

REVISION TEST PAPER, MAY, 2013 – OBJECTIVE & APPROACH

(Students are advised to go through the following paragraphs carefully to derive maximum benefit out of this RTP)

I Objective of Revision Test Paper

Revision Test Papers are one among the many educational inputs provided by the Board of Studies (BOS) to its students. Popularly referred to as RTP by the students, it is one of the very old publications of the BOS whose significance and relevance from the examination perspective has stood the test of time.

RTPs provide glimpses of not only the desirable ways in which examination questions are to be answered but also of the professional quality and standard of the answers expected of students in the examination. Further, aspirants can assess their level of preparation for the examination by answering various questions given in the RTP and can also update themselves with the latest developments in the various subjects relevant from the examination point of view.

The primary objectives of the RTP are:

- To help students get an insight of their preparedness for the forthcoming examination;
- To provide an opportunity for a student to find all the latest developments relevant for the forthcoming examination at one place;
- To supplement earlier studies;
- To enhance the confidence level of the students adequately; and
- To leverage the preparation of the students by giving guidance on how to approach the examinations.

RTPs contain the following:

- (i) Planning and preparing for examination
- (ii) Subject-wise guidance – An overview
- (iii) Updates applicable for a particular exam in the relevant subjects
- (iv) Topic-wise questions and detailed answers thereof in respect of each paper
- (v) Relevant publications/announcement applicable for the particular examination

Students must bear in mind that the RTP contains a variety of questions based on different sections of the syllabi and thus a comprehensive study of the entire syllabus is a pre-requisite before answering the questions of the RTP. In other words, in order to derive maximum benefit out of the RTPs, it is advised that before proceeding to solve the

questions given in the RTP, students ought to have thoroughly read the Study Materials, solved the questions given in the Practice Manual and gone through the Suggested Answers of the earlier examinations. It is important to remember that there can be large number of other complex questions which are not covered in the RTP. In fact, questions contained herein are only illustrative in nature.

The topics on which the questions are set herein have been carefully selected and meticulous attention has been paid in framing different types of questions. Detailed answers are provided to enable the students to do a self-assessment and have a focused approach for effective preparation.

Students are welcome to send their suggestions for fine tuning the RTP to the Director, Board of Studies, The Institute of Chartered Accountants of India, A-29, Sector-62, Noida 201 309 (Uttar Pradesh). RTP is also available on the Institute's website www.icai.org under the BOS knowledge portal in students section for downloading.

II. Planning and preparing for examination

Ideally, when you receive the RTP, you should have completed the entire syllabus of all the subjects at least once. RTP is an effective tool to revise and refresh your concepts and knowledge gained through the first round of study of the whole course. When the RTP reaches your hand, your study plan should have been completed as under:

❖ *Study Materials*

You must have finished reading the relevant Study Materials of all the subjects. The Study Materials relevant in each paper are announced well in advance by the BOS through Students Journal and Institute's website. Make sure you go through the Study Material as they cover the syllabus comprehensively.

❖ *Other Educational Inputs*

In case of papers on Taxation, you must have carefully perused the Supplementary Study paper containing the latest amendments made through the relevant Finance Act and notifications and circulars issued from time to time which are applicable for the forthcoming examinations.

❖ *Practice Manuals*

Practice Manuals are an excellent medium of understanding the practical aspects of the various provisions learnt through the Study Materials. Solving the Practice Manual at least once before proceeding to the RTP will ensure that you have a grasp of the application and computational aspect of the syllabus as well.

❖ *Suggested Answers*

Giving an honest attempt to solve the previous attempts suggested answers on your own, will give you a flavour of the pattern of question paper and type of questions which are being asked in the examination.

After completing the above process, you should go through the Updates provided in the RTP and then proceed to solve the questions given in the RTP on your own. RTPs are provided to you to check your preparation standards and hence it must be solved on your own in a time-bound manner.

The stratagem and the fine points requiring careful consideration in respect of preparation for the CA examinations are explained in comprehensive details in BOS' publication "How to face CA Examinations? A Matrix of Winning Strategies". The publication may be referred to when you start preparing for a subject.

Examination tips

How well a student fares in the examination depends upon the level and depth of his preparation. However, there are certain important points which can help a student better his performance in the examination. These useful tips are given below:

- Reach the examination hall well in time.
- As soon as you get the question paper, read it carefully and thoroughly. You are given separate 15 minutes for reading the question paper.
- Plan your time so that appropriate time is awarded for each question. Keep sometime for checking the paper as well.
- First impression is the last impression. The question which you can answer in the best manner should be attempted first.
- Always attempt to do all questions. Therefore, it is important that you must finish each question within allocated time.
- Read the question carefully more than once before starting the answer to understand very clearly as to what is required.
- Answer all parts of a question one after the other; do not answer different parts of the same question at different places.
- Write in a neat and legible hand-writing.
- Always be concise and write to the point and do not try to fill pages unnecessarily.
- There must be logical expression of the answer.
- In case a question is not clear, you may state your assumptions and then answer the question.

- Check your answers carefully and underline important points before leaving the examination hall.

III. Subject-wise Guidance – An Overview

PAPER – 1 : ACCOUNTING

The Revisionary Test Paper (RTP) of Accounting is divided into two parts viz Part I - Relevant Notifications for May, 2013 examination and Part II –Questions and Answers.

Part I of the Revisionary Test consists of the relevant Notification & information applicable and not applicable for May, 2013 examination. The purpose of this information in the RTP is to apprise the students with the latest developments applicable for May, 2013 examination. The brief summary of the same has been given as under:

A. Applicable for May, 2013 examination:

Schedule VI revised by the Ministry of Corporate Affairs.

B. Not applicable for May, 2013 examination:

Ind ASs issued by the Ministry of Corporate Affairs.

Part II of the Revisionary Test Paper consists of twenty questions together with their answers. First sixteen questions are based on different topics discussed in the study material. The questions in the RTP have been arranged in the same sequence as prescribed in the syllabus to facilitate easy revision by the students. Last 4 questions of this RTP are based on Accounting Standards containing two sub-parts each. For easy reference the topic / accounting standard name & number on which the question is based has been quoted at the top of each question. The details of topics, on which questions in the RTP are based, are as under:

Question No.	Topic
1	Financial Statements of Companies
2	Cash Flow Statements
3	Managerial Remuneration
4	Accounting for Bonus Issue
5	Profit or Loss Prior to Incorporation
6	Internal Reconstruction of a Company
7	Amalgamation of Companies
8(a)	Average Due Date
8(b)	Account Current

9	Self – Balancing Ledgers
10	Financial Statements of Not-For-Profit Organisations
11	Accounts from Incomplete Records
12	Hire -Purchase
13	Investment Accounts
14	Insurance Claim for Loss of Profit
15	Partnership: Admission and Retirement of a partner
16	Accounting in Computerized Environment
17 to 20 (total 8 sub- questions)	Accounting Standards

Answers to the questions have been given in detail along with the working notes for easy understanding and comprehending the steps in solving the problems. The answers to the questions have been presented in the manner which is expected from the students in the examination. The students are expected to solve the questions under examination conditions and then compare their solutions with the solutions given in the Revisionary Test Paper and further strategize their preparation for scoring more marks in the examination.

PAPER – 2 : BUSINESS LAWS, ETHICS & COMMUNICATION

In the paper of Business Laws, Ethics and Communication the level of knowledge required for the subject is 'working knowledge' and the objective is to gain knowledge of those branches of laws relating to business transactions, certain corporate bodies and related matters and their application to practical commercial situations, students need to prepare on these lines. For this, they have to focus their study based on the major legal provisions, case laws, if any, and understand their practical implications. Besides, students should also give importance to the terms/definitions for proper conceptualization of the answers. Also, Language is of course an important point of concern and advice for the students. This problem among many of the candidates can be overwhelm by way of writing practice and also undertaking self-examination by going through Revisionary Test Papers (RTP).

RTP gives an idea to the student attempting law paper to give the answer of any practical oriented questions by pinpointing the legal points or issues involved in any statement, problem or situation given in the question, explaining the relevant legal provisions clearly, correlating the legal provisions to the given statement or problem or situation and cite the relevant case law in support of their reasoning for reflecting on the quality of the answer. For the theoretical question, the answer should be laid down by highlighting the main points with brief description particularly in Ethics and Communication part.

RTP of Business laws, Ethics and Communication is divided into two parts:

Part I: Relevant amendments applicable for May, 2013

Part II: Topic wise questions with detailed answers

Part I of the RTP includes the Circular/Notifications/Regulations which are applicable for May, 2013 Examinations.

Students can also, if possible, access to Internet at several websites for the latest updates, amendments in the related Acts, and for other relevant information. Some of the major websites are

- ICAI: Institute's website - www.icaai.org which provides useful information and also useful link to other Government websites.
- Reserve Bank of India: www.rbi.org.in (for Negotiable Instruments Act,1881)
- Ministry of Labour and Employment: www.labour.nic.in (Matters relating to Labour Laws i.e., The Payment of Bonus Act, 1965, the Employees' Provident Funds and Miscellaneous Provisions Act,1952, the Payment of Gratuity Act,1972)
- Ministry of Corporate Affairs: www.mca.gov.in (for matters relating to Company Law).

Part II of the RTP constitutes of 25 Questions broadly categorised into three sections I, II and III falling under the headings Business laws covering 15 questions, Ethics covering 5 questions and Communication covering 5 questions with their detailed answers . RTP contains various types of questions such as Multiple choices, correct or incorrect statement, and the descriptive types. The questions here are arranged in the same sequence as prescribed in the Study Module to smooth the progress of the student by easy revision. The topics amongst which these questions falls, are as follows:

QUESTION NO.	TOPIC
1(a), 1(b)	The Indian Contract Act,1872
2(a), 2(b)	The Indian Contract Act,1872
3(I), 3(II)	The Negotiable Instruments Act,1881
4(a), 4(b)	The Negotiable Instruments Act,1881
5(a), 5(b)	The Payment of Bonus Act,1965
6(a), 6(b)	The Employees' Provident Funds & Miscellaneous Provisions Act,1952
7(a), 7(b)	The Payment of Gratuity Act,1972
8 - 15	The Companies Act,1956
16 - 20	Ethics
21 - 25	Communication

Guidance on the citation of the Case Laws and Section

Students may kindly note that in view of various Acts covered under Business Laws, you may find it difficult to remember various sections of the law and related case laws on the matter. Case laws and citing of the Sections reflects on the quality of your preparation for the examination and making yourself set to become a perfect professional. The answers that are reflected here have reference to sections and case laws wherever applicable. It may kindly be noted that these are given for the knowledge sake and to mainly inculcate such an habit and however at this level it may not affect on the scoring of the marks.

PAPER – 3: COST ACCOUNTING AND FINANCIAL MANAGEMENT

The Revision Test Paper (RTP) of Cost Accounting and Financial Management comprises of twenty questions – ten questions each from Cost Accounting part and Financial Management part – for full coverage of the syllabus. Theoretical questions alongwith practical problems have also been incorporated so that you are able to give equal emphasis to the theoretical portion of the syllabus as well. Since this paper's inclination is more towards practically-oriented questions which involve mathematical calculations, therefore, it is very important that you have thoroughly studied the theoretical aspects of the subject and are also clear about the concepts and logic behind the mathematical workings and formulae.

A summary of the questions both theoretical and computational has been given for reference:

Part I : Cost Accounting

Qs No.	Topic	About the Problem
1.	Material	Computation of value of closing stock. Calculation of Cost of goods sold.
2.	Labour	Calculation of effective wage rate
3.	Overheads	Calculation of machine hour rate.
4.	Non-Integrated Accounts	Required to calculate the material purchased, cost of goods sold, overhead applied etc.
5.	Contract Costing	Calculation of profit to be transferred in profit & loss account.
6.	Process Costing	Preparation of process account, normal loss account and abnormal loss/ yield account.
7.	Standard Costing	Calculation of Material usage, yield, usage, price and cost variances.
8.	Marginal Costing	Calculation of sales, profit and capacity sales.

9.	Budgeting	Preparation of flexible budget.
10. (i)	Basic Concepts	Definition of cost centre and cost unit.
10(ii)	Basic Concepts	Distinction between variable cost and direct cost.
10(iii)	Method of costing (I)	Definition and purposes of product costing.
10(iv)	Method of Costing (II)	Methods of valuing WIP.

Part II: Financial Management

Qs. No.	Topic	About the Problem
1.(a)	Financial Analysis and Planning	Theoretical question quizzing your understanding about financial ratios.
(b)	Financial Analysis and Planning	Theoretical question quizzing your understanding about financial ratios.
(c)	Types of Financing	Theoretical question on cost associated with equity capital.
(d)	Types of Financing	Theoretical question quizzing your understanding about leases.
(e)	Types of Financing	Theoretical question quizzing your understanding about Certificates of Deposits.
2.	Working Capital Management	Computational problem requiring you to compute the Net operating cycle period; Number of operating cycles in the year and amount of Working Capital required.
3.	Investment Decisions	Decision making problem to assess your understanding of the different tools and techniques of capital budgeting.
4.	Financing Decisions	Computational problem to evaluate the operating, financial and combined leverages under different situations and financial plans.
5.	Financing Decisions	Computational problem to evaluate the cost of different components of capital structure leading to the determination of weighted average cost of capital both by book value and market value proportions.
6.	Financial Analysis and Planning	Computational problem requiring you to prepare the cash flow statement of a company.

7.	Investment Decisions	Decision making problem to appraise the investment proposal of a company by using the tools and techniques of capital budgeting.
8.	Financial Analysis and Planning	Computational problem based on ratio analysis requiring you to determine the operating expenses for the year and preparation of projected balance sheet of a company.
9.	Working Capital Management	Computational problem requiring you to analyse the different credit policies of a company and determining the most paying credit policy for the company.
10.(a)	Types of Financing	Theoretical question to assess your understanding about the sources of finance.
(b)	Scope and Objectives of Financial Management	Theoretical question quizzing your understanding about the different decisions made in financial management.
(c)	Financing Decisions	Theoretical question to assess your understanding about the different kinds of leverages.

While drafting the questions, appropriate care has been taken to ensure that there is minimum scope for assumptions and ambiguity. As far as possible, answers are detailed and exhaustive. In case of practical problems, detailed working notes have also been provided.

Since the RTP provides you with theoretical and practical problems alongwith solutions on each topic for independent practice, you should first attempt the questions on your own and then compare it with the actual answers. This RTP is a mix of short answer type and long answer type questions as well as computational problems. It will provide you an opportunity to test and analyse your understanding and conceptual clarity of the subject.

PAPER – 4: TAXATION

The syllabus of Paper 4: Taxation is divided into two parts:

- (A) Income-tax (50 marks)
- (B) Service-tax (25 marks) and VAT (25 marks)

For the students appearing in May, 2013 examination, the amendments made by the notifications, circulars and other legislations up to 31.10.2012 are relevant. The Study Material of Paper 4: Taxation, relevant for May, 2013 examination, is divided into three Volumes. Volume I and II is the Study Material and Practice Manual, respectively, for Part I: Income tax. Study Material and Practice Manual of Part-II: Service tax & VAT are contained in Volume III.

The Study Material (Volume I) and Practice Manual (Volume II) of Part I: Income-tax is based on the provisions of law as amended by the Finance Act, 2012 and applicable for A.Y.2013-14 and notifications and circulars issued by the CBDT up to 30.6.2012. Part II: Service tax & VAT (Volume III) is based on the provisions of law as amended by the Finance Act, 2012 and notifications and circulars issued by the CBEC up to 30.6.2012. In view of the far-reaching changes effected with the introduction of negative list approach of taxation in service tax, Volume III has been completely revamped.

In case you have the earlier edition of the Study Material (as amended by the Finance Act, 2011 and applicable for A.Y.2012-13), the same should be read along with the Supplementary Study Paper-2012, which explains the amendments made by the Finance Act, 2012 in income-tax and service tax and significant notifications and circulars in income-tax issued by the CBDT between 1.5.2011 and 30.4.2012. The significant notifications and circulars in service tax issued by the CBEC between 1.5.2011 and 30.6.2012 are hosted at the BOS Knowledge Portal on the Institute's website www.icai.org.

This RTP has been prepared with the twin objective of –

- (1) updating you on the latest developments on the statutory front.
- (2) helping you to self-assess the effectiveness of your study and revision by solving the questions given in Part II independently and comparing the same with the answers given.

The RTP for Paper 4: Taxation has been divided into two parts:

Part I Statutory Updates:

- A. Significant notifications and circulars issued between 1.5.2012 and 31.10.2012 in Income-tax
- B. Significant clarifications issued between 1.7.2012 and 31.10.2012 in Service tax

Part II Questions and Answers – A Self-assessment test

Students should have thoroughly read the Study Material, Practice Manual and Part-I of the RTP before attempting the questions contained in Part-II of the RTP. A word of advice - keep the Bare Acts of the relevant statutes by your side when you read the Study Material and Practice Manual.

Part I – Statutory Updates:**A. INCOME-TAX****Significant notifications and circulars issued between 1.5.2012 and 31.10.2012**

A brief summary of the significant legislative developments by way of notifications and circulars issued by CBDT between 1.5.2012 to 31.10.2012 is tabulated hereunder -

Notification No.	Date	Subject Matter
38/2012	17.09.2012	Notification of Cost Inflation Index for F.Y.2012-13
40/2012	20.09.2012	Investment in debt instruments issued by any infrastructure finance company registered with the Reserve Bank of India is an approved investment under section 11(5)
Circular No.	Date	Subject Matter
5/2012	1.8.2012	Inadmissibility of expenses incurred in providing freebies to medical practitioner by pharmaceutical and allied health sector industry
9/2012	17.10.2012	Deduction of tax at source on payment of gas transportation charges by the purchaser of natural gas to the seller of gas

B. SERVICE TAX AND VAT**Significant clarifications issued between 1.7.2012 and 31.10.2012**

A brief summary of the circulars issued by the CBEC between 1.7.2012 to 31.10.2012 is given below:-

SERVICE TAX

S. No	Circular No.	Clarification
1.	163/14/2012 ST dated 10.07.2012	Service tax is not leviable on remittances from abroad
2.	162/13/2012 ST dated 06.07.2012	Clarification on point of taxation and the applicable rate for continuous supply of services at the time of change in rates effective from 01.04.2012
3.	164/15/2012 ST dated	No service tax is leviable on vocational

	28.08.2012	education course if offered by the Central/ State Government/Local Authority
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Part II – Questions & Answers: A Self-assessment Test

Questions in Part-II comprise of questions on Income-tax as well as Service-tax and VAT as per the prescribed syllabus.

- (i) Income-tax (12 questions)
- (ii) Service-tax (5 questions) & VAT (5 questions)

The questions have been framed to test your knowledge and understanding of the provisions of income-tax, service-tax and VAT laws, particularly your ability to solve simple computational problems and knowledge of recent amendments.

Questions on legislative developments

Part I: Income-tax

The questions framed in this RTP in respect of topics like, "Income which do not form part of total income", "Profits and gains of business or profession", "Income from other sources", "Computation of total income and tax liability of an individual", "Provisions concerning tax deducted at source" and "Provisions for filing return of income" attempt, *inter alia*, to test your awareness of the recent legislative amendments made by the Finance Act, 2012 and recent circulars and notifications issued by CBDT.

Part II: Service tax & VAT

The questions framed in this RTP in respect of topics like, "negative list of services" and "point of taxation" attempt to test your awareness of the recent legislative amendments made by the Finance Act, 2012 and recent circulars and notifications issued by CBEC.

Computational Problems

Part I: Income-tax

The problems framed in this RTP, like questions on residential status and scope of total income, income from salaries, income from house property, capital gains, set-off and carry forward of losses, computation of total income and tax liability of an individual would serve to test your knowledge and your ability to apply the provisions of tax laws correctly in solving a computational problem.

Part II: Service Tax and VAT

Computation problems have been framed on topics like services provided by Post Office, banking and financial services, money changing services, computation of VAT and input tax credit, VAT liability on inter-State stock transfer.

*Questions on Procedural/Compliance Law**Part I: Income Tax*

The questions on the Chapters “Provisions concerning deduction of tax at Source” and “Provisions for filing of return of income”, attempt to test your awareness of provisions relating to procedural/compliance law.

*Other Questions**Part II: Service Tax and VAT*

In order to test the students’ understanding of substantive and procedural laws, questions have been set on topics like Point of Taxation Rules, 2011, service tax leviability on vocational education course, VAT concepts and general principles, input tax credit, and VAT rates.