

REVISION TEST PAPER, NOVEMBER, 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. 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 November, 2013 examination and Part II –Questions and Answers.

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

A. Applicable for November, 2013 examination:

- (i) Revision in the Criteria for classifying Level II Non-Corporate Entities
- (ii) Schedule VI revised by the Ministry of Corporate Affairs.

B. Not applicable for November, 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. For easy reference the topic / accounting standard name and 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	Preparation of Financial Statements - Schedule VI
2	Managerial Remuneration
3	Cash Flow Statements
4	Accounting for Bonus Issue
5	Profit or Loss Pre and Post 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 Organizations
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	Applicability of Accounting Standards
18-20 (total 6 sub-questions)	Application of 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 in bullets and by highlighting the main points with brief description particularly in Ethics and Communication part.

The RTP of the subject is divided into two parts -

Part I: Containing the relevant/irrelevant amendments which are applicable/non-applicable for November, 2013

Part II: Topic wise questions with detailed answers

Part I of the RTP in relation to the Business Laws, Ethics and Communication there is no relevant amendment for November, 2013 attempt.

Students may regularly access to Internet at several websites for keeping themselves updated. Some of the major websites are

- **ICAI:** Institute's website - www.icai.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 situation based testing the application of the provision, to state correct or incorrect statement with reason, and the direct 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	ABOUT THE QUESTION
1(a), 1(b)	Question 1(a) is related with the claim of special damages on the breach of the contract and 1(b) with the rights of the Co-Sureties under the Indian Contract Act, 1872.
2(a), 2(b)	Question 2(a) is related to the bailment and 2(b) is related to 'agency created by estoppels' under the Indian Contract Act, 1872.
3(a), 3(b)	Question 3(a) is related to the comparison between the bill of exchange and the cheque and 3(b) to state the correct/incorrect statement with reasons under the Negotiable Instruments Act, 1881.

4	Related with the laws relating to the calculation of maturity of the instrument under the Negotiable Instruments Act,1881
5(a), 5(b)	Question 5(a) to state the correct/incorrect statement with reasons and 5(b) with special laws in reference to certain employees related to the payment of bonus linked with production/ productivity under the Payment of Bonus Act,1965
6(a), 6(b)	Question 6(a) relating to the nomination and 6(b) as to the course of an action of the PF Commissioner under the Employees' Provident Funds & Miscellaneous Provisions Act,1952.
7(a), 7(b)	Question 7(a) pertains to the calculation of the gratuity and 7(b) with the forfeiture of the gratuity amount under the Payment of Gratuity Act,1972.
8 - 15	Question 8(a) is related to effects of the pre-incorporation contract. Question 8(b) with the doctrine of Indoor Management. Question 9 with the effect of irregular allotment of shares Question 10 with the Financial assistance for purchase of own shares Question 11 with the problem related to the further issue of capital Question 12 with the problem related to the certificate of shares Question 13 with the laying of correct/incorrect statement relating to the inspection of the register of members and the proxy. Question 14 with the members entitled to requisition an extraordinary general meeting and with the exercise of power of the Tribunal to order meeting to be called. Question 15 with the problem related to the minutes
16 - 20	Question 16(a) pertains to the Environment and Ethics and 16(b) with the ethics in respect to the consumer protection. Question 17 is related to the protection of consumer interest Question 18 is related to the role of committees regulating the corporate governance. Question 19 related to correct/ incorrect statement with reasons. Question 20(a) related to sustainable development and the special responsibilities and 20(b) with the competition law [Ethics]

21 - 25	Question 21(a) pertains to increasing importance of communication and 21(b) with the necessity of change in the organization. Question 22(a) and (b) is related to organization values and the process of communication. Question 23(a) and (b) is related with the short notes on the 'Organizational Culture and group in the organization'. Question 24 is related with the writing of business letter. Question 25 with the drafting of an affidavit. [Communication]
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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 a 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 your reference:

Part I : Cost Accounting

Q.No.	Topic	About the Problem
1.	Material	Computation of Economic Order Quantity (EOQ), safety stock at given level of risk of being stock out and total cost of inventory. This question tests the conceptual clarity of

		valuation of material and inventory levels.
2.	Labour	This question requires computation of wages for workers under three different wage & bonus scheme. This question assesses the understanding of different wage and bonus payment schemes.
3.	Overheads	Preparation of Statement showing distribution of overheads to various departments and further re-distribution of service departments' expenses to production departments to evaluate your understanding on overhead distribution.
4.	Non-Integrated Accounts	This question requires preparation of profitability statement for both as per cost accounting and financial accounting methods and a reconciliation statement. This question assesses the basic cost accounting understanding.
5.	Method of Costing (I)- Operating Costing	This question requires preparation of statement of total operating cost and calculation of cost per kilometer and cost per tonne kilometer.
6.	Method of Costing (II)- Process Costing	Preparation of Statement of equivalent production, cost per equivalent production and Process account.
7.	Standard Costing	Finding of missing figures to calculate material price variance, material usage variance, material mix variance and material cost variance.
8.	Marginal Costing	Calculation of profit for two levels of activity.
9.	Budgets and Budgetary Control	Preparation of production budget for two products for the first quarter month-wise.
10.(a)	Basic Concepts	Installation of costing system in a manufacturing company. Difficulties arise in installation of costing system and the suggested ways to overcome from the situation.
10(b)	Method of Costing (I)- Contract Costing	This question requires the suggestion for the appropriate costing method to be adopted by a less experienced contractor for a big project.

10(c)	Method of Costing (II)- Joint Product & By-products	Treatment of by-products in cost accounting.
10(d)	Method of Costing (I)- Batch Costing	This question requires suggestion on level of batch size where setup cost and carrying cost is at minimum i.e. Economic Batch Quantity.

Part II: Financial Management

Qs. No.	Topic	About the Problem
1.(a)	Scope and Objectives of Financial Management	Theoretical question quizzing your understanding about the roles and responsibilities of a Financial Manager.
(b)	Investment Decisions	Theoretical question quizzing your understanding about the basic concepts underlying the investment decisions.
(c)	Types of Financing	Theoretical question on terms associated with debenture shares.
(d)	Financing Decisions	Theoretical question quizzing your understanding about bonds.
(e)	Financing Decisions	Theoretical question quizzing your understanding about Operating Leverages.
2.	Working Capital Management	Computational problem requiring you to estimate the working capital requirements of a company.
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 market value and cost of equity as well as the weighted average cost of capital.
5.	Financing Decisions	Computational problem to evaluate the different financing options which would yield higher EPS for the expected EBIT and further determine the indifference level of EBIT and the new EPS.
6.	Financial Analysis and Planning	Computational problem requiring you to prepare the funds flow statement of a company and analyse the most significant developments revealed by the statement.

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 those ratios which indicate the efficient use of assets and also discuss the potential sources of trouble.
9.	Management of Working Capital	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)	Types of Financing	Theoretical question to assess your understanding about the sources of finance.
(c)	Time Value of Money	Theoretical question to assess your understanding about the relevance of time value of money.

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 November, 2013 examination, the amendments made by the notifications, circulars and other legislations up to 30.4.2013 are relevant. The Study Material of Paper 4: Taxation, relevant for November, 2013 examination, is divided into three Volumes. Volume I and II are 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 1.7.2011 and 30.6.2012 are hosted at the BOS Knowledge Portal on the Institute's website www.icaai.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 30.4.2013 in Income-tax
- B. Significant circulars issued between 1.7.2012 and 30.04.2013 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 30.4.2013**

A brief summary of the significant legislative developments by way of notifications and circulars issued by CBDT between 1.5.2012 to 30.4.2013 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)
46/2012	6.11.2012	Specification of bonds for interest exemption under section 10(15)(iv)(h).
51/2012	23.11.2012	Notification of Rajiv Gandhi Equity Savings Scheme, 2012
56/2012	31.12.2012	Tax not to be deducted on specified payments to notified entities under section 197A(1F)
4/2013	24.1.2013	TDS under section 194A not attracted in respect of interest other than interest on securities credited to National Skill Development Fund
Circular No.	Date	Subject Matter
5/2012	1.8.2012	Inadmissibility of expenses incurred in providing freebees 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
1/2013	17.1.2013	Clarification on issues relating to export of computer software

B. SERVICE TAX AND VAT**Significant clarifications issued between 1.7.2012 and 30.04.2013**

A brief summary of the circulars issued by the CBEC between 1.7.2012 to 30.04.2013 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 28.08.2012	No service tax is leviable on vocational education course if offered by the Central/ State Government/Local Authority
4.	166/1/2013 ST dated 01.01.2013	No service tax liability arises at the time of issue of reminder letters by life insurance companies to policy holders to pay renewal premiums
5.	161/12/2012 ST dated 06.07.2012 & 165/16/2012 ST dated 20.11.2012	Accounting codes for payment of service tax introduced under negative list approach of taxation of services

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 (13 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, "Capital Gains",

“Income from other sources”, “Deductions from gross total income” and “Provisions concerning tax deducted at source” 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, “payment of service tax” and “service tax liability” 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, deductions from gross total income, 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 Negative list of services, liability under VAT, variants of VAT and input tax credit.

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, Basic concepts of service tax, Merits of VAT and VAT procedures.