programming were not correctly understood by many of the examinees. Overall performance of the examinees was average in this question.

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### Question 5.

- (a) This was a practical question relating to topic 'Transfer Pricing'. Most of the examinees failed to arrive at the *optimum product mix* and *transfer price* due to lack of understanding of the concept of specific *fixed costs*. Performance of the examinees was poor in this question.
- (b) This was a practical question relating to topic '**Pricing Decision**'. Most of the examinees answered well.

### Question 6.

- (a) This was a practical question relating to topic '**Activity Based Costing**'. Most of the examinees failed to identify correct cost drivers and their associated costs while calculating BEP. Examinees also failed to answer whether they should break up the remaining fixed costs into activity based costs. Hence, the performance was poor.
- (b) This was a practical question relating to topic '**Simulation**' where examinees were required to *simulate the arrival and consultation times and find out the dietician's idle time and patient's waiting times and advice* accordingly. Most of the examinees failed to calculate idle time and waiting time which resulted in poor performance.

### Question 7.

- (a) to (e) This question comprises *five* questions and examinees were required to answer any four.
- (a) This was a practical question from the topic '**Life Cycle Costing**'. Most of the examinees performed well.
- (b) This was a concept based question relating to topic '**Pricing Decision**' in which examinees were asked to *state the most appropriate pricing policy to be adopted in the independent situations*. Most of the examinees performed well.
- (c) This was a straight forward theoretical question from the topic '**Zero Based Budgeting**'. Examinees performance was good.
- (d) This was a concept based theoretical question from the topic '**Relevant Costing**'. Most of the examinees answered well.
- (e) This was a concept based theoretical question from the topic '**Target Costing**'. Most of the examinees answered well.

## Paper – 6: Information Systems Control and Audit

### Question 1.

- (a) Many examinees could elaborate the 'Risks related to BYOD (Bring Your Own Device)' and earned good marks. The performance in this sub-part was good.
- (b) Many examinees correctly wrote the advantages of 'Cloud Computing' and secured good marks. The performance in this sub-part was good.

- (c) The performance in this sub-part 'Functions of an IS Auditor' was below average. Instead, many examinees wrote the 'Steps in Information Systems Audit' under the heading 'Functions of an IS auditor'.
- (d) In this sub-part, the performance of the examinees was good wherein they were asked to explain 'Advantages of Continuous Audit Techniques'. However, few examinees wrote about 'Types of Audit Tools'.

### Question 2.

- (a) In this subpart, most examinees could correctly explain the points under 'Major characteristics of MIS' and scored good marks. The performance in this sub-part was good.
- (b) In this sub-part, the performance of examinees was average. Some examinees correctly discussed the 'Plans needed for Business Continuity Management'. However some examinees could not understand the question well and discussed the topics like 'Eight phases of BCP/ Components of BCM process/Discovery Resource Planning (DRP)'.
- (c) Most of the examinees could not correctly define 'IT Governance', though they could manage to write correctly the 'Benefits of IT Governance'. The performance was average in this sub-part.

### Question 3.

- Many examinees did not attempt this question.
- (a) Most of the examinees provide general answer about the 'Role of IT in Enterprises', While answering the second part, most of the examinees listed the managerial activities under Top, Middle and Lower Management. The performance was below average in this question.
  - (b) The performance in this sub-part was below average wherein few examinees correctly wrote about 'Considerations required in the design of input forms'. Many examinees narrated the general points on input of data in the system.
  - (c) In this sub-part, examinees were asked to describe 'Key Management Practices provided by COBIT5'; however most of the examinees listed out 'Five Principles of COBIT 5'. The performance was below average in this part.

### Question 4.

- (a) The performance of examinees in this sub-part was good. Most of the examinees listed out and discussed the 'Problems faced by the organization with the result of computer crimes' and scored well.
- (b) Many examinees had given only general answer while describing the 'Factors influencing an organization towards controls and audit of computer'. The performance was below average.

(c) Most of the examinees correctly wrote about the 'Classification of information for better integrity and security' and scored well in this sub-part. The performance was good.

### Question 5.

- (a) Most of the examinees could not correctly explain the 'Meaning of Information Security Policy'. Furthermore, some examinees, instead of answering 'Components of a good security policy' discussed the points relevant to 'Information Security Policies and their Hierarchy'. The overall performance was below average in this sub-part.
- (b) In this part, examinees were asked to write about the various 'Categories of Tests that a programmer typically performs on a program unit'. Most of the examinees performed well, however few examinees could not understand the question well and instead mentioned about 'Dynamic Analysis Testing such as Black Box Testing, White Box Testing and Grey Box Testing'. The overall performance was good in this sub-part.
- (c) Many examinees provided correct answer for the question 'Power to make rules by Central Government in respect of Electronic Signature'. However some of them discussed the topics like – 'Authentication of Electronic Records, Hash functions, Private and public keys'. The overall performance was below average in this sub-part.

### Question 6.

- (a) In this sub-part, examinees were required to mention 'Various environmental controls to be verified by an auditor while conducting physical inspection'. Many examinees provided a much generalized answer for the same on the basis of their common understanding of the topic. The performance was average.
- (b) In this sub-part, examinees were asked to explain the 'Need of expert system and its benefits'. Most of the examinees could fairly well attempt this question and scored well.
- (c) Most of the examinees could not describe 'Service Strategy of ITIL Framework'. Few examinees the 'Components of Service Strategy of ITIL Framework such as IT Service Generation, Service Portfolio Management etc'.

### Question 7 (Short Notes)

- (a) In this sub-part, examinees were asked to write short note on 'Objectives of IS audit'. A fairly good number of them could write correctly and the overall performance was good.
- (b) Many examinees could not properly write about 'Metrics of risk management'. Instead, they gave the answer relevant for 'Risk Management Strategy' such as Tolerate/Accept the risk, Terminate/Eliminate the risk etc. The performance was below average in this sub-part.

- (c) Most of the examinees could very well write a short note on 'SDLC' and scored well. The performance in this sub-part was good.
- (d) Many of the examinees could well describe the concept of 'Third party site for backup and recovery'. However some of them described the 'Alternate processing facility arrangement' such as Cold Site, Hot Site etc'. The performance was good in this sub-part.
- (e) In this sub – part, examinees were required to discuss 'Components of ERP model'. A fairly good number of them could discuss well and the overall performance was average.

## Paper – 7: Direct Tax Laws

### Question 1.

- (a) The common mistakes committed by examinees while answering this question are :
- (i) Claim of deduction under section 10AA or under section 35AD but not both, by stating that whichever is more beneficial to the assessee can be claimed but benefit cannot be claimed under both sections. *[This applies only if both the deductions have been claimed in respect of the same business. In this case, however, they have been claimed in respect of different businesses. Benefit of deduction under section 10AA has been claimed in respect of unit in SEZ engaged in production of washing machines and benefit of deduction under section 35AD has been claimed in respect of the specified business of setting up and operating a warehousing facility for storage of food grains. Hence, the assessee is eligible for benefit under section 10AA in respect of the profits of the unit in SEZ engaged in production of article or thing and also benefit under section 35AD in respect of the capital expenditure (other than cost of land) incurred by the specified business of setting up and operating a warehousing facility for storage of food grains]*
  - (ii) Provision of weighted deduction under section 35AD wrongly on the entire capital expenditure including cost of land of ₹10 lakhs.
  - (iii) Provision of deduction under section 35AD wrongly @ 100% or weighted deduction @ 200%, instead of applying the correct weightage of 150% on capital expenditure of ₹65 lakhs.
  - (iv) Non-deduction of depreciation simultaneously while adding back benefit under section 35AD for computing adjusted total income.
  - (v) Application of rate of 15% (applicable to plant and machinery) instead of 10% (applicable to

buildings), while calculating depreciation on capital expenditure of ₹65 lakhs.

- (b) This question requires the examinees to examine six specific tax issues arising out of demerger. Examinees failed to give proper reasons on the basis of the provisions of the Income-tax Act, 1961 justifying their answer for the issue raised in each sub-part. Many examinees were not able to correctly compute the capital gains in the hands of the shareholder on account of sale of shares of the resulting company, since they were not aware of the manner of computation of cost of acquisition of such shares. They were also not aware of the fact that indexation benefit was available, since the consequent capital gains was long-term on account of consideration of the period of holding of shares of the demerged company.

### Question 2.

Common mistakes committed by examinees while answering this question are –

- (i) Profit on sale of plot of land to 100% subsidiary wrongly treated as long-term capital gain, whereas the same would not constitute a transfer by virtue of section 47(iv).
- (ii) Provision of deduction under section 80CCD in respect of employer's contribution to new pension scheme (*which is actually allowable in the hands of the employee and not the employer*), instead of disallowance of contribution in excess of 10% of salary under section 40A(9).
- (iii) Disallowance of payment to transport contractor under section 40(a)(ia), though he has submitted his PAN. Some examinees have disallowed 100% payment while some others have disallowed 30%, though no disallowance is attracted since the payment is to a transport contractor who has submitted his PAN.
- (iv) Provision of weighted deduction@150% or 175% (*instead of 200%*) in respect of contribution to IIT for scientific research.
- (v) Treating additional compensation received from the State Government as capital gains of P.Y.2014-15, though the same is received in that year pursuant to an interim order of the Court.

### Question 3.

- (b) Very few examinees were aware of the provisions of section 278C in respect of offences committed by HUFs. Hence, the answers were generally vague and largely incorrect.
- (c) Most of the examinees were not aware of the provisions of section 271G and hence, could not answer this part of the question correctly. Some examinees have wrongly answered that penalty between 100% to 300% was leviable.

### Question 4.

There are five questions in this part based on interpretation of case laws and examinees were required to answer any four. Some examinees were not aware of the relevant judicial decisions and hence, were not able to answer these questions correctly. Even the examinees who were aware of the relevant judicial decisions seemed to be under the wrong impression that merely by giving the name of the parties involved in the judgments, they could secure sufficient marks for the sub-division. Examinees should take care to write the answer to such questions by identifying the issue involved, discussing the relevant provision of law, explaining the rationale of the relevant court ruling and applying the same to the case on hand and stating the proper conclusion, which would make their answer complete and help them score good marks. Mentioning the name of the parties involved would certainly add value to the answer but that alone is not sufficient to score good marks.

### Question 5.

- (a) Most of the examinees were not aware of the Supreme Court ruling laying down the principles which would serve as rules of guidance and act as a binding precedent in cases where notice of reassessment is issued. Resultantly, their answers were vague and based on surmises and conjectures.
- (b) Most of the examinees who attempted this sub-division gave the correct conclusion regarding taxability of interest and dividend in the hands of REIT/unit holders. However, they could not write proper reason for certain conclusions. For example, they only stated that dividend and interest received by the REIT from the SPV were exempt in the hands of REIT, but could not state the reason why the same were exempt (i.e., they could not spell out the provision of law on the basis of which REIT enjoys exemption of such interest and dividend). Some examinees were not aware of the rate at which tax has to be deducted by REIT on the interest component of income distributed to resident and non-resident unit holders.
- (c) Some examinees have wrongly stated that deduction under section 10AA could be claimed in respect of the amount of income by which the total income is enhanced on account of arm's length price adjustment.

### Question 6.

- (a) In this question on double taxation relief, involving computation of total income, many examinees erred in computation of income from house property. They have not provided for deduction of municipal taxes to arrive at the net annual value and thereafter, deduction @ 30% of net annual value under section 24. This indicates that

examinees at Final level tend to ignore the topic “Income from house property”.

Many examinees have also erred in computing doubly taxed income pertaining to country X and Y. While computing doubly taxed income pertaining to country X, they have failed to deduct ₹3 lakh, being deduction under section 80QQB from royalty income. Likewise, while computing doubly taxed income pertaining to country Y, they have failed to deduct ₹ 65,000, being business loss in country Y set-off against income from profession carried on in India.

Consequently, they could not arrive at the correct amount of deduction under section 91.

- (c) In respect of sub-part (ii), most of the examinees were not aware in the case of the HUF, partial partition will not be recognised and hence, there will be no tax saving in the hands of the HUF by effecting a partial partition. In respect of sub-part (iii), some examinees have wrongly stated that the income of the minor has to be included in the income of the HUF, instead of in the hands of the parent.

### Question 7.

- (a) Most of the examinees were not aware of the provisions of section 249(4) and hence, were not able to apply the provisions to answer this question.
- (b) Many examinees were not aware of the recent amendment by the Finance (No.2) Act, 2014 including section 234E in the list of sections in respect of which the CBDT is empowered to issue order for relaxation of the provisions of the Income-tax Act, 1961. Hence, they were not able to answer sub-part (iii) correctly.
- (c) Some of the examinees were not aware that they were first required to examine whether Smt. Vijaya has to deduct tax at source during the year in question, i.e., P.Y.2014-15. Some others have wrongly determined the requirement to deduct tax at source based on the turnover of the current previous year (i.e., P.Y.2014-15) rather than by considering the turnover of the immediately preceding previous year (i.e., P.Y.2013-14).
- (d) Many examinees were not aware of the provisions of section 245D(6B) requiring the Settlement Commission to amend any order passed by it under section 245D(4) to rectify a mistake apparent from the record within six months from the date of the order. Hence, they were not able to answer this sub-part correctly.

costs and job work charges. They did not exclude administration salary worth ₹18,000 from the in-house manpower costs. Examinees were not aware that cost of production for captive consumption had to be computed in accordance with CAS-4.

- (b) As per clause (iii) of first proviso to rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, insurance charges, when not ascertainable, have to be included @ 1.125% of FOB value of goods. However, majority of the examinees omitted to include such insurance charges while computing CIF value for customs purpose. They wrongly added design and development charges amounting to ₹2,500 in the FOB value computed by Customs officer. Most of them wrongly treated the commission payable to an agent in India as buying commission and did not include it in the assessable value.
- (c) A large number of examinees failed to correctly compute the amount payable on disposal of the equipment, if the equipment is removed otherwise than as waste and scrap. They missed to calculate the depreciation on capital goods separately for two years.

### Question 2.

- (b) (i) Most of the examinees failed to provide for the deduction of R&D cess from service tax payable. They missed to apply the provisions of reverse charge on the import of technology from England.
- (c) Some examinees wrongly concluded that the Mr. N (Importer) was eligible for refund despite having passed on the incidence of duty to the ultimate buyer. They were unaware of the principles of doctrine of unjust enrichment.

### Question 3.

- (b) (i) Examinees exhibited lack of in-depth preparation by failing to provide the relevant abatements in case of tour operator service and radio taxi service.
- (c) Most of the examinees wrongly concluded that Department was not justified in imposing penalty on the steamer agent. They exhibited poor understanding of the provisions of section 116 and section 148 of the Customs Act, 1962. The statutory obligations of steamer agent were not explained appropriately. Most of the examinees merely reproduced the question and did not provide any explanations in support of their conclusion.

### Question 4.

- (a) The main issue involved in the question, i.e.

## Paper – 8: Indirect Tax Laws

### Question 1.

- (a) Most of the examinees committed mistakes in calculating correct amount of in-house manpower

## EXAMINATION – FINAL ||

doctrine of estoppel was not suitably explained by many examinees.

- (b) (i) Though the examinees rightly concluded that the developer of SEZ was eligible for exemption, they were unsuccessful in clearly bringing out the relevant provisions.

### Question 6.

- (a) (i) The question was to be answered in the context of provisions relating to Settlement Commission. However, the examinees got confused and answered the question with reference to advance rulings provisions.
- (ii) Though the examinees rightly concluded that Settlement Commission could send a case back to the Central Excise Officer for re-adjudication, they failed to mention the circumstances under which the same could be done.
- (b) (i) Most of the examinees were ignorant of the threshold limits of turnover of taxable service for applying different rates of interest in case of delayed payment of service tax. The calculation of number of days was also found to be incorrect in large number of cases.

### Question 7.

- (a) (i) The question requires the examinees to write a short note on audit objection and audit para under the procedure of Excise Audit, 2000. However, examinees wrongly explained the circumstances under which audit can be conducted by the Department. ■

Note: **Intermediate (IPC) students may please visit the following link for Examiner Comments of both Groups:** [http://www.icai.org/post.html?post\\_id=10122](http://www.icai.org/post.html?post_id=10122)

## Form-IV (See Rule 8)

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Dated: March 26, 2016

Sd/-  
Signature of Publisher

## ANNOUNCEMENT

15<sup>th</sup> March 2016

### Extra questions attempted in CA examinations

It is seen that in CA examinations, sometimes, candidates answer more questions or sub parts of a question, than are required in terms of the instructions given in the question paper.

In this connection, it is hereby informed that candidates are required to answer the requisite number of questions as per instructions printed on each question paper. In case any candidate answers extra questions/sub questions over and above the required number, then the requisite number of questions first answered in the answer book shall be valued and subsequent questions answered extra will be ignored.

Candidates are requested to take note of the above.

**Examination Department**



The Institute of Chartered Accountants of India  
 [Set up by an Act of Parliament]  
 Post Box No.7112, 'ICAI BHAWAN', Indraprastha Marg  
 New Delhi – 110002

## TO BE PUBLISHED IN PART III SECTION 4 OF THE GAZETTE OF INDIA

### NOTIFICATION

14<sup>th</sup> March, 2016

No.13-CA(Exam)/M/2016/II: In partial modification of the Institute's Notification No. 13-CA(Exam)/M/2016 dated 19<sup>th</sup> January, 2016, it is notified for general information that in view of the General Election to the Legislative Assemblies of Kerala, Tamil Nadu and Puducherry, Group – II, Paper – 8, Indirect Tax Laws of Final Examination scheduled to be held on 16<sup>th</sup> May, 2016 at Alappuzha, Ernakulam, Kannur, Kollam, Kottayam, Kozhikode, Malappuram, Palakkad, Thiruvananthapuram and Thrissur centre(s) (In the State of Kerala), Chennai, Coimbatore, Erode, Kumbakonam, Madurai, Salem, Sivakasi, Tiruchirapalli, Tirunelveli, Tirupur, Tuticorin and Vellore centre(s) (In the State of Tamil Nadu) and Puducherry (Pondicherry) centre(s) stand postponed and the examination in the said paper shall now be held on 22<sup>nd</sup> May 2016 at the same venue and at the same timings i.e. 2.00 PM to 5.00 PM (IST). Admit Cards already issued would remain valid.

However, it is clarified that the schedule of examinations notified vide Notification No.13-CA(Exam)/M/2016 dated 19<sup>th</sup> January 2016 in respect of all other cities shall remain unchanged.

(V. Sagar)  
 Secretary



The Institute of Chartered Accountants of India  
 [Set up by an Act of Parliament]  
 Post Box No.7112, 'ICAI BHAWAN', Indraprastha Marg  
 New Delhi – 110002

## TO BE PUBLISHED IN PART III SECTION 4 OF THE GAZETTE OF INDIA

### NOTIFICATION

15<sup>th</sup> March, 2016

**N**o.13-CA (EXAM)/CPT/JUNE/2016: In pursuance of Regulation 22 of the Chartered Accountants Regulations, 1988, the Council of the Institute of Chartered Accountants of India is pleased to notify that the **Common Proficiency Test** will be held on **Sunday, 19<sup>th</sup> June, 2016** in two sessions as below, at the following centres provided that sufficient number of candidates offer themselves to appear from each centre.

per provisions of Regulation 25 D (3) of the Chartered Accountants Regulations, 1988.]

<b>First Session (i.e. Morning Session)</b>	<b>10.30 AM to 12.30 PM (IST)</b> Section - A Fundamentals of Accounting Section - B Mercantile Laws
<b>Second Session (i.e. Afternoon Session)</b>	<b>2.00 PM to 4.00 PM (IST)</b> Section - C General Economics Section - D Quantitative Aptitude

[This Common Proficiency Test will be conducted as

# EXAMINATION ||

## PLACES OF EXAMINATION CENTRES IN INDIA:

1	AGRA	2	AHMEDABAD	3	AHMEDNAGAR	4	AJMER
5	AKOLA	6	ALAPPUZHA	7	ALIGARH	8	ALLAHABAD
9	ALWAR	10	AMBALA	11	AMRAVATI	12	AMRITSAR
13	ANAND	14	ANANTAPUR	15	ASANSOL	16	AURANGABAD
17	BAREILLY	18	BATHINDA	19	BEAWAR	20	BELGAUM
21	BELLARY	22	BENGALURU	23	BERHAMPORE	24	BHAGALPUR
25	BHARATPUR	26	BHARUCH	27	BHAVNAGAR	28	BHILWARA
29	BHIWANI	30	BHOPAL	31	BHUBANESWAR	32	BHUJ
33	BIKANER	34	BILASPUR	35	CHANDIGARH	36	CHENNAI
37	CHITTORGARH	38	COIMBATORE	39	CUTTACK	40	DEHRADUN
41	DELHI / NEW DELHI	42	DHANBAD	43	DHULE	44	DUNDLOD
45	DURG	46	DURGAPUR	47	ERNAKULAM	48	ERODE
49	FARIDABAD	50	FATEHABAD	51	GANDHIDHAM	52	GANDHINAGAR
53	GHAZIABAD	54	GORAKHPUR	55	GUNTUR	56	GURGAON
57	GUWAHATI	58	GWALIOR	59	HISAR	60	HUBLI
61	HYDERABAD	62	INDORE	63	JABALPUR	64	JAIPUR
65	JALANDHAR	66	JALGAON	67	JAMMU	68	JAMNAGAR
69	JAMSHEDPUR	70	JHANSI	71	JHUNJHUNU	72	JODHPUR
73	KAITHAL	74	KAKINADA	75	KANNUR	76	KANPUR
77	KARIMNAGAR	78	KARNAL	79	KISHANGARH	80	KOLHAPUR
81	KOLKATA	82	KOLLAM	83	KOTA	84	KOTTAYAM
85	KOZHIKODE	86	KUMBAKONAM	87	KURNOOL	88	LATUR
89	LUCKNOW	90	LUDHIANA	91	MADURAI	92	MALAPPURAM
93	MANGALORE	94	MAPUSA (GOA)	95	MARGAO (GOA)	96	MATHURA
97	MEERUT	98	MORADABAD	99	MUMBAI	100	MUZAFFARNAGAR
101	MYSORE	102	NAGPUR	103	NANDED	104	NASHIK
105	NAVI MUMBAI	106	NAVSARI	107	NEEMUCH	108	NELLORE
109	NOIDA	110	ONGOLE	111	PALAKKAD	112	PALI MARWAR
113	PANIPAT	114	PANVEL	115	PATIALA	116	PATNA
117	PIMPRI-CHINCHWAD	118	PONDICHERRY	119	PUNE	120	RAIPUR
121	RAJAMAHENDRAVARAM	122	RAJKOT	123	RANCHI	124	RATLAM
125	REWARI	126	ROHTAK	127	ROURKELA	128	SAHARANPUR
129	SALEM	130	SAMBALPUR	131	SANGLI	132	SANGRUR
133	SATARA	134	SATNA	135	SHIMLA	136	SHIMOGA
137	SIKAR	138	SILIGURI	139	SIRSA	140	SIVAKASI
141	SOLAPUR	142	SONEPAT	143	SRI GANGANAGAR	144	SRINAGAR
145	SURAT	146	SURENDRANAGAR	147	THANE	148	THIRUVANANTHAPURAM
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161	VARANASI	162	VASAI	163	VELLORE	164	VIJAYAWADA
165	VISAKHAPATNAM	166	WARANGAL	167	YAMUNA NAGAR		

## PLACES OF EXAMINATION CENTRES OVERSEAS:

- 1) Abu Dhabi 2) Dubai 3) Kathmandu

The Council reserves the right to withdraw any centre at any stage without assigning any reason.

Applications for admission to Common Proficiency Test is required to be made in the relevant prescribed form as contained in the Information Brochure, which may be obtained from the **Deputy Secretary (Examinations)**, The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi – 110002 on payment of ₹1500/- (₹500/- towards examination fee and ₹1000/- towards cost of application form and Information brochure) per application form. The fee for candidates opting for Abu Dhabi and Dubai, centres will be US \$170 (US \$ 150 towards examination fee and US \$ 20 towards cost of application form and information brochure) or its equivalent Indian Currency. The fee for the candidates opting for Kathmandu centre are required to remit INR.1850/- (INR 850/- towards examination fee and INR 1000/- towards the cost of application form and information brochure) or its equivalent foreign Currency. Since the cost of Information brochure containing Common Proficiency Test application form includes the examination fee, no separate fee is required to be remitted at the time of submitting the filled in application form. The Information brochure containing Common Proficiency Test application form will also be available in the Regional and Branch Offices of the Institute and can be obtained there from on cash payment on or from **5<sup>th</sup> April, 2016**.

Common Proficiency Test application forms duly filled in may be sent so as to reach the **Deputy Secretary**

(Examinations) at New Delhi not later than **26<sup>th</sup> April, 2016**. Applications received after **26<sup>th</sup> April, 2016** shall not be entertained under any circumstances. Applications duly filled in will be received by hand delivery at the office of Institute at New Delhi and at the Decentralised Offices of the Institute at Mumbai, Chennai, Kolkata, Kanpur, Delhi, Ahmedabad, Bengaluru, Ernakulam, Hyderabad, Indore, Jaipur, Nagpur, Pune, Surat, Thane and Vadodara upto **26<sup>th</sup> April, 2016**. Candidates residing in these cities are advised to take advantage of this facility. **It may be noted that there is no provision for acceptance of application forms after 26<sup>th</sup> April, 2016 with late fee.**

The candidates who fill up the examination application form **online** at <http://icaexam.icaai.org> from **5<sup>th</sup> April, 2016 (10.00 hrs) to 26<sup>th</sup> April, 2016 (17.30 hrs)** and remit the fee online by using either VISA or MASTER Credit / Debit Card **shall not be charged ₹1000/-** (i.e. cost of application form fee).

**The aforesaid Common Proficiency Test (CPT) is open only to students registered with the Institute of Chartered Accountants of India for the Common Proficiency Course on or before 1<sup>st</sup> April, 2016 and fulfill the requisite eligibility conditions.**

### Question Paper Booklet Language:

Common Proficiency Test is an objective type multiple choice questions based examination. Candidates will be allowed to opt for Hindi medium Question Paper Booklet for answering the questions. Detailed information will be found given in the Information brochure. ■

(V. Sagar)  
Secretary

## CORRIGENDUM

### Final Course

#### 1. Study Material, Module-1 (Central Excise) of Paper 8: Indirect Tax Laws [November, 2015 Edition relevant for May, 2016 and November, 2016 Examinations] – Printed copy

In point 1(b) under heading 4.23 "Rule 15-confiscation and Penalty" at page no. 4.45 of Chapter -4, the words "such person, shall be.....service tax on such services." be replaced with the following:

*"such person shall be liable to penalty in terms of clause (a) or clause (b) of section 11AC(1) of the Central Excise Act, 1944 or section 76(1) of the Finance Act, 1994 as the case may be."*

#### 2. Practice Material of Paper 8: Indirect Tax Laws [December, 2015 Edition relevant for May, 2016 and November, 2016 Examinations] – Printed copy

In Question 5(i) at page no. 7.5 of Chapter -7 of Section B: Service Tax, the words "of ₹60 lakh" be shifted to the end of the sentence after the words "service tax"

#### 3. Supplementary Study Paper-2015 [July, 2015 Edition relevant for May, 2016 and November, 2016 Examinations] – Printed copy

In point (xii) at pg. no. 207 of Chapter -4: CENVAT Credit:

(i) in the 4<sup>th</sup> para, the words "Thus, wrongful availment/ utilization of.....on such services." be replaced with the following:

*"Thus, wrongful availment/ utilization of CENVAT credit on inputs, capital goods or input services by any person will now be liable to penalty in terms of clause (a) or clause (b) of section 11AC(1) or section 76(1) as the case may be."*

(ii) in the 5<sup>th</sup> para, the words "section 11AC(1).....case may be." be replaced with the following:

*"section 11AC(1) in case of a manufacturer and section 78(1) in case of a output service provider."*

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## ANNOUNCEMENT

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#### Online Mentoring Schedule

Date	Course	Paper	Topic	Faculty	Time
Apr 5	Final	Paper-3 Advanced Auditing and Professional Ethics	Professional Ethics (Contd.)	CA. Karuna Bhansali and CA. Rajeev Sachdeva	11 am - 1 pm
Apr 5	Final	Paper-1 Financial Reporting	Chapter 2 : Major differences between existing AS and Ind AS (Contd.)	CA. Seema Gupta and CA. Shilpa Agrawal	3 pm - 5 pm
Apr 6	Final	Paper-8 Indirect Tax Laws	General Queries	CA. Smita Mishra and CA. Shefali Jain	3 pm - 5 pm
Apr 7	Final	Paper-1 Financial Reporting	Chapter 2 : Major differences between existing AS and Ind AS (Contd.)	CA. Seema Gupta and CA. Shilpa Agrawal	3 pm - 5 pm
Apr 8	IIPC	Paper-4 Part-II Indirect Taxes	Recent Developments and General Queries	CA. Smita Mishra and CA. Shefali Jain	3 pm - 5 pm
Apr 11	Final	Paper-3 Advanced Auditing and Professional Ethics	General Queries	CA. Karuna Bhansali and CA. Rajeev Sachdeva	3 pm - 5 pm
Apr 12	IIPC	Paper-6 Auditing and Assurance	General Queries	CA. Karuna Bhansali and CA. Rajeev Sachdeva	3 pm - 5 pm
Apr 13	IIPC	Paper-4 Part-I Income Tax	Recent Developments and General Queries	CA. Priya Subramanian and CA. Aparna Chauhan	3 pm - 5 pm

Date	Course	Paper	Topic	Faculty	Time
Apr 18	IIPC	Paper-3 Part-I Cost Accounting	General Queries	Dr. N.N. Sengupta and CA. Sanjit Sharma	3 pm - 5 pm
Apr 21	IIPC	Paper-2 Business Laws, Ethics and Communication	Recent Amendments and General Queries	Ms. Nisha Gupta and Ms. Megha Goel	3 pm - 5 pm
Apr 22	Final	Paper-7 Direct Tax Laws	Recent Developments and General Queries	CA. Priya Subramanian and CA. Aparna Chauhan	11 am - 1 pm
Apr 22	IIPC	Paper-7A Information Technology	General Queries	Ms. Sukriti Arora	3 pm - 5 pm
Apr 25	Final	Paper-1 Financial Reporting	General Queries	CA. Seema Gupta and CA. Shilpa Agrawal	3 pm - 5 pm
Apr 26	IIPC	Paper-3 Part-II Financial Management	General Queries	Dr. N.N. Sengupta and CA. Sanjit Sharma	3 pm - 5 pm
Apr 27	Final	Paper-2 Strategic Financial Management	General Queries	CA. Ashish Gupta	3 pm - 5 pm
Apr 28	Final	Paper-5 Advanced Management Accounting	General Queries	Dr. N.N. Sengupta and CA. Deepak Gupta	11 am - 1 pm
Apr 28	IIPC	Paper-1 Accounting and Paper-5 Advanced Accounting	General Queries	CA. Seema Gupta and CA. Shilpa Agrawal	3 pm - 5 pm
Apr 29	Final	Paper-6 Information Systems Control and Audit	Full Course through Case Studies in past examinations	Ms. Sukriti Arora	11 am - 1 pm
Apr 29	Final	Paper-4 Corporate and Allied Laws	Recent Amendments and General Queries	Ms. Nisha Gupta and Ms. Megha Goel	3 pm - 5 pm

Students are advised to register for Online Mentoring Sessions on the ICAI Cloud Campus and provide specific questions/queries that they need to be discussed at least 48 working hours before the session. Links to access the aforementioned Online Mentoring Sessions are also available on the <http://cloudcampus.icai.org> under Online Mentoring.

**Director  
Board of Studies**

## ANNOUNCEMENT

Four Weeks Residential Programme on Professional Skills Development organised by Board of Studies at Centre of Excellence, (CoE), Hyderabad

**The Board of Studies is pleased to announce the next two batches of ICAI Four Weeks Residential Programme as below:**

Venue	Participant	Fees	Date	Links for Registration
Centre of Excellence (CoE), Hyderabad	Men	₹40,000/-	23 <sup>rd</sup> May, 2016 to 19 <sup>th</sup> June, 2016.	<a href="http://220.227.161.86/36975bos26354main.pdf">http://220.227.161.86/36975bos26354main.pdf</a>
Centre of Excellence (CoE), Hyderabad	Women	₹40,000/-	27 <sup>th</sup> June, 2016 to 24 <sup>th</sup> July, 2016	<a href="http://220.227.161.86/36975bos26354main.pdf">http://220.227.161.86/36975bos26354main.pdf</a>

The programme aims to help the Chartered Accountancy students and newly qualified Chartered Accountants in imbibing the professional skills required for effective functioning in business organisations and the profession. The Programme environment focuses on development of communication skills, personal qualities, interpersonal and teamwork skills, problem solving skills and leadership skills.

**Salient Features of the Programme:**

- o Emphasis on Soft Skills, Communication Skills and Personality Development.
- o Exemption from payment of Fees to Top 10 Rank holders.
- o Part of Articleship Training.
- o No need for Separate GMCS/GMCS II
- o Special Session on Group Discussion & Interview.
- o Preparation of Project and Presentation Skills.
- o Building Team Spirit.

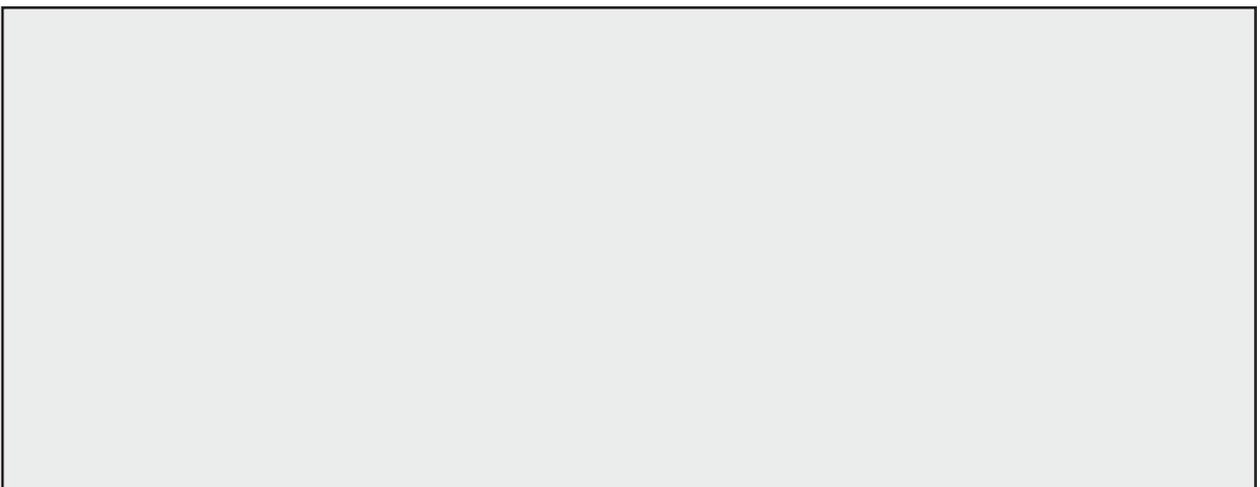
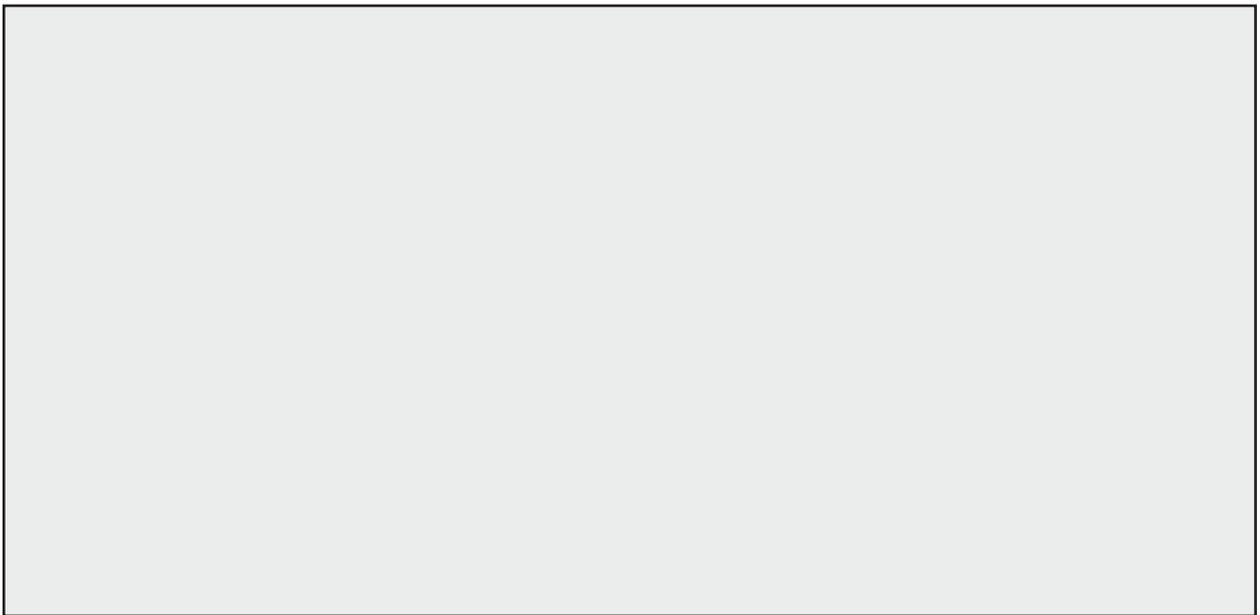
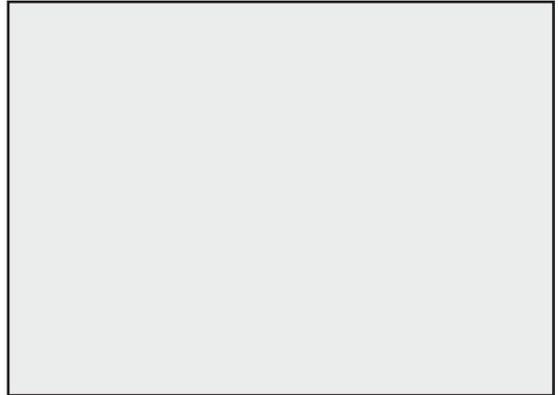
Students who have passed Chartered Accountancy IPCC/ PCC/ PE- II examination and pursuing last year of article training or completed Articleship training are invited to join the course for this batch. Recently qualified Chartered Accountants are also welcome to join the course.

For online registration, further details visit the Board of Studies Announcements under the Students Icon on the Home Page of ICAI website [www.icai.org](http://www.icai.org).

For upcoming batches, please regularly visit [www.icai.org](http://www.icai.org) or refer to the Chartered Accountant Student Journal. For any query, you can also call at 0120-3045935/919.

**Director, Board of Studies**





## ANNOUNCEMENT

### Articles invited for Students' Journal

Articles are invited from Students, members, academicians and others for inclusion in the upcoming issues of the Students' Journal.

The articles based on CA curriculum should be received at the Board of Studies latest by 10<sup>th</sup> of the preceding month in which the article is to be published. The article should comprise 1600 to 2200 words only. The authors are advised to enclose the following along with the articles:-

1. A formal & signed undertaking in the form of a letter stating that the article is original in all respects and does not infringe any copyright and has not been published elsewhere or has been sent for publication.
2. A latest passport size colour photograph (with full name and registration number written on the back).
3. A soft copy of the article with complete communication and E-mail address. Articles received without the details / enclosures specified above will not be considered.

An honorarium of ₹2500/- will be paid if the article is published. All correspondence in this regard should be made to The Director, Board of Studies, ICAI Bhawan A-29, Sector-62, Noida - 201 309 with the full name, complete address and the membership/ registration number if applicable.

**Director,  
Board of Studies**

If undelivered, please return to: The  
Institute of Chartered Accountants of  
India, ICAI Bhawan, Indraprastha Marg,  
New Delhi-110104