

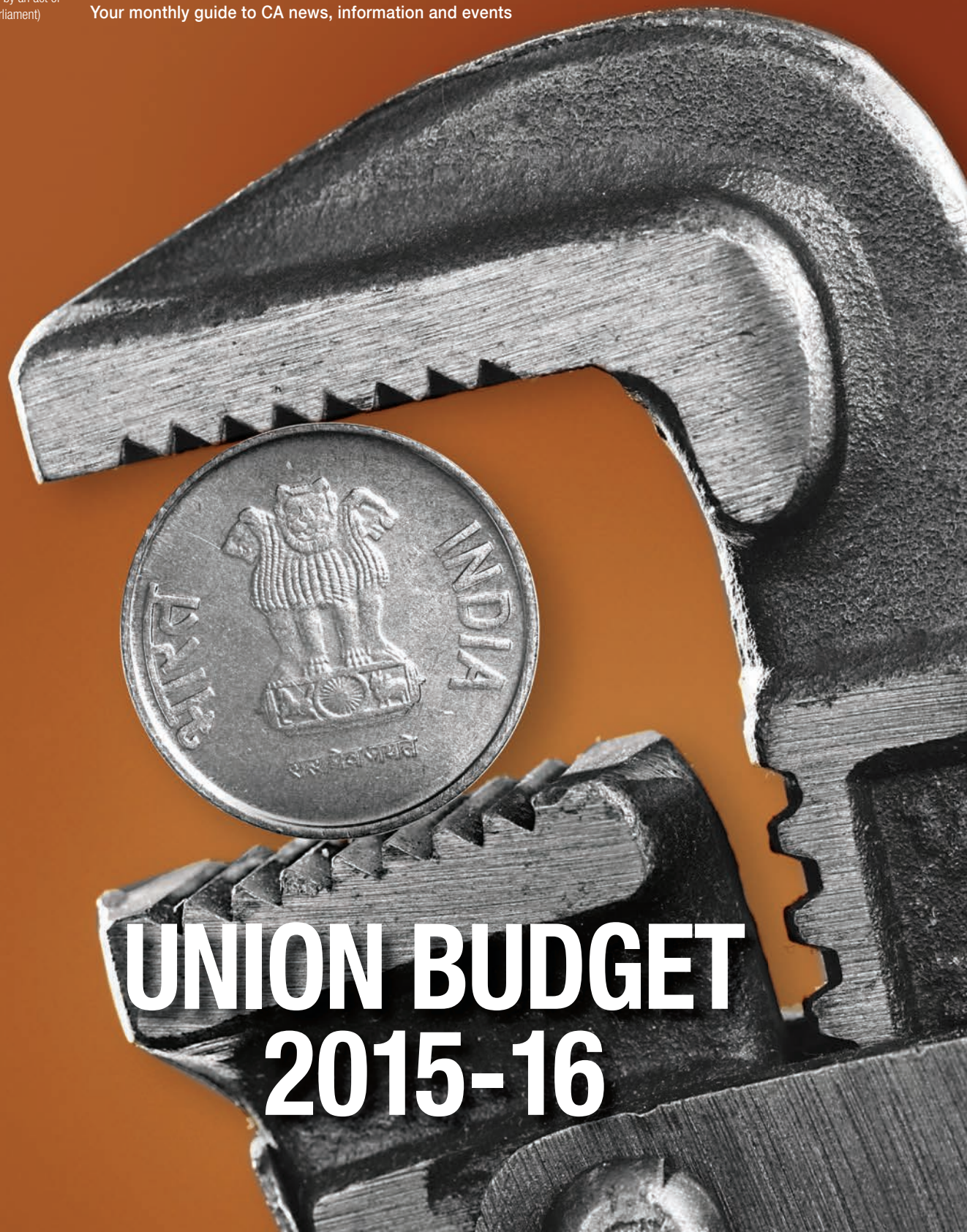


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The Chartered Accountant **STUDENT**

Your monthly guide to CA news, information and events



UNION BUDGET 2015-16

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SWACHH BHARAT - A STEP TOWARDS CLEANLINESS

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My Dear Students,

At the outset, I would like to convey my heartiest congratulations to our Hon'ble Finance Minister Mr. Arun Jaitley for presenting a development oriented Union Budget for the financial year 2015-16. It is a well-balanced budget and the fact that the implications of this budget will boost the morale of Indian Economy to an inclusive growth.

The next examinations are due in the month of May 2015. I wish to extend my best wishes to all the students for their respective examinations. This is a very important phase of your life, so get engrossed with your studies and develop an integrated approach to resolve the practical problems. You need to work on your strengths and work upon your weaknesses. Self-study and Self-confidence are the master keys to unfold the doors of success in any sort of examination. I hope that you might have started doing revision of your respective courses. Be regular, systematic, methodical and resolute towards your set objectives. Do not develop the habit of procrastination, it can dwindle your professional growth. The students may also refer to the Examiner's Comments on the performance of candidates published in the later pages of this issue. It will be very helpful in writing your respective papers in a much better way.

I would like to compliment the efforts of Board of Studies in enabling you to satiate your longing for the knowledge. **The Knowledge Portal of Board of Studies** is an effective medium for you to prepare for the examinations. I exhort all of you to derive optimum benefit from it. Now, you can have a user friendly access to all sorts of study material like Revision Test Papers, Suggested Answers, Compilation of

Suggested Answers, Supplementary Study Material, Mock Test Papers, Select Cases, etc. The Board has made available Video Lectures for practical subjects like Accounts, Taxation, Financial Management, Advanced Management Accounting, Strategic Financial Management, Quantitative Aptitude, etc. These video lectures aim to teach step-by-step practical problem solving process – a key skill requirement today from examination perspective. These video lectures are available on <http://cloudcampus.icai.org>. Currently, 359 lectures covering 294 hours have been hosted on Cloud Campus. The Board has made available Online Mentoring Sessions on the ICAI Cloud Campus that enables students to get online 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 by the subject expert. 41 mentoring sessions have already been organized by the BOS Faculty Members.

As you are aware, the Advanced ITT course is applicable for those students, who have registered for their Practical Training on or after 1st February, 2013. It will cover topics such as Advance features of MS-Excel and MS-Access, ERP using Tally 9, Computer Assisted Audit Techniques, Core Banking Solution and Office Automation Application and IT Security in CA's Office. The time spent by the students for undergoing Advanced IT Course would be treated as a part of the training as period actually served under articles.

As you are aware, the New Proposed Scheme on Education and Training (CRET) was opened for public comments on February 11, 2015. We have received more than 400 comments so far and the response is very encouraging. In order to get wider response, it has also been decided to hold outreach meetings in Five Regions and Decentralized Offices. Once we receive the comments from all levels, we will finalize the Scheme and take it further to the next levels.

With best wishes

A handwritten signature in blue ink, appearing to read 'adnis', with a stylized circular flourish at the end.

CA. MANOJ FADNIS
PRESIDENT
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

VICE PRESIDENT'S COMMUNICATION ||



Dear Students,

At the outset, we must appreciate the conscientious efforts of our Hon'ble Finance Minister **Mr. Arun Jaitley** for presenting a **Pro-Reforms** budget for the financial year 2015-16. The budget has given thrust to ease of doing business, and an impetus for the Make in India concept without leaving out the agriculture social sectors. Undoubtedly, our country is on the path of high economic growth and this budget lays a roadmap for it. Being the generation next of our profession and people who are considered to be experts, you have to understand the rudiments 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.

I convey my best wishes to all those who are appearing for the May, 2015 Examinations. Since the complete schedule of the respective examinations has been announced well in advance, you might be busy in giving a final touch to your preparation. I advise you to set a mission statement for your career goal as I personally feel that the same will serve as a stepping-stone to tackle the ensuing examinations with a grand success. I know that stress levels before and during the examinations are always on high but effective time management can help you to lower this stress and achieve success. As Swami Vivekananda said, ***"we must overcome difficulty by constant practice. We must learn that nothing can happen to us unless we make ourselves susceptible to it."*** Do not merely read. You also need to write on a regular basis. Attempt questions from previous examinations and compare your answers with the suggested answers published by the Board of Studies and this will help you to assess your preparation.

The existing examination pattern of CA Course is quite distinct from other professional courses. The key focus of CA Examination is to test conceptual

knowledge and application skills of the students. Hence, articleship training provides an ample scope to comprehend theoretical nuances. Similarly, dealing with the live cases enables you to delve deep into ocean of learning and clinch the pearls of knowledge.

As you are aware, the curriculum of chartered accountancy is very dynamic. It keeps changing with the changing laws and standards and the demands of economic environment and this is a big challenge for the students. But then you are going to be professionals who will be able to tackle the dynamics of the economy. The Board of Studies is very prompt in facilitating our students with latest information and resources for learning. For the Final Course students, BoS has recently hosted Select Cases in Direct and Indirect Tax Laws on BoS Knowledge Portal on the website of our Institute. I think that a close study of summary of important judicial decisions is very helpful for our students to understand the significant issues ingrained in the application of the provisions of Direct and Indirect Tax Laws. Further, it may help them to develop knowledge and expertise in legal interpretation of the same.

Nothing is more dynamic than Information technology as the changes that take place in Information Technology is unparalleled. In a lighter vein, it is said that ten minutes is a very long period as technology can change by that time. The 100 hours Information Technology Training orients the students to familiarize with the basic concepts that are required for chartered accountancy professional. The course also acts as a trigger and inducement to have a technological bent of mind. In the course, you are taught, *inter alia*, accounting packages and computer aided audit techniques. You need to learn them as the course has direct link with your future work as a CA professional.

I firmly believe that one cannot improve their knowledge or equip themselves with the latest information from textbooks alone. One needs to embark upon a journey of knowledge and explore your potential in right direction. Remember that keeping things in right perspective will allow you to move in the right direction.

Wishing you all the Best for all your future endeavors

Yours sincerely,

CA. M. DEVARAJA REDDY
VICE PRESIDENT
ICAI, NEW DELHI



My Dear Students,

My best wishes to all those who celebrate their New Year in March and April. As we enter a new Financial Year, you all will be deeply immersed in bank and year end accounts finalization. Many of you will be burning the midnight oil, preparing for the slog overs as it were before the crunch time of CA exams. Never lose your cool and get rid of tension. The birth of tension is the death of talent. Your untiring hard work and effort will surely pay rich dividends. All the best in your CA Examinations.

POINTS TO PONDER

In Life, it is important to have positive outlook, to be able to introspect, to set goals, follow the path to the goal with commitment and to achieve one's desire. Some succeed because they are destined to; most succeed because they are determined to. Luck is where preparation and opportunity meet. It is said *"Three Things in life once gone, never come back – Time, Spoken Word and Opportunity; Three things in life that should never be lost – Peace, Hope and Honesty; Three things in life that are most valuable – Health, Love and Family; Three Things in life that are steps for success – Dreams, Goals and Efforts; Three things in life that make a person – Hard Work, Sincerity and Commitment; Three things in life that can ruin a person – Ego, Pride and Anger; Three things in life once lost, hard to build – Image, Respect and Trust."*

POSITIVE THOUGHTS FOR SUCCESS

Dear Students, always remember that Effort keeps you moving while fear paralyses. Hence, move on as life is not meant for travelling backwards. Stop focusing on how stressed you are and remember how blessed you are. Anything is possible if you have got enough nerve. Dream big and dare to fail. The best way to make your dreams come true is to wake up. Success does not depend on the size of our brain but it is dependent on the size of our thoughts. Doubt kills more dreams than failure ever will. The perfect day is going to bed with a dream and waking up with a purpose. Focus on your studies with confidence. What is coming is better than what is gone. The pain you feel today will be the strength you feel tomorrow. No matter how hard things were, tomorrow is a fresh opportunity to make it better. Experience cannot be created and you must

undergo it. Human body has limitations but the human spirit is boundless, Keep your spirit highly positive. Never blame any day in your life. Good days give you happiness but bad days give you experience. Both are essential for success in the life of a CA Student. There will be people you may come across in your life who treat you wrong. Be sure to thank them for making you strong. Your success journey commences now!

KEYS FOR SUCCESS IN YOUR EXAMINATIONS

Have faith in yourself, that is of quintessential importance. Alexander Graham Bell said *"Before anything else, preparation is the key to success."* Make it your mantra in life never to settle for less than the best, that's the only way you can excel, the burning desire to ace every test and leave behind all the rest. Focus is very important. If we do not focus, life will pass us in a blur. You have to climb the ladder of success with tenacity and purposeful will. Martin Luther King Jr faced many obstacles in life and he was a great motivator, he said *"If you cannot fly, then run; If you can't run, then walk; If you can't walk, then crawl, but whatever you do, just keep moving!"*

TO THOSE WHO HAVE NOT BEEN FORTUNATE TO CLEAR THE EARLIER CA EXAMINATIONS

In Life, often we are stuck in the middle of darkness, despair and boredom. We have to stick to the job that we are doing no matter how insignificant and to continue doing it till we finish it. One good thing is said about stones. They come in our way as hurdles; but once we pass them, they automatically become our milestones. Working for success will make you a master. But working for satisfaction will make you a legend. It is said efforts will bear fruit. Effort is important but knowing where to make an effort in your life makes all the difference. Every lost game should inspire you to try one more time. Defeat is temporary but giving up makes it permanent. When time never stops for us, why should we wait for the right time? There is never a wrong time to do the right thing. It is said *"The winds and waves are always on the side of the ablest navigator."* Be an effective navigator to steer clear of your exam related worries.

WRAP UP POINT

Swami Vivekananda said *"Seek for the highest, aim at the highest and you shall reach the highest."* When you are down to nothing, always remember God is upto something. So don't knock the silver lining waiting for Gold. Have faith in Him and make use of every opportunity that comes your way. The best cosmetics for life are: *"Truth for Lips; Pity for Eyes; Charity for Hands; Smile for Face; Empathy for Heart and Prayer for Soul."* If we apply them well Life will be beautiful and charming.

With Warm Professional Regards

Forever, yours in service,

(CA. V. MURALI)

CHAIRMAN, BOARD OF STUDIES, ICAI, NEW DELHI

Highlights of Economic Survey 2014-15

Overall Growth

- Macroeconomic fundamentals in 2014-15 have dramatically improved. Because of favorable macroeconomic scenario now, India ranks amongst the most attractive investment destinations now. Amongst BRICS countries, only China scores above India.
- As per the new revised growth estimates, based on base year 2011-12, the economy, after growing at around 6.7% during 2011-13, has been growing at around 7.2% since 2013-14. GDP growth at constant market prices is expected to accelerate to between 8.1 and 8.5 % in 2015-16. During 2012-13 to 2013-14, the average growth in per capita income i.e. 4.3% as per the new series is much higher than the corresponding growth of 2.4% presented by the old series.

Global Scenario

- On the global front, the United States radiates confidence and strength, while some other structurally important economies like China, Russia, Euro area and Japan face uncertain prospects, thereby affecting global growth and investment outlook. The sharp decline in oil prices has provided an incentive for overall global growth and stability. At the same time, it has diminished fortunes of oil exporting countries that can influence economic activity adversely.

Agriculture

- Agriculture and allied sectors registered a growth of 2.5 % in the Ninth Plan, 2.4% in Tenth Plan, and 4.1% in the Eleventh Plan. For 2014-15, the CSO has estimated a positive growth rate of 1.1% for agriculture despite lower than normal rainfall. There is a need to give greater attention to productivity in the agricultural sector. The following are some of the challenges and policy recommendations for Indian agriculture increase investment in agriculture, improve irrigation facilities, install proper food policy, and improve agricultural marketing.

Industry

- The industrial growth picture as per the IIP suggests that industrial production which had slowed down since 2011-12, reversed the trend in

2014-15. In terms of use-based classification of the IIP, basic goods and capital goods witnessed marked improvement in growth during April-December 2014-15. While the growth in intermediate goods remained sluggish, consumer goods contracted in April-December 2014-15, particularly due to contraction in the consumer durables sector.

- The manufacturing sector registered a growth of 6.2% and 5.3% respectively in 2012-13 and 2013-14 as per the new series. As per the pre-revised series, this growth was 1.1 % and - 0.7 %. This surprising change in growth rate can be ascribed to normal data revisions that take place as per revision schedules, the effect of base change as well as more comprehensive coverage of the corporate sector with the incorporation of MCA 21 database of the Ministry of Corporate Affairs. At the disaggregated level of the new series, the growth in manufacturing sector was chiefly on account of robust growth in textiles, apparels, and leather products. While electricity, gas, and water supply and other utility services are projected to achieve robust growth, manufacturing has gained momentum. As per the new series, the growth of manufacturing sector in 2014-15 is estimated to be 6.8%.

Infrastructure

- Growth in infrastructure, based on an index of eight core industries, has improved slightly to 4.4 % during April-December 2014-15 as compared to 4.1 % in the same period in 2013-14.

Services

- India's services sector remains the major driver of economic growth contributing 72.4% of GDP growth in 2014-15. Services-sector growth has increased from 8.0% in 2012-13 to 9.1% in 2013-14 and further to 10.6% in 2014-15. This is mainly due to growth acceleration in financial, real estate, and professional services to 13.7% from 7.9% and public administration, defense, and other services to 9.0% from 7.9% in the previous year. Growth in trade, hotels, transport, communication, and related services was 8.4 % in 2014-15 compared to 11.1% in 2013-14.

External Sector

The outlook for the external sector is the most favorable since the 2008 global financial crisis and especially compared to 2012-13, when elevated oil and gold imports fuelled a surge in the current account deficit.

- The current account deficit has reduced from 6.7% of GDP in Quarter 3 of 2012-13 to 1.3% in 2014-15 and less than 1 % of GDP in 2015-16.
- Over the last ten years, India's merchandise trade (on customs basis) increased manifold from US\$ 195.1 billion in 2004-05 to US\$ 764.6 billion in 2013-14 helping India's share in global exports and imports improve from 0.8 % and 1.0 % respectively in 2004 to 1.7 % and 2.5 % in 2013. Its ranking amongst the leading exporters and importers improved from 30 and 23 in 2004 to 19 and 12 respectively in 2013.
- After growing by 4.7 % in 2013-14, India's merchandise exports growth moderated to 2.4 % to reach US\$ 265 billion in 2014-15 (April-January). During 2013-14, India's merchandise imports contracted by 8.3% to US\$ 450.2 billion. In 2014-15 (April-January), imports grew by 2.2% to US\$ 383.4 billion as compared to US\$ 375.3 billion in 2013-14 (April-January).
- There has been significant market diversification in India's trade in recent years—a process that has helped cope with the sluggish global demand, which owes to a great extent to the weakness in the Eurozone. Region-wise, India's export shares to Europe and America have declined over the years from 23.6% and 20.1 % respectively in 2004-05 to 18.6% and 17.2% respectively in 2013-14. Conversely, shares of India's exports to Asia and Africa have increased from 47.9% and 6.7% respectively in 2004-05 to 49.4 % and 9.9 % respectively in 2013-14.
- In 2014-15 (April-January), trade deficit increased marginally by 1.6 % to US\$ 118.4 billion as against US\$ 116.5 billion in 2013-14. Lower growth of exports (2.4%) and imports (2.2 %) in 2014-15 (April-January) has resulted in a marginal increase of US \$ 1.9 billion in the trade deficit.

Investments and Savings

- There was a downward pressure on aggregate demand due to the steep decline in the rate of capital formation. The gross capital formation was 36.6% in 2012-13 but reduced to 32.3% in 2013-14.
- From the past trends in the saving rate (gross domestic savings as percentage of GDP) available from the pre-revised series, it is observed that it reached its historical peak in 2007-08 (36.8%) and then remained volatile, with a general downward movement. The savings rates

(as per cent of GDP) declined from 33.9% in 2011-12, to 31.8% in 2012-13 and further to 30.6 % in 2013-14. While private corporate savings steadily declined; household savings witnessed realignment in favour of accumulation of physical assets at the cost of financial savings.

- There have been increasing trends in consumption which have gradually firmed up, with both private and government consumption growing in strength.

Fiscal Scenario

- The first nine months of 2014-15 have witnessed some major policy reforms in the subsidy regime; the modified direct benefit transfer scheme has been launched; the new domestic gas pricing policy has been approved; and diesel prices have been deregulated. An Expenditure Management Commission has been constituted to look into various aspects of expenditure reforms to achieve the goal of fiscal consolidation. As per provisional accounts, the fiscal deficit for 2013-14 worked out at 4.5 % of GDP as opposed to the Budget Estimate (BE) of 4.8%. Fiscal deficit and revenue deficit were budgeted 4.1 % of GDP and 2.9% of GDP respectively in 2014-15.
- As per the data on union government finances for April-December 2014 released by the Controller General of Accounts (CGA), the gross tax revenue increased by 7% in comparison to the corresponding period of the previous year and is at 58.3% of BE in April-December 2014.
- Fiscal deficit at 100.2 % of BE in 2014-15 (April-December) is much higher than the five-year -average of 77.7%. The revenue deficit for April-December 2014 is estimated at 106.2% of BE and is significantly higher than the five-year -average of 81.4%.

Inflation

- Inflation has declined by over 6 percentage point since late 2013.
- Headline inflation measured in terms of the Wholesale Price Index (WPI) (base year 2004-05=100) which remained persistently high at around 6-9 % during 2011-13 moderated to an average of 3.4% in 2014-15 (April-December) on the back of lower food and fuel prices. Inflation in manufactured products has remained within a narrow range since 2013-14.
- As fuel has larger weight in the WPI, the decline in fuel prices led to a sharper reduction in the WPI as compared to the Consumer Price Index (CPI). The CPI (combined) inflation Like the WPI inflation, CPI inflation has also moderated

significantly since the second quarter of 2014-15, with moderation in inflation observed in all the three major subgroups, viz. food and beverages, and tobacco; fuel and light; and others. The CPI (combined) inflation declined to a low of 5% in Q3 of 2014-15. As per the revised CPI (new series) with the base year 2012, headline CPI inflation stood at 5.1 % in January 2015.

- The decline in inflation during the year turned out to be much faster than was anticipated in the initial months of the year. Global factors, namely persistent decline in crude prices, soft global prices of tradables, particularly edible oils and even coal, helped moderate headline inflation.

The tight monetary policy was helpful in keeping the demand pressures contained, creating a buffer against any external shock, and keeping volatility in the value of the rupee under check. During the last one year, the rupee remained relatively stable vis-à-vis the major currencies, which too had sobering influence on inflation. Moderation in wage rate growth reduced demand pressures on protein based items. Base effect also contributed to the decline in headline inflation.

Monetary Policy

- The RBI kept policy rates unchanged during the year till January 2015. With the easing of inflationary conditions, the RBI has signaled softening of the monetary policy stance by cutting policy repo rates by 25 basis points to 7.75% in January 2015. Subsequently, the RBI also reduced the statutory liquidity ratio (SLR) by 50 basis points from 22.0% of net demand and time liabilities (NDTL) to 21.5%.

Challenges

India is projected to be the youngest nation in the world by 2020. While this provides great opportunities, it also poses challenges before the nation. These include:

- Educational Challenges: While only 73 % literacy has been achieved (Census 2011), there is marked improvement in female literacy. Male literacy at 80.9 % is still higher than female literacy at 64.6 % but the latter increased by 10.9 percentage age points compared to the 5.6 percentage points for the former.
- Skilling the Youth: As per the Labour Bureau Report 2014, the current size of India's formally skilled workforce is small, approximately 2%; this number compares poorly with smaller countries like South Korea and Japan which report figures of 96% and 80% respectively. As per the National Skill

Development Corporation (NSDC), for the period between 2013 and 2022 there is an incremental requirement of 120 million skilled persons in the non-farm sector.

- Sluggish employment growth: A cause for concern is deceleration in the Compound Annual Growth Rate (CAGR) of employment during 2004-05 to 2011-12 to 0.5% from 2.8 % during 1999-2000 to 2004-05 as against CAGRs of 2.9% and 0.4 % in the labour force respectively for the same two periods. A major impediment to the pace of quality employment generation in India is the small share of manufacturing in total employment. However, data from the sixty-eighth National Sample Survey (NSS) round indicates a revival in employment growth in manufacturing from 11% in 2009-10 to 12.6% in 2011-12. Promoting growth of micro, small, and medium enterprises (MSME) is critical from this perspective. Towards a Healthy India: The Swachh Bharat Mission (Gramin) launched in October 2014, aims at attaining an Open Defecation Free India by 2nd October 2019.
- Poverty: The latest estimates of poverty are available for the year 2011-12. These estimates have been made following the Tendulkar Committee methodology using household consumption expenditure survey data. For 2011-12, the percentage of persons living below the poverty line is estimated as 25.7% in rural areas, 13.7% in urban areas, and 21.9 % for the country as a whole.
- Human Development: The 2014 Human Development Report (HDR) presents the Human Development Index (HDI)—values and ranks—for 187 countries. India's HDI value for 2013 is 0.586, ranking it 135 out of 187 countries and territories, the lowest among the BRICS countries with Russia at 57, Brazil at 79, China at 91, and South Africa at 118, and slightly ahead of Bangladesh and Pakistan. India also ranks low with respect to the Gender Development Index (GDI). The GDI value for India is 0.828 and it is ranked 132 among 148 nations. In comparison, Bangladesh and China are ranked higher.
- The Investment Challenge: The stock of stalled projects stands at about 7 % of GDP, accounted for mostly by the private sector. Manufacturing and infrastructure account for most of the stalled projects. Changed market conditions and impeded regulatory clearances are the prominent reasons for stalling in private and public sectors, respectively.

Outlook for 2015-16

- The macroeconomic situation in India has improved significantly during the current year. The

steady acceleration in services and manufacturing growth in the face of subdued global demand conditions point to the strengthening of domestic demand. Most of the buoyancy in domestic demand can be traced to consumption. Investment activity, which is slowly picking up, needs to be grounded on a stronger footing. The savings-investment dynamics will be crucial for the growth to strengthen further in the coming years, in addition to reversal of the subdued export performance being currently witnessed.

- In the light of the Government's commitment to reforms, along with the improvements in the price and external sector scenarios including the possibility of international oil prices remaining generally benign, the outlook for domestic macroeconomic parameters is generally optimistic, notwithstanding the uncertainties that could also arise from an increase in the interest rates in the United States and situation prevailing in Greece within Euro-zone. Given the above, and assuming

normal monsoons better prospects in the world economy that could provide impetus to higher exports for Indian products and services, a growth of around 8.5 % is in the realm of possibility in 2015-16.

- The Survey recommends revival of public investment in short term, to act as an engine of growth in infrastructure sector. It argues that public investment cannot be a substitute for private investment; but is required as a complement and to crowd it in.
- Economic Survey highlights the need for reorientation and restructuring of the PPP model. This is expected to make them more viable in future.
- India could bolster the "Make in India initiative", which requires improving infrastructure and reforming labor and land laws by complementing it with the "Skilling India initiative". This would enable a larger section of the population to benefit from the structural transformation that such sectors will facilitate. ■



The Board of Studies of the Institute has made available online e-Learning for the CA Course (CPT, IIPC & Final) with an objective to provide quality education anytime and from anywhere through a self learning facility on the Students Learning Management System (LMS). Students can also access the online e-Learning even through Smart Phones & Tablets.

E-Learning is now also available on DVDs as a part of the Study Material issued to students; and these DVDs are available for sale @ Rs.100/- each. These DVDs are made as responsive sites to work on mobiles/ tablets, in addition to Desktop/ Laptop, when transferred to memory card.

Some of the salient features of e-Learning on Students LMS are as follows:

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Students of the CPT/ IIPC/ Final Courses of the Institute interested in pursuing the e-Learning can register themselves on the Students LMS by giving their Student Registration Number, Name and DoB; and start their e-Learning immediately.

HIGHLIGHTS OF UNION BUDGET 2015-16

Direct Taxes

The direct tax proposals in the Union Budget 2015-16 aim to curb black money and create jobs through revival of growth and investment and promotion of domestic manufacturing through “Make in India”. It also seeks to promote minimum government and maximum governance to improve the ease of doing business. The Budget extends several benefits to middle class taxpayers and proposes measures to improve the quality of life and public health through Swachh Bharat initiatives. In addition, it also contains stand alone proposals to maximize benefits to the economy.

Rates of Income-tax

- ◆ No change in the basic exemption limit and the rates of income-tax for individuals, HUFs, AOPs, BOIs, co-operative societies, firms and local authorities.
- ◆ Corporate tax rates proposed to be reduced from 30% to 25% over the next four years, starting from next financial year. There is, however, no change in the rate of income-tax for corporates for A.Y.2016-17.
- ◆ The rate of income-tax on income by way of royalty and fees for technical services received by non-residents from Government or an Indian concern and which is not effectively connected with its permanent establishment in India proposed to be reduced from 25% to 10%.
- ◆ Additional surcharge @2% proposed to be levied on income exceeding ₹1 crore, except in case of foreign companies. This addition is in lieu of the proposed abolition of wealth-tax w.e.f. A.Y.2016-17.
- ◆ Surcharge to be levied @12% (as against current rate of 10%) on additional income-tax payable by companies on distribution of dividends and buyback of shares, or by mutual funds and securitisation trusts on distribution of income.

Benefits for Individual Taxpayers

- ◆ Investment in Sukanya Samriddhi Scheme to be eligible for deduction under section 80C, the interest accruing on deposits in such account to be exempt from income tax and the withdrawal from the said scheme in accordance with the rules of the said scheme to be exempt from tax.
- ◆ In order to promote social security, the limit of deduction under section 80CCC(1) in respect of amount paid or deposited by an individual to effect

or keep in force a contract for any annuity plan of LIC or any other insurer for receiving pension from a fund set up under a pension scheme, is proposed to be increased from **₹1 lakh to ₹1.5 lakh**. However, the same is subject to the overall limit of ₹1,50,000 under section 80CCE, in respect of deductions under section 80C, 80CCC and 80CCD(1).

- ◆ In respect of own contribution to National Pension System (NPS), the limit of ₹1,00,000 for deduction under section 80CCD(1) to be removed. Deduction under section 80CCD(1) would be restricted to 10% of Salary/Gross Total Income, as the case may be. Further, additional deduction of upto ₹50,000 under section 80CCD(1B) is proposed, which is outside the limit of ₹1,50,000 under section 80CCE.
- ◆ In view of continuous rise in the cost of medical expenditure, the limit of deduction under section 80D for the assessee and his family to be raised from **₹15,000 to ₹25,000**. Further, in case of an assessee being a senior citizen, the limit is to be increased from **₹20,000 to ₹30,000**. A corresponding increase has been proposed for medical insurance premium paid for parents.

As a welfare measure towards **very senior citizens who are not able to get medical insurance coverage**, deduction of upto ₹30,000 under section 80D proposed for any payment made on account of medical expenditure, subject to the overall limits specified thereunder.

- ◆ For the purpose of availing deduction under section 80DDB, an assessee will be required to obtain a prescription from a specialist doctor. The limit for deduction under section 80DDB is proposed to be increased to ₹80,000 in respect of amount paid for medical treatment of **very senior citizen**.
- ◆ Taking into consideration the rising cost of medical care and special needs of disabled persons, sections 80DD and 80U are proposed to be amended to increase the limits thereunder from **₹50,000 to ₹75,000** in respect of persons with disability and from **₹1 lakh to ₹1.25 lakh**, in respect of persons with severe disability.

Measures to curb black money

- ◆ In order to curb generation of black money by way of dealings in cash in immovable property transactions, section 269SS and section 269T are proposed to be

amended to prohibit acceptance or repayment of advance of ₹20,000 or more in relation to transaction of an immovable property, otherwise than by way of an account payee cheque or account payee bank draft or by electronic clearing system through a bank account.

- ◆ Quoting of PAN to be made mandatory for purchase or sale exceeding the value of ₹1 lakh.

Measures to Promote Domestic Manufacturing and Improving the Investment Climate (Make in India)

◆ New Pass through regime for Category- I and Category - II Alternative Investments Funds(AIFs)

- Investment fund to mean a fund set up as trust, company, limited liability partnership or other body corporate which has been granted a certificate of registration as a Category I or Category II Alternative Investment Fund and is regulated under SEBI (AIF) Regulations, 2012.
- Pass-through status is in respect of all income, other than income chargeable under the head "Profits and gains of business or profession," which is chargeable to tax in the hands of the Investment Fund.
- The total income of an investment fund, set up as a company or firm, to be subject to tax at rate specified in the Finance Act of the relevant year. In any other case (for example, Investment Fund registered as a trust), the total income of the investment fund would be chargeable to tax at the maximum marginal rate.
- All income accruing and arising to a unit holder of an investment fund, other than business income, to be chargeable in the hands of the unit holder, in the same manner as if the investments made by the investment fund are directly made by the unit holder. The income paid or credited to the unit holders shall be deemed to be of the same nature and in the same proportion as if it had been received by, or accrued or arisen to, the investment fund. The investment fund shall deduct tax @10% on income (other than business income) payable to the unit holders.
- The investment fund would not be subject to dividend/income distribution tax in respect of income paid by it to its unit holders.

◆ Additional Investment Allowance and enhanced depreciation

- New section 32AD to be inserted to provide for an additional investment allowance of an amount equal to 15% of the cost of new asset acquired and installed by an assessee, if—
 - (a) an undertaking or enterprise for manufacture or production of any article or thing is set up on or after 1st April, 2015 in any notified backward area in the State of Andhra Pradesh and the State of Telangana; and

- (b) the new assets are acquired and installed for the purposes of the said undertaking or enterprise during the period between 1st April, 2015 to 31st March, 2020.

This deduction shall be available over and above the existing deduction available under section 32AC.

- Further, in order to incentivise acquisition and installation of plant and machinery for setting up of manufacturing units in the notified backward area in the State of Andhra Pradesh or the State of Telangana, it is proposed **to allow higher additional depreciation at the rate of 35% (instead of 20%)** in respect of the actual cost of new machinery or plant (other than a ship and aircraft) acquired and installed by a manufacturing undertaking or enterprise which is set up in the notified backward area of the State of Andhra Pradesh or the State of Telangana on or after 1st April, 2015.

◆ Additional Depreciation on assets put to use for less than 180 days in the year of acquisition

- To remove the discrimination in the matter of allowing additional depreciation on plant and machinery used for less than 180 days vis-à-vis plant and machinery used for 180 days or more in the year of its acquisition, it is proposed to provide that the **balance 50% of additional depreciation** on new plant or machinery acquired and used for less than 180 days in the year of acquisition and installation, shall be allowed in the immediately succeeding previous year.

◆ Scheme for taxation of business trusts

- The scheme for taxation of business trusts is proposed to be amended to provide that the benefit of concessional tax @15% on short-term capital gains under section 111A and exemption of long-term capital gains under section 10(38) to be available to the sponsor on sale of units received in lieu of shares of special purpose vehicle subject to levy of securities transaction tax.
- Pass-through status in respect of the rental income arising to Real Estate Investment Trust (REIT) from real estate property directly held by it. REITs to deduct tax at source@10% in respect of such income distributed to resident unit holders and at the rates in force in respect of such income distributed to non-resident unit-holders.

Measures to facilitate ease of doing business

◆ Definition of charitable purpose

- The **activity of Yoga** is proposed to be included as a special category in the definition of "Charitable Purpose" under section 2(15).
- Further, the definition of "Charitable Purpose"

is also being amended to provide that the advancement of any other object of general public utility shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity, unless,-

- (i) such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility; and
- (ii) the aggregate receipts from such activity or activities, during the previous year, do not exceed 20% of the **total receipts**, of the trust or institution for the previous year.

◆ **Raising the threshold for applicability of transfer pricing provisions in respect of specified domestic transaction**

- Section 92BA is being amended to provide that the aggregate of specified transactions entered into by the assessee in the previous year **should exceed a sum of ₹20 crore (in place of the existing limit of ₹5 crore)** for such transaction to be treated as 'specified domestic transaction' and attract the provisions of transfer pricing.

Rationalisation measures

- ◆ In the case of an individual, being a citizen of India and a member of the crew of a foreign bound ship leaving India, the period of stay in India, in respect of such voyage, to be determined in the manner and subject to such conditions as may be prescribed.
- ◆ Section 194C(6) to be amended to specifically provide that the relaxation contained thereunder for non-deduction of tax is only applicable to payment in the nature of transport charges (whether paid by a person engaged in the business of transport or otherwise) to a contractor who is engaged in the business of plying, hiring or leasing goods carriage and who is eligible to compute income under section 44AE. Such person should have also furnished a declaration to this effect alongwith PAN.
- ◆ Assets seized or requisitioned to be permitted to be adjusted against the amount of liability arising on an application made before the Settlement Commission.
- ◆ Section 35(2AB) to be amended to provide that deduction thereunder would be allowed if the company enters into an agreement with the prescribed authority for cooperation in such research and development facility and fulfills prescribed conditions with regard to maintenance and audit of accounts and also furnishes prescribed reports.
- ◆ The definition of "accountant" in the *Explanation* below section 288(2) is proposed to be amended

to provide that a person who is not eligible to be appointed as auditor of a company as per section 141(3) of the Companies Act, 2013, shall not be eligible for carrying out any audit or furnishing of any report/certificate under any provision of the Income-tax Act, 1961 in respect of that company. Likewise, non-eligibility for carrying out any audit or furnishing of any report/certificate under any other provision of the Income-tax Act, 1961 in respect of persons other than companies is also proposed to be provided. However, such non-eligibility shall not extend to attending income-tax proceedings as authorized representative on behalf of that assessee.

- ◆ Section 49 to be amended to provide that the cost of acquisition of an asset acquired by resulting company shall be the **cost for which the demerged company acquired the capital asset** as increased by the cost of improvement incurred by the demerged company or the resulting company. Consequently, the period of holding of such asset in the hands of the resulting company would include the period for which the asset was held by the demerged company, as per section 2(42A).

Other Proposals

- ◆ Section 80G proposed to be amended to provide for 100% deduction in respect of donations made to the **National Fund for Control of Drug Abuse**, being a fund of national importance.
- ◆ With a view to encourage and enhance people's participation in the national effort to improve sanitation facilities and rejuvenation of river Ganga, 100% deduction to be provided under section 80G for donations made by any donor to the **Swachh Bharat Kosh** and donations made by domestic donor to **Clean Ganga Fund**, with retrospective effect from A.Y.2015-16. However, only such donations other than sums spent towards CSR activity under section 135(5) of the Companies Act, 2013 to be eligible for deduction under section 80G. Income of these funds to be exempt under section 10(23C).

Direct Taxes Code (DTC)

- ◆ Since the jurisprudence under the Income-tax Act, 1961 is well evolved and a large number of provisions of the proposed DTC have already been included in the Income-tax Act, 1961 and the remaining are proposed to be included through the Finance Bill, 2015, the Government has expressed its resolve of not going ahead with the DTC.

International Taxation

- ◆ **Location of Fund Managers in India not to constitute business connection of offshore funds**
 - In order to facilitate location of fund managers of off-shore funds in India, a specific regime has been proposed in the Act in line with

international best practices. New section 9A is proposed to be inserted to provide that in the case of an eligible investment fund, the fund management activity carried out through an eligible fund manager acting on behalf of such fund shall not constitute business connection in India of the said fund. Further, the eligible investment fund would not be considered to be resident in India merely because the eligible fund manager undertaking fund management activities on its behalf is located in India.

♦ **Indirect transfer provisions** – Clarificatory provisions

- Currently, *Explanation 5* in section 9(1)(i) clarifies that an asset or capital asset, being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be situated in India if the share or interest derives, directly or indirectly, its value substantially from the assets located in India.

Explanation 6 to be inserted in section 9(1)(i) to provide that the share or interest of a foreign company or entity shall be deemed to derive its value substantially from the assets (whether tangible or intangible) located in India, if on the specified date, the value of Indian assets,-

- a) exceeds the amount of ten crore rupees; and

- b) represents at least 50% of the value of all the assets owned by the company or entity.

♦ **CBDT to notify rules for giving foreign tax credit**

- CBDT to make rules to provide the procedure for granting relief or deduction, as the case may be, of any income-tax paid in any country or specified territory outside India, under section 90, or under section 90A, or under section 91, against the income-tax payable under the Income-tax Act, 1961.

♦ **POEM to determine residential status in respect of Companies**

- The concept of Place of Effective Management (POEM) is proposed to be introduced in the Income-tax Act, 1961 for determining the residential status of company in line with DTAA's and international practices. It is proposed to amend the provisions of section 6(3) to provide that a person being a company shall be said to be resident in India in any previous year, if-

- (i) it is an Indian company; or
- (ii) its place of effective management, at any time in that year, is in India.

Further, it is proposed to define POEM to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.

Indirect Taxes

Central Excise

Amendments made effective immediately

1. Education Cess and Secondary & Higher Education Cess leviable on excisable goods fully exempted. Further, standard ad valorem rate of excise duty increased from 12% to 12.5%.
2. An explanation inserted in sub-section (3) to section 3A to provide that "factor" relevant to production, in the said sub-section, includes "factors" relevant to production. This enables the Central Government to specify more than one factor relevant to the production of such goods.

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

1. Section 11A of the Central Excise Act, 1944 proposed to be amended as under:
 - (i) category of cases where extended period of time applies but the transactions are recorded in the specified record, to be removed from the statute,
 - (ii) definition of relevant date to be provided in respect of cases where a return is not filed on the due date and where only interest is required to be recovered,

- (iii) provisions of section 11A not to apply to cases where the non-payment or short payment of duty is reflected in the periodic returns filed and that in such cases recovery of duty shall be made in such manner as may be prescribed in the rules.

2. Section 11AC of the Central Excise Act, 1944 proposed to be substituted so as to rationalize the penalty in the following manner:

- (i) in cases **not involving** fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the said Act or rules with the intent to evade payment of excise duty-
 - (a) in addition to the duty as determined under section 11A(10), a penalty not exceeding 10% of the duty so determined or ₹5,000, whichever is higher, shall be payable;
 - (b) if duty and interest payable thereon under section 11AA is paid either before issue of show cause notice or within 30 days of issue of show cause notice, no penalty shall be payable and all proceedings in respect of said duty and interest shall be deemed to be concluded;
 - (c) if duty as determined under section 11A(10) and interest payable thereon under section

11AA is paid within 30 days of the date of communication of order of the Central Excise Officer who has determined such duty, the amount of penalty shall be equal to 25% of the penalty so imposed, provided that such reduced penalty is also paid within 30 days of the date of communication of such order.

(ii) in cases **involving** fraud or collusion or wilful mis-statement of suppression of facts or contravention of any provision of the said Act or rules with the intent to evade payment of excise duty-

(a) in addition to the duty as determined under section 11A(10), a penalty equal to the duty so determined shall be payable.

(b) if duty and interest payable thereon under section 11AA is paid within 30 days of communication of show cause notice, the amount of penalty payable shall be 15% of the duty demanded, provided that such reduced penalty is also paid within 30 days of communication of show cause notice and all proceedings in respect of said duty, interest and penalty shall be deemed to be concluded;

(c) if duty as determined under section 11A(10) and interest payable thereon under section 11AA is paid within 30 days of the date of communication of order of the Central Excise Officer who has determined such duty, the amount of penalty shall be equal to 25% of the duty so determined, provided that such reduced penalty is also paid within 30 days of the date of communication of such order; and

(iii) If the duty amount gets modified in any appellate proceeding, then the penalty amount mentioned in (ii) (a) above and interest shall also stand modified accordingly. Where the duty amount is increased in the appellate proceedings, the benefit of reduced penalty as specified shall be admissible if duty, interest and reduced penalty in relation to such increased amount is paid within 30 days of such appellate order.

3. Section 32B of the Central Excise Act, 1944 proposed to be amended so as to enable Vice Chairman or Member of the Settlement Commission to officiate as Chairman, in the absence of Chairman of the Settlement Commission.
4. Penalty provided under sub-sections (4) and (5) of section 37 of the Central Excise Act, 1944 proposed to be enhanced from ₹2000 to ₹5000.

Amendments effective from 01.03.2015

A. Amendments in the CENVAT Credit Rules, 2004

1. Time limit for taking CENVAT credit on inputs and input services enhanced from the present 6 months to one year [Rule 4].
2. Time limit for return of capital goods from a job worker enhanced from the present 6 months to two years [Rule 4].

3. Provision relating to reversal for CENVAT credit, presently applicable to exempted goods and services, made applicable to non-excisable goods also [Rule 6].

4. CENVAT credit taken, but NOT utilized, also to be recovered [Rule 14].

B. Amendments in the Central Excise Rules, 2002

Digitally signed invoices may be issued and records may be preserved in electronic form by a manufacturer [Rules 10 and 11].

C. Simultaneous amendments in Central Excise Rules, 2002 and CENVAT Credit Rules, 2004

1. Direct dispatch of goods to registered dealer's/registered importer's customers without first bringing them to the dealer's/importer's registered premises subject to the conditions specified therein.

2. Direct dispatch of inputs and capital goods to job worker without first bringing them to the manufacturer's/output service provider's premises subject to the conditions specified therein.

3. Application of certain provisions of these rules, presently applicable to the registered dealers, to apply to the registered importers also.

4. Definition of export goods and export provided in the rules.

D. Registration process simplified to ensure that registration is granted within 2 working days of the receipt of a duly completed application form. Verification of documents and premises, as the case may be, shall be carried out after the grant of the registration.

Customs

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

1. Section 28 of the Customs Act, 1962 to be amended to provide as follows:

(i) in cases not involving fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the said Act or rules with the intent to evade payment of duty, no penalty shall be imposed if the amount of duty along with interest, is paid in full within 30 days from the date of receipt of the notice and the proceedings in respect of such person or other persons to whom the notice is served shall be deemed to be concluded;

(ii) in cases involving fraud or collusion or wilful mis-statement or suppression of facts or contravention of any provision of the said Act or rules with the intent to evade payment of duty, the amount of penalty payable to be reduced to 15% (instead of the present 25%) if the amount of duty in full or in part, as may be accepted, along

with interest and such reduced penalty, is paid within 30 days from the date of receipt of the notice.

2. Section 112 of the Customs Act, 1962 providing penalty for improper importation of goods, etc/section 114 of the Customs Act, 1962 providing penalty for attempt to export goods improperly, etc. proposed to be amended. The amended sections to provide that any person who, in relation to any dutiable goods, other than prohibited goods, does or omits to do any act which would render such goods liable to confiscation under section 111/section 113 of the Customs Act, 1962 respectively, or abets the doing or omission of such an act, shall, subject to the provisions of section 114A of the Act, be liable to a penalty not exceeding 10% of the duty sought to be evaded OR ₹ 5000, whichever is greater.

However, in cases of short levy or non-levy or short payment or non-payment and erroneous refund of duty for reasons of collusion or any willful mis-statement or suppression of facts, if the duty as determined under section 28(8) and the interest payable thereon under section 28AA of the Customs Act, 1962 is paid within 30 days from the date of communication of the order of the proper officer determining such duty, the amount of penalty liable to be paid under this section shall be 25% of the penalty so determined.

Common Amendments under Central Excise and Customs

1. The scheme of Advance Ruling extended to “resident firm” in Central Excise and Customs (effective from 01.03.2015).
2. Proviso to section 31(c) of the Central Excise Act, 1944/proviso to section 127A(b) of the Customs Act, 1962 proposed to be amended to provide that when any proceeding is referred back, whether in appeal or revision or otherwise, by any court, Appellate Tribunal Authority or any other authority to the adjudicating authority for a fresh adjudication or decision, then such case shall not be entitled for Settlement (to be effective from the date the Finance Bill receives President's assent).
3. Certain provisions relating to Settlement Commission, which are now redundant, are proposed to be omitted (to be effective from the date the Finance Bill receives President's assent).

Service Tax

Amendments to be effective from a date to be notified after the Finance Bill receives the assent of the President

A. Rate of service tax

The rate of service tax is proposed to be increased

from 12% plus Education Cesses i.e. 12.36% to 14%. The ‘Education Cess’ and ‘Secondary and Higher Education Cess’ shall be subsumed in the revised rate of service tax. EC and SHEC will continue to be levied in service tax till the time revised rate comes into effect.

B. Swachh Bharat Cess

Central Government is to be empowered to impose a Swachh Bharat Cess on all or any of the taxable services at a rate of 2% on the value of such taxable services. This cess is to be levied from such date as may be notified by the Central Government after the enactment of the Finance Bill, 2015.

C. Amendments in negative list of services [Section 66D of the Finance Act, 1994]

- ◆ Negative list entry (j) covering “admission to entertainment events and access to amusement facility” to be omitted.

Consequently, service tax to be levied on the service provided by way of access to amusement facility providing fun or recreation by means of rides, gaming devices or bowling alleys in amusement parks, amusement arcades, water parks and theme parks.

- ◆ Entry (f) to be amended to exclude any service by way of carrying out any processes for production or manufacture of alcoholic liquor for human consumption. Thus, service tax is proposed to be levied on contract manufacturing/job work for production of potable liquor for human consumption.
- ◆ Services provided by the Government or a local authority excluding certain specified services are covered by Entry (a) of the negative list. Presently, support services provided by the Government or local authority to a business entity are so excluded. It is proposed to exclude **ALL** services provided by the Government or local authority to a business entity from the negative list. Accordingly, all services provided by the Government or local authority to a business entity shall be liable to service tax except the services that are specifically exempted, or covered by any another entry in the negative list.

D. Amendments in the definitions provided under section 65B of the Finance Act, 1994

- ◆ Definition of “amusement facility” and “entertainment event” provided under sections 65B(9) and 65B(24) to be omitted.
- ◆ Definition of “process amounting to manufacture or production of goods” under section 65B(40) to be amended.
- ◆ Definition of “support service” under section 65B(49) to be omitted.

E. Amendments in mega exemption Notification No. 25/2012 ST dated 20.06.2012

- ◆ Entry at S. No. 30 to exclude carrying out of intermediate production process of alcoholic liquor

for human consumption on job work from the scope of this exemption.

- ◆ A new Entry at S. No. 47 to be inserted to grant exemption to service by way of right to admission to,-
 - i. exhibition of cinematographic film, circus, dance, or theatrical performances including drama or ballet.
 - ii. recognized sporting events.
 - iii. concerts, pageants, award functions, musical performances or sporting events not covered by S. No. ii, where the consideration for such admission is upto ₹500 per person.

F. Amendment to the Service Tax Rules, 1994

- ◆ In respect of services given in table below, service provider is allowed to pay service tax at an alternative rate subject to the conditions as prescribed under rule 6(7), 6(7A), 6(7B) and 6(7C). Consequent to the upward revision in service tax rate, the said alternative rates are also to be revised proportionately as per the table given below:

Amendments effective from 01.03.2015

A. Amendments in Service Tax Rules, 1994

- ◆ In respect of any service provided under aggregator model, the aggregator, or any of his representative office located in India or an agent of aggregator, is liable to pay service tax under reverse charge if the service is so provided using the brand name of the aggregator in any manner. Rule 2 of the Service Tax Rules, 1994 and *Notification No. 30/2012-ST dated 20.6.2012* have been amended accordingly.
- ◆ Rule 4 has been amended to provide that the CBEC shall, by way of an order, specify the conditions, safeguards and procedure for registration in service tax.
Order No. 1/15 ST dated 28.2.2015 has been issued, prescribing documentation, time limits and procedure for registration. It has also been prescribed that henceforth registration for single premises shall be granted within 2 days of filing the application.
- ◆ Digitally signed invoices may be issued. Further, records may be preserved in electronic form and may be authenticated by means of digital signatures. The conditions and procedure in this regard shall be specified by the CBEC [Rules 4, 4A and 5A].

B. Notification No. 42/12 ST dated 29.6.2012 granting exemption to the services provided by a commission agent located outside India to an exporter located in India has been rescinded.

C. "Resident firm" has been notified as class of persons under section 96A(b)(iii) of the Finance Act, 1994 who can make application for advance ruling.

Amendments effective from 01.04.2015

A. Amendments in Mega Exemption Notification No. 25/2012 ST dated 20.06.2012

(I) Rationalization of existing exemptions

- (a) Entry at S.No 12 is pruned to restrict the exemption on services of construction, repair, maintenance, renovation or alteration service provided to the Government, a local authority, or Governmental authority to:-
 - (i) a historical monument, archaeological site or remains of national importance, archaeological excavation or antiquity;
 - (ii) canal, dam or other irrigation work; and
 - (iii) pipeline, conduit or plant for water supply, water treatment, or sewerage treatment or disposal.

Exemption to other services earlier covered under said entry have been withdrawn.

- (b) Entry at S. No. 14 has been amended to withdraw the exemption to construction, erection, commissioning or installation of original works pertaining to an airport or port. However, other exemptions covered under said entry will continue unaltered.
- (c) Exemption to services provided by a performing artist in folk or classical art form of music, dance, or theatre, would be limited only to such cases where amount charged is upto ₹1,00,000 for a performance [Entry at S.No. 16].
- (d) Exemption to transportation of food stuff by rail, or vessels or road will be limited to food grains including rice and pulses, flour, milk and salt. Transportation of agricultural produce is separately exempt, and this exemption would continue [Entries at S.No. 20 and 21].
- (e) Exemptions under entry to S.No. 29 on the following services is withdrawn:
 - ◆ services provided by a mutual fund agent to a mutual fund or assets management company,
 - ◆ distributor to a mutual fund or AMC,
 - ◆ selling or marketing agent of lottery ticket to a distributor.
- (f) Exemption under entry to S.No. 30 on the following service is withdrawn-
 - ◆ Departmentally run public telephone;
 - ◆ Guaranteed public telephone operating only local calls;
 - ◆ Service by way of making telephone calls from free telephone at airport and hospital where no bill is issued.

(II) New exemptions

- (a) Life insurance service provided by way of Varishtha Pension Bima Yojna [Entry at S.No. 26A inserted].
- (b) Service provided by a Common Effluent Treatment Plant operator for treatment of effluent [Entry at S.No. 43 inserted].
- (c) Services by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits

and vegetables [Entry at S.No. 44 inserted].

(d) Service provided by way of admission to a museum, zoo, national park, wild life sanctuary and a tiger reserve [Entry at S.No. 45 inserted].

(e) Service provided by way of exhibition of movie by the exhibitor (theatre owner) to the distributor or an association of persons consisting of such exhibitor as one of its members [Entry at S.No. 46 inserted].

(f) Hitherto, any service provided by way of transportation of a patient to and from a clinical establishment by a clinical establishment is exempt from service tax. All ambulance services have been covered within the scope of this exemption to widen its scope [Entry at S.No. 2 amended].

B. Hitherto, Goods transport agency service provided for transport of export goods by road from the place of removal to an inland container depot, a container freight station, a port or airport is exempt from service tax vide *Notification No. 31/2012-ST dated 20.6.2012*. Scope of this exemption is widened to exempt such services when provided for transport of export goods by road from the place of removal to a land customs station (LCS).

C. Amendments in abatement with respect to various services

Notification No. 26/2012 ST dated 20.06.2012 has been amended as follows:

- ◆ Abatement with respect to service of transportation by rail, road and vessel has been synchronised providing a uniform abatement rate for the same. Consequently, service tax is payable on 30% of value of such service subject to a uniform condition of non-availment of CENVAT credit on inputs, capital goods and input services.
- ◆ Abatement with respect to air transport of passenger for higher classes shall be 40% as against economy class for which abatement is 60% of the value of taxable service.
- ◆ Abatement provided for services in relation to chit is withdrawn. Thus, service tax is payable by chit fund foremen on the full consideration received by way of fee, commission or any such amount.

D. Amendments with respect to reverse charge mechanism

Notification No. 30/2012 ST dated 20.06.2012 has been amended as follows:

- ◆ Manpower supply and security services provided by an individual, HUF, or partnership firm to a

S.No.	Service provided	Present rate		Proposed rate	
1.	Air travel agent (domestic bookings)	0.6% of the basic fare		0.7% of the basic fare	
	Air travel agent (international bookings)	1.2% of the basic fare		1.4% of the basic fare	
2.	Life insurance service (where amount allocated for investment/savings of the total gross premium charged from policy holder is not intimated to him)	3% of the premium charged in first year and 1.5% of the premium charged in subsequent years		3.5% of the premium charged in first year and 1.75% of the premium charged in subsequent years	
3.	Money changer service	(a) 0.12 per cent. of the gross amount of currency exchanged for an amount upto ₹100,000, subject to the minimum amount of ₹30; and (b) ₹120 and 0.06 per cent. of the gross amount of currency exchanged for an amount of ₹exceeding ₹100,000 and upto ₹10,00,000; and (c) ₹660 and 0.012 per cent. of the gross amount of currency exchanged for an amount of ₹exceeding 10,00,000, subject to maximum amount of ₹6,000.		(a) 0.14 per cent. of the gross amount of currency exchanged for an amount upto ₹100,000, subject to the minimum amount of ₹35; and (b) ₹140 and 0.07 per cent. of the gross amount of currency exchanged for an amount of ₹exceeding ₹100,000 and upto ₹10,00,000; and (c) ₹770 and 0.014 per cent. of the gross amount of currency exchanged for an amount of ₹exceeding 10,00,000, subject to maximum amount of ₹7,000.	
4.	Lottery distributor and selling agent	where guaranteed payout more than 80%	₹7,000/- on every ₹10 lakh or part thereof of aggregate face value of tickets	where guaranteed payout more than 80%	₹8,200/- on every ₹10 lakh or part thereof of aggregate face value of tickets
		where guaranteed payout less than 80%	₹11,000/- on every ₹10 lakh or part thereof of aggregate face value of tickets	where guaranteed payout less than 80%	₹12,800/- on every ₹10 lakh or part thereof of aggregate face value of tickets

body corporate, earlier taxed under partial reverse charge, have now been brought under full reverse charge.

- ◆ Service tax in respect of mutual fund agent and mutual fund distributor services shall be paid by the assets management company or by the mutual fund receiving such services.
- ◆ Distributor of lottery is required to pay service tax in respect of agents of lottery.

E. Earlier CENVAT credit to service receiver under partial reverse charge was eligible only if payment of value of taxable service has been made to service provider.

Rule 4(7) of the CENVAT Credit Rules, 2004 has been amended to allow CENVAT credit of service tax paid under partial reverse charge by the service receiver without linking it to the payment to the service provider.

Amendments to be effective from the date of enactment of the Finance Bill, 2015

- ◆ Definition of “foreman of a chit fund”, “Government” and “lottery distributor or selling agent” to be provided under section 65B of the Finance Act, 1994.
- ◆ An Explanation to be inserted in 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 chit fund foremen in relation to chit, and lottery distributors and selling agents, in relation to lotteries. Further, an explanation also to be added in entry (i) of section 66D to specifically state that these activities are not covered by the Negative List.
- ◆ Definition of consideration as per clause (a) of Explanation to section 67 of the Finance Act, 1994 is proposed to be substituted. As per new definition, consideration includes:
 - any amount that is payable for the taxable services provided or to be provided,
 - any reimbursable expenditure or cost incurred by the service provider and charged, in the course of providing or agreeing to provide a taxable service, except in such circumstances, and subject to such conditions, as may be prescribed,
 - any amount retained by the lottery distributor or selling agent from gross sale amount of lottery ticket in addition to the fee or commission, if any, or, as the case may be, the discount received, that is to say, the difference in the face value of lottery ticket and the price at which the distributor or selling agent gets such ticket.
- ◆ Section 73 of the Finance Act, 1994 is proposed amended in the following manner:
 - new sub-section (1B) be inserted to provide recovery of the service tax amount self-assessed and declared in the return but not paid shall be made under section 87 of the said Act, without service of any notice under section 73(1); and

➤ sub-section (4A) that provides for reduced penalty if true and complete details of transaction were available on specified records be omitted.

- ◆ Section 76 of the Finance Act, 1994 to be amended to rationalize the provisions relating to penalties, in cases not involving fraud or collusion or wilful misstatement or suppression of facts or contravention of any provision of the Finance Act, 1994 or rules with the intent to evade payment of service tax, in the following manner,-

- penalty not to exceed 10% of service tax amount involved in such cases;
- no penalty is to be paid if service tax and interest is paid within 30 days of issuance of notice under section 73(1);
- a reduced penalty equal to 25% of the penalty imposed by the Central Excise Officer by way of an order is to be paid if the service tax, interest and reduced penalty is paid within 30 days of such order; and
- if the service tax amount gets reduced in any appellate proceeding, then the penalty amount shall also stand modified accordingly, and benefit of reduced penalty (25% of penalty imposed) shall be admissible if service tax, interest and reduced penalty is paid within 30 days of such appellate order.

- ◆ Section 78 of the Finance Act, 1994 to be amended to rationalize penalty, in cases involving fraud or collusion or wilful mis-statement of suppression of facts or contravention of any provision of the Finance Act, 1994 or rules with the intent to evade payment of service tax, in the following manner-

- penalty shall be 100% of service tax amount involved in such cases;
- a reduced penalty equal to 15% of the service tax amount is to be paid if service tax, interest and reduced penalty is paid within 30 days of service of notice in this regard;
- a reduced penalty equal to 25% of the service tax amount, determined by the Central Excise officer by an order, is to be paid if the service tax, interest and reduced penalty is paid within 30 days of such order; and
- if service tax amount gets reduced in any appellate proceeding, then the penalty amount shall also stand modified accordingly, and benefit of reduced penalty (25%) shall be admissible if service tax, interest and reduced penalty is paid within 30 days of such appellate order.

Section 78 of the Finance Act, 1994, that provided in circumstances, to be

Section 78 of the Finance Act, 1994 to be amended to provide that remedy against the order passed by Commissioner (Appeal), in a matter involving rebate of service tax, shall lie in terms of section 35EE of the Central Excise Act, 1944. ■

M. Durgam

Examiners' Comments on the Performance of Candidates – Final Examination

PAPER – 1: FINANCIAL REPORTING

SPECIFIC COMMENTS

Question 1.

- (a) Most of the candidates who faulted have considered provision for doubtful debts as timing difference instead of permanent difference. While others failed to bifurcate the amount of donation between allowed and disallowed portion as per the Income-tax Act. Some candidates erred in determining the nature of timing difference i.e. whether it will lead to creation of deferred tax asset or deferred tax liability and did the vice versa.
- (b) Few candidates did not calculate percentage of net segment asset to total net segment asset while some failed to deduct deferred tax assets from segment assets to arrive at net segment assets for the purpose of identification of reportable segments as per AS 17. The conclusion given by some of the candidates was not in accordance with the relevant accounting standard though the answer was correct.
- (c) This question has two requirements viz amount to be charged to Profit and Loss and carrying amount of the intangible asset. Few candidates replied only one part of the question while some of the candidates interchanged the amount to be charged to Profit and Loss to the carrying amount or vice versa.
- (d) The candidates were not aware about the format of presentation of fixed deposits in accordance with the Revised Schedule VI which is now Schedule III. They were not able to answer the question in reference to AS 3 as well as the desired Schedule. They have wrongly taken into account the total maturity period instead of the balance maturity period from the reporting date to classify the assets into non-current and current and also failed to present the deposits under correct heading/sub-heading.

Question 2.

Majority of the candidates failed to arrive at the correct amount of capital reserve to be shown in the balance sheet of the amalgamated company. Further, many candidates passed the entry for non-current and current assets together with the consolidated figure instead of bifurcating the value

to be recorded for non-current and current asset separately. Few candidates wrongly computed the amount of purchase consideration payable to outside shareholders.

Question 3.

Few candidates were not able to correctly analyse the profits of subsidiary company into pre-acquisition and post acquisition periods for share of holding and minority interest. Due to it, the candidates erred in arriving at the correct figures of cost of control, minority interest and reserves and surplus to be shown in the consolidated balance sheet. Some of the candidates had not prepared 'Notes to Accounts' which was the requirement of the question and consequently lost marks.

Question 4.

- (a) A few candidates were not able to calculate the year wise correct amount of compensation expenses to be charged to the Profit and Loss account particularly in the case of first two years. This resulted in the wrong journal entries of these years as well.
- (b) The performance of the candidates was poor in this part of the question. Very few candidates were able to correctly compute the equity and liability component of debentures issued.

Question 5.

The candidates could not arrive at the correct amount of capital employed due to non consideration of additional depreciation on tangible assets. They also erred in the computation of future maintainable profits on account of not adjusting the amortization of goodwill or revaluation of inventories. Most of the candidates have not calculated the amount of capital employed for all the three years.

Question 6.

- (a) Most of the candidates could not compute the NOPAT correctly. Moreover, they couldn't compute the Total Capital Employed/Operating Capital employed and finally they couldn't calculate the required percentage of WACC.

Question 7.

- (a) Most of the candidates had discussed the applicable accounting standard but failed to draw the conclusion correctly.

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- (b) Candidates lacked the basic expected knowledge of AS 30 which was required to answer this part of the question. They were not able to define the derivative properly.

PAPER - 2: STRATEGIC FINANCIAL MANAGEMENT

SPECIFIC COMMENTS

Question 1.

- (a) In this question of foreign exchange, overall performance was good as majority of candidates have solved the question correctly. However some candidates have committed mistake in calculation of cross rates.
- (b) In this question involving the calculation of yield on investment, the overall performance was found below average as majority of candidates have committed mistake in calculating the investment amount on which yield has to be earned and hence gone wrong in both parts.
- (c) In this question of Mergers and Acquisition, the overall performance was of average level as majority of candidates could not arrive at true cost of merger though the steps till the calculation of total value of merged entity and issue of shares to the transferor company were correctly done.
- (d) Most of the candidates had performed well in this question on Dividend theories but few candidates could not compute the market price of share if D/P ratio is optimal.

Question 2.

- (a) In this question, overall performance was of average level. Some candidates though have done all steps correctly till calculation of cost of capital but went wrong in calculation of revised weights based on market values.
- (b) In this question, overall performance was below average because following mistakes were common in the answers of candidates:
 - (i) Borrowing of ₹ 200 lakhs ignored in the calculation.
 - (ii) Mistakes in setting off the losses for the calculation of tax.
 - (iii) Mistake in the calculation of cash flow on account of repayment of Principal amount of loan.

Question 3.

- (a) In this question, overall performance was above average though some candidates have committed mistake in calculation of forward rate.
- (b) In this question of Portfolio Theory, overall performance was above average though some candidates could not workout the impact of inflation correctly.

Question 4.

- (a) This question based on the concept of Financial Services has been poorly attempted by majority of candidates exhibiting lack of knowledge of concept.
- (b) This question involved calculation of NAV has been well answered by majority of candidates and hence overall performance was good.

Question 5.

- (a) Overall performance in this question on Dividend Decisions was good. Few candidates have committed arithmetical errors in the calculation of market price of share and number of shares to be issued to meet investment expenditure.
- (b) In this question, based on the concept of Global Depository Receipts the overall performance was found poor because of following:
 - (i) Lack of understanding and application of concept of GDR.
 - (ii) Mistake in calculation of number of GDR to be issued and its cost.
 - (iii) Confusion about the net proceeds of GDR.

Question 6.

- (a) In this question based on the concept of Mergers and Acquisition overall performance was good. However, some candidates have committed mistake in calculation of number of shares after merger and impact on EPS.
- (b) Majority of candidates have performed well in this question of Security Analysis. However, some candidates have exhibited lack of conceptual knowledge by committing mistakes in giving advising to buy, hold or sell the shares. Even some candidates have calculated existing rate of return but could not calculate the revised one.

Question 7.

- (a) In spite of fact being a common theoretical question on Mutual Fund, the overall performance was found below average as it appears that candidates do not prepare themselves for theoretical questions and attempts them in emergency only. Further candidates have mentioned about the decrease in NAV but not elaborated on the exit from the scheme.
- (b) In this question overall performance was found of average level as many candidates could not give answer specific to the objectives of cross border leasing.
- (c) In this theoretical question, overall performance was found below average as most of candidates have attempted the question on guess work and not mentioned conditions of reverse merger properly.
- (d) In this theoretical question relating to risks to which foreign exchange transactions are exposed to the overall performance was of average level. Though candidates were clear about transaction

- and translation exposures (risks) but have exhibited lack of knowledge of concept of economic exposure.
- (e) In this question based on the concept of insider trading, overall performance was found poor.

PAPER – 3 : ADVANCED AUDITING AND PROFESSIONAL ETHICS

SPECIFIC COMMENTS

Question 1.

- (a) **Capitalisation of Detention Charges:** Most of the candidates are not clear about the treatment of Detention Charges. Some of them also get confused between applicability of AS 10, AS 16, and AS 29. Many candidates discussed in general about definition of Fixed Assets as per AS 10, but omitted to mention treatment of Detention Charges besides ignoring drafting of qualification Para in reporting.
- (b) **Validity of Written Representation:** Candidates were able to discuss SA 580 on Written Representation, but failed to highlight importance of alternative audit evidence and limitation on the scope, thereby getting confused with conclusion.
- (c) **Uncorrected Misstatements Identified during Audit:** Most of the candidates answered the question in a general manner and failed to explain SA 450 and correlate with the same.
- (d) **Roles and Responsibilities of the Auditor in relation to Compliance with the Laws and Regulations:** Very few candidates explained SA 250 and gave general answers. Most of them failed to give the required answer which should be based on “the audit procedures to identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements”.

Question 2.

- (a) **Consideration of Auditor for Assessing the Risk of Material Misstatement:** Many candidates failed to mention how the auditor shall identify and assess the risks of material misstatement. Most of the candidates failed to discuss SA 330 on Auditor’s response in assessing the risk of material misstatement. Majority of the candidates discussed either SA 315 or SA 330 but not both.
- (b) **Changes in Methods of Collecting and Evaluating the Audit Evidences in Computerised Environment:** Majority of the candidates failed to discuss the aspects of collecting the audit evidence and evaluating the audit evidences in a computerized environment. They gave general and irrelevant answers like various controls, auditing through and around computer, white box & black box approach.

- (c) **Principal methods of selection of samples:** Instead of discussing the principal methods of sampling, candidates in general explained about sampling and discussed only one or two correct methods of collection of sample and erred in discussing irrelevant matters such as statistical & non-statistical techniques.
- (d) **Evaluating Inherent Risk:** Question not clearly understood by majority of candidates and answered in general manner. In fact, most of the candidates showed lack of understanding of the topic on inherent audit risk and discussed control risk & detection risk which was not required in the question.

Question 3.

- (a) **Compliance of Laws and Regulations w.r.t. show cause notice by Excise Department:** Many failed to give reference to SA 250 and erred in mentioning provisions of AS 4 instead of AS 29.
- (b) **Reporting of Qualification Regarding Non-Provision of Doubtful Debts:** Most of the candidates wrote general answers instead of discussing Auditor’s responsibility in cases where audit report for an earlier period is qualified as per SA 710. Besides this, there was no mention of modifying auditor’s opinion on the current period’s financial statements.

Question 4.

- (c) **Reporting Requirement as per Schedule III of the Companies Act, 2013:** Some candidates misunderstood the question and interlinked the issue with Subsequent Events. While, many candidates omitted to make any reference to Schedule III.
- (d) **Reporting of Transactions with Related Parties:** Most of the candidates showed lack of understanding of SA 550, evaluation of related party transactions and how to collect evidences in this regard. They failed to emphasis how the auditor would deal in significant related party transactions outside the entity’s normal course of business besides laying much stress on AS 18 and Sec. 301.

Question 5.

- (c) (i) **Reporting to Shareholders & to Those Charged with Governance:** Most of the candidates discussed only meanings of the topic in general.
- (ii) **Audit Qualification & Emphasis of Matter:** Very few candidates have explained the situations where audit qualifications and emphasis of matter is issued but without any reference to relevant Sections and SAs. They mentioned types of reports but omitted practical situations.

Question 6.

- (a) **Expression of Opinion on Financial Statements:** Some of the candidates gave wrong answers relating to appointment of firm having interest rather than the assignment for which the firm is appointed thereby arriving at wrong conclusion.
- (d) **Loan from a Company:** Many candidates discussed Clause 1 of Part II of Second Schedule to the Chartered Accountants Act, 1949 but failed to interlink the same with required Regulation 47 of the Chartered Accountant's Regulations, 1988 which prohibits a member from accepting any premiums or loans or any deposit in any form from an articulated clerk directly or indirectly.

Question 7.

- (a) **Market Wide Circuit Breakers:** Some of the candidates, either, not discussed the time of management of index and duration of trading halt, or discussed it wrongly, whereas few candidates get confused between Circuit Filter and MWCBC.
- (c) **Importance of KYC Requirements for CA's Practice:** Majority of the candidates have taken this question in general way and wrongly explained the requirements of KYC in context of banks rather than CA's in Practice.
- (d) **Intangible Assets Vs. Intangible Items:** Most of the candidates explained intangible assets correctly but failed to explain intangible items.

PAPER – 4 : CORPORATE AND ALLIED LAWS

SPECIFIC COMMENTS

Question 1.

- (a) The question related to the appointment of auditors was attempted well by the candidates. However, some of the candidates could not correctly answer the second part related to appointment of audit firm as an auditor of the company.
- (b) The question was dealing with posting of dividend within 30 days of declaration and the consequences that follow in case of default. Most of the students could correctly write the provisions relating to posting of dividend. However, some of the students could not give provisions of punishments and penalties in case of default.
- (d) Performance of majority of candidates was poor in this part. Students did not know the power of the Central Government to suspend the business of a recognized Stock Exchange under section 12 of the Securities Contracts Regulation Act, 1956. Many students did not attempt this part in spite of the fact that the part was under compulsory question.

Question 2.

- (a) The question was dealing with the appointment

of alternate and nominee director. Most of the students' answer was general in nature.

- (b) (ii) Candidates' performance in this part was below average. The question pertained to the drafting of Board resolution for appointing an additional director. Most of the candidates lacked the skill of drafting resolution. Proper format of resolution was also not known.

Question 3.

- (a) The question dealt with SEBI [Issue of Capital and Disclosure Requirements] Regulations, 2009]. Candidates did not know the relevant SEBI regulation of public issue of shares and generally the students performed poorly in this part. Many students did not attempt this part.

Question 4.

- (a) The performance of majority of candidates in the question dealing with remedies available in case of oppression and mismanagement, was below average. Many of students did not explain the remedies available to the minority shareholders.
- (b) In this part dealing with procedure to be adopted by the company to implement the scheme of compromise or arrangement, performance of the candidates was below average. The students could not properly explain the provisions of the Companies Act, 1956 regarding procedure of compromise or arrangement.

Question 5.

- (a) The question was dealing with the duties of the official liquidator in case of winding up proceedings which commenced but the winding up could not be completed within a period of two years. The performance of majority of candidates was poor and they lacked conceptual clarity. Substantial number of students did not answer this part.
- (b) The students' performance in the first part was average. However, the second part dealing with activities in which Banking Company may engage in addition to the business of banking, according to Section 6 of the Banking Regulation Act, 1949, was not well answered by the students.

Question 6.

- (a) (ii) Part (ii) of the question dealt with the amendment of Articles of Association of a producer company as according to the provisions of the Companies Act, 1956. Majority of candidates fared poorly in this part as they did not know the procedure of amendment of Articles of a Producer company.
- (b) The question asked to explain non-cash transactions involving directors of a public limited company, as according to the provisions of the Companies Act, 2013. The students did not explain

Section 192 of the Companies Act, 2013 regarding restriction on non-cash transactions and answered the question in a vague manner which showed their lack of knowledge about the New Act.

Question 7.

- (b) The performance of the candidates was average. The candidates could answer the question with respect to removal of member of the Competition Commission of India by the Central Government, as according to section 11(2) of the Competition Act, 2002. However, many candidates did not know the restrictions on such powers of the Central Government as contained in section 11(3) Competition Act, 2002. Thus, the candidates failed to give the full answer correctly.
- (d) The question asked about the circumstances under which the Reserve Bank of India may cancel the certificate of registration granted to a Securitisation Company. Majority of the students performed average on this question as they gave general answer to the question.
- (e) The performance of the students on question related to service of show cause notice on the Foreign Company according to section 383 of the Companies Act, 2013, was average. The students answered the question in general manner, which showed their lack of preparation with respect to the provisions of the Companies Act, 2013.

perspectives. Performance of the examinees was poor. Examinees evoked unclear answers as they lacked conceptual knowledge. It is apparent that the examinees lacked practice to solve such type of situations.

- (c) This was a theory question from the topic '**Critical Path Analysis**' in which examinees had to *state the types of errors in logical sequencing that may arise while drawing a Network Diagram*. Average performance of the examinees was observed in this question.
- (d) This was a practical question related to *computation of unit selling price under two different strategies*. Majority of examinees could not solve second part of the requirement. Overall performance of the examinees was average in this question.

Question 2.

- (a) This was a practical question regarding *application of learning curve in decision making*. Performance of the examinees was average.
- (b) This was a practical question relating to topic '**Simulation**' where examinees were required to simulate the given information related with a cake vendor to find out profit/loss incurred. Most of the examinees failed to calculate the vendor's profit correctly.

Question 3.

- (a) This was a practical problem relating to topic '**Linear Programming**' using 'Graphical Method'. Average performance of the examinees was observed with respect to this question. A number of examinees failed to formulate linear equation correctly. They were also unable to identify the feasible zone in the graph correctly. It clearly showed that the examinees had not prepared well to solve this type of problem.
- (b) This was a practical question related to determination of *the product mix in case of two limiting factors*. Performance of the examinees was average. Majority of the examinees failed to determine the product mix using two key factors.

Question 4.

- (a) This was a practical question relating to topic '**Transfer Pricing**' in which examinees were required to *calculate division wise profit under group transfer policy and financial impact on the group if transfer policy is ignored*. Average Performance of examinees was observed.
- (b) This was a practical problem relating to topic '**Critical Path Analysis**' in which examinees were required to *draw network diagram and find critical path, expected project length, variance of critical path, standard deviation of critical path etc.* Performance of majority of examinees in the question was good.

PAPER - 5 : ADVANCED MANAGEMENT ACCOUNTING

GENERAL COMMENTS

"The Overall performance was not satisfactory. Majority of the examinees did not prepare extensively and probably went for selective reading. It is important for examinees to study the full syllabus. They must study more intensively and practice to solve numerical problems from the study material, practice manual, revision test papers and past years question papers."

SPECIFIC COMMENTS

Question 1.

- (a) This was a practical question related to *computation of minimum price to ensure a given amount of overall profit*. Performance of the examinees was poor. The examinees were unable to comprehend the hidden cost of ₹2.
- (b) This was a concept based question relating to topic '**Balance Scorecard**' in which examinees were asked to *state three perspectives, an objective and a performance measure for each one of the three*

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Question 5.

- (a) This was practical problem related to topic '**Standard Costing**' in which examinees had to find out *missing data* in the question. Most of the examinees were not able to find out the required missing figure. The overall performance in this question was average. It clearly shows that the examinees were not prepared well to answer such type of question.
- (b) This was a practical question related to *preparation of comparative statements of profitability in the alternative courses of action with necessary recommendations*. Performance of the examinees was poor. Most of the examinees failed to prepare comparative statements of profitability under three alternative courses of action correctly.

Question 6.

- (a) This was a practical problem relating to topic '**Activity Based Costing**' in which examinees were required to calculate *cost of products* using *Activity Based Costing System*. This was well answered by most of the examinees.
- (b) This was a practical problem relating to topic '**Budget and Budgetary Control**'. Examinees were required to *prepare a production cost budget*. Most of the examinees failed to prepare production cost budget correctly.

Question 7.

- (a) to (e) This question comprises five questions and examinees were required to answer any four.
- (a) This was a question from the topic '**Transportation Problem**' on the *concept of degeneracy* and same was well answered by most of the examinees.
- (b) In this question examinees had to *explain the concept of relevancy of cost* and same was well answered by many examinees.
- (c) This was a question from the topic '**Just in Time**' and same was well answered by most of the examinees.
- (d) In this question examinees were asked to *explain the phases of life cycle of a product* and same was well answered by most of the examinees.
- (e) Question relates to customer costing in '**Service Sector**'. Most of the examinees explained service sector costing instead of customer costing in service sector. Performance of majority of examinees was below average.

PAPER – 6: INFORMATION SYSTEMS CONTROL AND AUDIT

GENERAL OBSERVATIONS

All questions in the paper were direct and set based on the content of the study material. It seems that many examinees studied the material only at the surface level. In exams, they just remembered and reproduced the

captions / headings of the content and described on their own notions that they acquired in their surface reading without bothering the correct answer. It is observed that several examinees tried to manage any questions with the general ideas of the topics, which were commonly discussed in the introduction of each chapter. Many could not define the terminologies. The remedy is that before appearing the exam, examinees must practice with the model questions and verify their solutions with that of in the study material and correct themselves. Then only they can know themselves how far they acquired the correct knowledge. They themselves judge the quality of their answer.

Question 1.

It was a compulsory case study based question related to the concepts of 'Data Integration Policies, Testing, Controls on Computerized System and Green Computing'.

- (a) This part was based on 'Data integration policies' and many examinees answered well.
- (b) Several did satisfactorily. However, many examinees, instead of the categories of tests that a programmer typically performs on a program unit, elaborated 'System Testing' in general.
- (c) Most of the examinees tried to discuss the ideas about 'Controls in Computerized Environment', whereas less than 1% of examinees could present the correct answer.
- (d) Most examinees answered satisfactorily.

For most examinees, the marks secured in questions 1(a), 1(b) and 1(d) contributed a reasonable percentage in their total marks.

Question 2.

- (a) Several examinees exactly pointed out the relevant requirements with respect to annual system audit mandated by SEBI. Few examinees however, elaborated 'Auditor Selection Norms' only.
- (b) Many examinees listed out the pertinent objectives in order to achieve the goals of Cloud Computing. Few confused 'pertinent objectives' with 'pertinent issues'.
- (c) Only less than 30% of the examinees wrote the correct answer which required to write 'Risks reviewed by IS Auditor relating to systems and processes'. Many examinees discussed the 'Responsibility of IS Auditor' in general.

Question 3.

- (a) The question was based on 'IT Tools crucial for business growth'. Nearly 30% of examinees presented satisfactory answer. Rest of them explained 'Various types of Business Applications and other Software'.
- (b) Most of the examinees answered well. This question consisted of two parts. The first part was about the

risks related to the use of PCs in business activities. Most answered this part just above average. The second part was security measures to be exercised to overcome the risks. Most examinees answered well this part.

- (c) Most of the examinees could not explain the phrase 'IT Governance'. However, they presented the 'Benefits of IT Governance' well.

Question 4.

- (a) The question was based on 'Output Controls required being reviewed w.r.t Application Controls'. Most examinees wrote well in this part.
- (b) The question was about 'Key Management Practices of IT Internal Controls complying with COBIT 5'. Less than 30% of examinees answered well in this part. Though, some examinees discussed the 'General concepts of IT Internal Controls', whereas, some examinees confused the Key Management Practices of 'IT Controls' with 'IT Compliance'.
- (c) The question was on 'Phases of Information Security Management Systems (ISMS)'. Most of the examinees, nearly 80% examinees answered well in this part.

Question 5.

- (a) Many examinees answered satisfactorily. Some examinees explained the 'General ideas about BCM program' whereas some discussed the 'Maintenance tasks undertaken in Development of BCP'.
- (b) Most examinees could not define/explain the term 'Expert System'. Only less than 10% of the examinees correctly answered the second part of this question viz., 'The properties that potential application should possess to qualify for an Expert System Development'.
- (c) Most of the examinees correctly pointed out the 'Repercussion of Cyber Frauds on an enterprise'.

Question 6.

- (a) The question was on 'The issues which affect evidence collection and understanding the reliability of controls in financial audit'. Most of the examinees answered satisfactorily.
- (b) Most of the examinees could not define 'Agile Model of software development'. Nearly 40% of the examinees listed out the strengths of this model somewhat satisfactorily.
- (c) Only some of the examinees explained the 'Business Continuity Management Policy' correctly. Many of the examinees provided 'Overview of BCM' instead.

Question 7.

Several examinees answered fairly well, at least explain the Login Procedure under Operating System Security.

- (b) Many examinees wrote this sub-section on 'Internal controls as per COSO' well. However,

some confused the same with 'IT Internal Controls as per COBIT 5'.

- (c) Most examinees explained the general ideas about Risk, Vulnerability and Threats. Many could not present the exact definition of the terms w.r.t. Information Technology.
- (d) Most examinees correctly named out the 'Types of back-ups', but could not explain them well. Some confused the same with 'Back-Up Options for Alternative Processing Facility Arrangements'.
- (e) Less than 20% of the examinees answered satisfactorily on 'Design of Database'.

PAPER – 7: DIRECT TAX LAWS

GENERAL COMMENTS

The overall candidates' performance exhibited lack of conceptual clarity as well as lack of requisite application skills. Their performance also indicated inadequate preparation since their answers were not properly supported with the relevant provisions of law. The answers also exhibited their poor writing skills. The presentation of answers was also not up to the mark. The sub-parts of the same question were answered at different places and not in continuation. On account of these reasons, many candidates could not perform well in the examination.

SPECIFIC COMMENTS

Question 1.

- (a) Many candidates were not aware that franchise is in the nature of an intangible asset and consequently, one-time licence fee paid for obtaining franchise debited to profit and loss account, has to be added back while computing business income, being a capital expenditure; further, depreciation@25% has to be provided in respect of such intangible asset. Some candidates were not aware of the provisions of section 115BBD and hence, were not able to compute the tax liability of XYZ Ltd. correctly. The other common mistakes committed by candidates while computing total income of XYZ Ltd. relate to tax treatment in respect of provision for gratuity (where actual gratuity paid was debited to provision for gratuity account) and difference on account of undervaluation of opening and closing stock.

Question 2.

- (a) Some candidates have failed to bring out the significance of "usage of asset for business purposes" as required under section 32 in their answer to sub-part (a). They have also failed to apply the provisions of section 70(1) while answering sub-part (b). Some candidates were neither aware of the provisions of sub-sections (1), (2) and (3)

EXAMINATION ||

of section 11 nor of the ruling of the Delhi High Court in Bagri Foundation's case and hence, they could not answer sub-part (c) correctly.

Question 3.

- (a) While many candidates have correctly applied the provisions for deemed dividend under section 2(22)(e) to bring to tax the loan given by ABC Ltd. in the hands of Mrs. Ghosh, who holds 15% equity shares in the company, they have failed to apply the clubbing provisions under section 64(1)(iv), by virtue of which the income would be included in the hands of Mr. Ghosh, who has transferred the said equity shares to Mrs. Ghosh.
- (b) This question has four parts and is based on the various clauses of section 9(1). Part (i) is based on engineering fees being in the nature of fees for technical services under section 9(1)(vii), and hence, taxable even though there is no business connection as per section 9(1)(i); part (ii) is based on existence of "professional connection" amounting to existence of "business connection"; part (iii) is based on "consideration for use of patent" falling within the meaning of "royalty" payable by Government of India which is deemed to accrue or arise in India; part (iv) is based on treatment of value of debentures issued by an Indian company in consideration for provision of technical know-how by a non-resident foreign company as fees for technical services which is deemed to accrue or arise in India; and interest payable on the said debentures issued by the Indian company as interest which is deemed to accrue or arise in India in the hands of the non-resident foreign company.

However, many candidates have not stated these specific reasons in their answer. Some candidates have given the general reasoning for all the four parts that the payments are taxable because they are deemed to accrue or arise in India. They have failed to briefly mention the specific reason as to why they are deemed to accrue or arise in India in their answer.

- (c) Many candidates were not able to correctly explain the importance of the concept of permanent establishment in determining the tax implications of cross border transactions governed by DTAAs.

Question 4.

- (a) Some candidates have wrongly added the value of materials supplied by the Government to determine the "gross receipts" for the purpose of section 44AD.
- (b) This question requires candidates to discuss and compute the liability for deduction of tax at source in the four cases covered under sub-parts (i) to (iv) given thereunder. Candidates were not able to correctly apply the provisions of section 194H

and 194B and the relevant Circulars to answer sub-parts (ii) and (iii), respectively.

Question 5.

- (a) The common mistakes committed by candidates include –
- (i) Considering the expected rent of ₹2,50,000 as the gross annual value, even though the same is lower than the actual rent of ₹3,00,000;
 - (ii) Non-deduction of arrears of municipal tax paid from gross annual value;
 - (iii) Restriction of interest deduction to ₹30,000, which is required only in the case of self-occupied property and not in the case of let out property;
 - (iv) Non-application of the provisions of section 50C to compute the full value of consideration for determining the capital gains.
- (b) Though the candidates have answered that the Director General of Income-tax does not have the power under section 131(1A) for seizure of cash, many of them have not mentioned that he can exercise his power under section 132(1) and authorize the concerned officers specified thereunder to enter the premises of Mr. X and seize unaccounted cash.

Question 6.

- (a) Many candidates were not thorough with the provisions of section 33AB and hence, they could not apply the same correctly to compute the business income of G Ltd.

Question 7.

- (a) Though many candidates have stated in their answer that the statement given in sub-part (i) is not correct, they were not able to substantiate as to why the statement is incorrect.
- (b) Where an assessment is set aside by the Appellate Tribunal and remanded to the Assessing Officer, it is not open to him to introduce into the assessment, new sources of income so as to enhance the assessment; however, after completing the fresh assessment as per the direction of the Appellate authority, the Assessing Officer can proceed under section 147 to assess or reassess income chargeable to tax which has escaped assessment by issuing notice under section 148. Many candidates have failed to bring out these points in their answer.

PAPER – 8 : INDIRECT TAX LAWS

GENERAL COMMENTS

Overall performance of the candidates was not up to the mark. In spite of the clear instructions in the question paper, majority of the candidates did not provide notes in the computational problems. It needs to be understood that notes carry marks as they spell out the reason for treating a particular item in a specific manner. Candidates

should ensure that their solutions are supported with appropriate notes, wherever necessary. Even in theoretical questions, candidates simply mention the conclusion or write general answers based on guess work without adducing relevant statutory provisions or case laws, if any. This shows that candidates possess only superficial knowledge of the various provisions and lack conceptual clarity.

It has also been observed that candidates lack writing skills as they have not been able to present their views coherently even though they might have known the provisions. They are also ignorant of the latest amendments in the relevant laws. Candidates are advised to take up in-depth study of the subject and keep themselves updated so as to fare well in the examination.

SPECIFIC COMMENTS

Question 1.

- (a) While calculating the eligible turnover limit of ₹400 lakh, most of the candidates wrongly excluded the turnover of branded account books falling under heading 4820 of the First Schedule of the Central Excise Tariff. They were not aware that account books falling under heading 4820 are entitled to small scale exemption even if they bear a brand name or trade name whether registered or not, of another person and thus, clearances of such account books has to be included while determining the eligible turnover limit of ₹400 lakh. Further, many candidates also wrongly excluded the clearances of excisable goods exempted from payment of duty under a notification other than 8/2003 CE.
- (b) Many candidates did not know the correct value of taxable services (computed as a percentage of total amount charged for the works contract) involved in the execution of different works contracts.
- (c) Many candidates could not correctly treat the receipt relating to forfeiture of security deposits and demurrage while calculating the value of taxable services and service tax payable thereon. They did not know that both these receipts were includible in the value of taxable service by virtue of rule 6 of the Service Tax (Determination of Value) Rules, 2006. Further, candidates failed to notice that the receipts were inclusive of service tax and thus, service tax had to be computed by making back calculations.
- (d) Majority of the candidates were not aware of the exemption granted vide *Notification No. 94/96 Cus. dated 16.12.1996* in respect of re-importation of goods which had been exported for repairs abroad. Thus, they could not correctly compute the customs duty payable.

Question 2.

- (a) The provisions relating to inclusion of notional interest on advance payment in the assessable

value in terms of Explanation 2 to rule 6 of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 had not been properly understood by a large number of candidates. They simply wrote ₹1,200 [in part (i)] without adducing any reasoning for the same. Further, in part (ii), they wrongly mentioned ₹1,280 as the assessable value and also did not provide any supporting for the same.

- (b) Though a large number of candidates were able to correctly compute the refund of service tax, they failed to provide the reasons for the same in the form of notes and thus, lost valuable marks.
- (c) While some candidates could not correctly determine the delay of 24 days in payment of service tax, some wrongly considered 18% rate of interest instead of 15%. Few candidates also made calculation mistakes.
- (d) A lot of candidates could not give the reasoning behind allowing drawback of ₹640 in **part (i)**. In **part (ii)**, no drawback was to be allowed, but many candidates wrongly restricted it to ₹ 48,000.

Question 3.

- (a) Though many candidates correctly concluded that 75% of the sales tax retained in terms of the Sales Tax Incentive Scheme should form part of the transaction value of goods, they were unable to cite proper reasons for the same in terms of statutory provisions and decided case law.
- (c) Quite a large number of candidates were not aware of the principle that payment of redemption fine does not take away the right to appeal. The logic that if appeal can be filed after payment of duty and penalty, payment of redemption fine should not come in the way was also not understood by majority of the candidates.

Question 4.

- (b) (ii) This question required the candidates to mention the output services for which refund of unutilized CENVAT credit can be allowed under rule 5B of CENVAT Credit Rules, 2004. However, a lot of candidates mistook the question as relating to refund of CENVAT credit in case of exports under rule 5 of CENVAT Credit Rules, 2004.
- (c) (i) A large number of candidates were able to answer this question correctly but here again; they could not support their computation with proper statutory provisions. They knew that duty free clearance of jewellery upto an aggregate value of ₹50,000 or ₹1,00,000, as the case may be, is allowed as part of baggage but they did not know that it is allowed only when an Indian passenger who has been residing abroad for over one year returns to India.

Question 5.

- (a) Performance in this question was not up to the

EXAMINATION ||

mark. Almost all the candidates did not discuss the obligations of the raw material supplier.

- (b) (i) This question required the candidates to define governmental authority. However, many candidates simply listed different types of governments and local government organizations and failed to define or even explain the statutory provisions relating to governmental authority.
- (ii) Some candidates wrongly mentioned the optional rates for payment of amount in lieu of service tax @ 12 % as 0.06% and 0.12% instead of 0.6% and 1.2% respectively.

Question 6.

- (a) A large number of candidates were unable to enumerate various circumstances necessitating clubbing of clearances of two or more units. They failed to bring out the significant point relating to flow back of profit in this regard.

Alternative 6.

- (a) Hardly any candidate could mention the exporters who are eligible to have the facility of export warehousing.
- (b) Many candidates were not aware about the procedure for obtaining electronic rebate & circumstances and special audit under service tax. Thus, they wrote general answers based on guess work.
- (c) (i) Few candidates wrongly defined 'activity' under Central Excise Act, 1944 instead of Customs Act, 1962.
- (c) (ii) Candidates exhibited poor knowledge of provisions relating to 'Served From India Scheme'. Majority of them could not correctly answer this question.

Question 7.

- (a) This question required the candidates to discuss the provisions relating to ascertainment of retail sale price of the goods when the same are removed without declaring the retail sale price under section 4A of the Central Excise Act, 1944. Candidates were expected to answer with reference to the provisions of Central Excise (Determination of Retail Sale Price of Excisable Goods), Rules, 2008. However, hardly any candidate could do the same and instead, they wrongly answered this question with reference to provisions of section 4 of Central Excise Act, 1944.
- (c) Many candidates explained the difference between the 'Duty Exemption Schemes' and 'Duty Remission Schemes' in general terms. They could not come up with answers in legal terms. Also, some of them could not correctly mention the names of different schemes available under these two broad categories of schemes. ■

Note: Students may visit the Institute website for the Intermediate (IPC) Examiners' Comments.

Form-IV (See Rule 8)

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Sd/-

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Signature of Publisher

Essence of Articleship



The author is a student of ICAI
(Reg. No. CRO0339868)

Dear Sir,

We are pleased to inform you that Mr. XYZ has been registered under you as an articled assistant for 3 years w.e.f.....

Lo! The Institute has handed over your life to a CA, your boss for the next 3 years.

You have lost your freedom for 3 years. You are wanted in the office at 10 sharp everyday and then you have to work non-stop. And you start criticizing the CA fraternity, the institute, the system and what not!

But that's a wrong notion! It's not the reality. Yes, it is sometimes boring, yes you might be scolded, yes you might face work pressure, yes you might make mistakes, you may find it complex, burdensome. But look at the aftereffects of all these. They give you an insight into the real world, a glimpse of the challenges that you have to face as a professional and experience to deal with clients.

Let me describe my 3 years of articleship which just went flying by:

- I still remember my first day at office 3 years back,
- All of us sitting with faces timid and blank
- Questions swarming my mind,
- What is articleship?
- What will we do for 3 years here?
- How will be the colleagues and the bosses?
- What kind of work is to be done?

The office looked like a different world to me. Everyone except me and my batch mates seemed so busy. Some people were in discussions, some were busy working on PC's, some occupied with a problem and racking their brains, some attending their clients, some running here and there to meet the deadlines and some gossiping.

I wondered what would happen with me.

For us, returns, audits, search, appeals, hearings, notices, resolutions, certificates were like what ABCD is to a 2 year old. I had heard from some – Articleship is a torture...3 year waste... you are made to work day and night....you get a mere stipend while some advised me to take it very seriously. Well I had no clue who was right as I was yet to undergo my training!!

First few days, we just sat idle, observing other people work, trying to adjust to the work culture, the hustle and bustle of the workplace and waited eagerly for the clock to strike 5 so we could go home.

Then gradually, we were made familiar with the office rules and allotted work with the seniors.

Reading acts, rules, Standards, vouching, indexing, filing, attending conferences, seminars, assisting our seniors was now our job.

Understanding the systems, interacting with the bosses and

seniors, going through the technical books and reports, drafting, compiling and reviewing the financial statements, Wow! Till now the Balance sheets we made in Accountancy paper of IPCC... those were hypothetical...now it was time to step in the real world....work with the real balance sheets....and I found myself enjoying that.

Yes, we were being moulded into a CA slowly.

The seminars, conferences, conventions and classes at office gave us a platform to present our views in front of the elite professional class and learn few words of wisdom from them.

I had used word, excel and mailed my friends earlier but now they had a different meaning for me...Earlier I used them for school projects, now it was for reports, balance sheets, pivot tables, data sorting and other formal work.

The excitement of first stipend, camaraderie with the colleagues, cultural extravaganzas, the parties after the peak season to celebrate the results of our hard work added a spice to our training and gave us a momentum to perform even better in future.

Time passed by and we became seniors. Now it was time to handle work on our own and guide our juniors. We shouldered new responsibilities. To prove our competency, to be accountable to the Bosses was the need of the hour. Being a junior I had never realized that. Also the upcoming CA final exams in the last year; managing the tuitions, studies and office together! I felt like my mind would explode soon with this work pressure! But time, patience and management soon made us accustomed to handle everything.

All through the 3 years we went to multitude of clients, auditing their accounts, drafting submissions for their hearings. Each assignment was a different challenge. Experience and knowledge base were being built up in the process.

Madness to complete the work, meeting the deadlines, living up to the expectations of clients and Bosses was a tough job. Here nobody teaches you like a kid (the school is over!!), it is you who has to grab the opportunities, explore them and learn as much as you can from the learned.

Ethics at workplace-Discipline, punctuality, patience, vigilance, carefulness!!-they define a professional and were being inculcated in us.

At the end I would only like to say,

Articleship is not just a formality; it is a golden period of 3 years when you can discover your talent and expertise. We all have a mission, not just to be a CA but also to serve our nation and society better.

Chartered Accountancy is a dignified, vibrant and ever-growing profession. Be it industry or practice, CA's have featured excellence in every nook. Whatever height the TATAS and Reliance may attain, their balance sheets will have no importance without a CA's signature. So be proud of your profession, respect it and strive to be a good professional, setting an example for others to follow. After all work is worship!!

Live up to the Motto of our Institute:

"Yaesa suptesujartikamamkamam Purusonirmimanah"

Thank you

Online Mentoring on ICAI Cloud Campus - <http://cloudcampus.icai.org>

The ICAI Cloud Campus enables Students can learn anytime and from anywhere using e-Learning, Audio Lectures, Video Lectures and Online Mentoring. Students can even learn through Mobile Enabled e-Learning facility on the Students Learning Management System (LMS) on their Mobile Phones/ Smart Phones/ Tablets. Online Mentoring is one of the major value added features on the Cloud Campus. The schedule of online mentoring sessions from 3.00 p.m. to 4.00 p.m. is as follows:

Online Mentoring Schedule

Date	Course	Topic	Faculty
April 1	Final	Paper 8: Indirect Tax Laws	CA. Smita Mishra and CA. Shefali Jain
April 8	CPT	Section B: Mercantile Law – Indian Contract Act, 1872	Ms. Nisha Gupta
April 10	Final	Paper 3: Advanced Auditing and Professional Ethics	CA. Karuna Bansali
April 16	CPT	Section C: General Economics	Ms. Prem Bhutani
April 17	Final	Paper 6: Information System Control and Audit	Ms. Sukriti Arora
April 21	CPT	Section A: Fundamentals of Accounting	CA. Seema Gupta and CA. Shilpa Aggarwal
April 22	CPT	Section D: Quantitative Aptitude	Dr. N. V. Ravi
April 29	CPT	Section B: Mercantile Law- The Partnership Act, 1932 and Sale of Goods Act, 1930	Ms. Nisha Gupta

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

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, 2014, over 38 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

The following Conventions/Conclaves for CA students have been planned as of March, 2015. For further details, please contact the respective Branch.

S.N	Branch	Name of the Programme	Dates	Contact Details
1	Surat	National Convention	26th & 27th June, 2015	Ph: (261) 2472 932, 2464 413, E-mail: surat@icai.org
2	Thane	National Convention	28th & 29th June, 2015	Ph: (22) 2538 2451/53/54/56, E-mail: thane@icai.org
3	Aurangabad	National Convention	4th & 5th July, 2015	Ph: (240) 2342 157, E-mail: aurangabad@icai.org
4	Ahmedabad	National Convention	11th & 12th July, 2015	Ph: (79) 2768 0946, 2768 0537, E-mail: ahmedabad@icai.org, ahmedabad@icai.in
5	Nagpur	National Convention	17th & 18th July, 2015	Ph: (712) 2443 968, 2441 196, E-mail: nagpur@icai.org
6	Baroda	National Convention	23rd & 24th July, 2015	Ph: (265) 2681 115, 2680 593, Email: E-mail: baroda@icai.org
7	Jalgaon	National Conclave	6th & 7th June, 2015	Ph: (257) 2224 305, 2232 205, E-mail: jalgaon@icai.org

ANNOUNCEMENT

On Line Articles Placement Portal for selection of Articled Assistants by CA Firms/ Individual Chartered Accountants in practice

The Board of Studies of the ICAI has been providing Optional Online Placement facility for selection of Articled Assistants by CA Firms/ Individual Chartered Accountants in practice through its Articles Placement Portal on pan India basis. It provides a platform to the firms of Chartered Accountants/ Individual Chartered Accountants in practice having vacancies for Articled Assistants to shortlist eligible students for selection of articled assistants, and call them for Interview at their offices, as per date and time convenient to them. The eligible candidates who have passed Group-I or both Groups of the Intermediate (Integrated Professional Competence) Course or have been admitted under the Direct Entry Scheme and are willing to join articled training can register themselves on the portal. **The services to the Online Placement Portal are available free of charge for both CA Firms/Individual Chartered Accountants in practice and students and they can register themselves online through the Portal at <http://bosapp.icai.org>.**

From the date of registration at the Portal by the firms/ Individual Chartered Accountants in practice/students, the services on the Portal would be available for two months, twice a year. However, the same can be extended on individual requests. The candidates shortlisted by CA Firms/ Individual Chartered Accountants in practice would be informed by e-mails through the Portal, to appear for interview at their respective Offices, at the designated date and time.

Detailed guidelines are available at the institutes' website www.icai.org and on the Portal. In case of any further clarification, please contact the Board of Studies, ICAI Bhawan, A-29, Sector-62, Noida-201309, Tel. No. 0120-3045930/931; eMail: bosapp@icai.org.

CA. V. Murali
Chairman, 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 batch of ICAI Four Weeks Residential Programme as below:

Venue	Participant	Fees	Date	Links for Registration
Centre of Excellence (CoE), Hyderabad	Men	₹40,000/-	30th March, 2015 to 25th April, 2015	http://220.227.161.86/36975bos-26354main.pdf

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:

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

Men 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.icaai.org.

For upcoming batches, please regularly visit www.icaai.org or refer The Chartered Accountant Student Journal. For any query, you can call at 0120-3045935/949/919.

Director, Board of Studies

Announcement

Extension of date to complete GMCS-I Course

It has been decided to grant extension to students, who were registered for practical training on or after 1st May, 2012 and completed one year of their practical training but have not completed the GMCS-I course, are required to complete GMCS-I Course latest by 31st December, 2015.

The above students are advised to register at the portal www.icaionlineregistration.org or contact the nearest Regional Council/Branch for registration in GMCS-I Course and complete the same at the earliest but not later than 31st December, 2015.

Director
Board of Studies

CROSSWORD PUZZLE SOLUTION FOR MARCH 2015

1P	2I	3N	K	S	4L	I	5P		6I	7N	T	E	8R
9N	N	P			10O	R	A	11N	G	E	S		E
12B	D	O			13G	G	I	E		14E	G		V
	I			15B	R	O	16W	N	N	O	17S	E	18B
19B	G	O		O		20I	T		21P	U	R	22P	L
23L	O	C			24W	25H	I	T	E		P		26R
U						U		H		27S		28R	O
E				29G	R	E	E	30N	E	Y	E	31D	D
32B	A	R					33A	T	O	N	E	S	S
34L	O	A	35N				T	O		S	A		36Q
O		37Y	E	L	38L	O	W	B	E	L	39L	I	40D
41O	P	A	V		E		N				42A	P	E
D		43R	E	44D	H	45E	R	46R	47I	N	G		48P
	49Z	E	R	O		50E	E	R	I	E			
51T	E	A			52G	O	L	D	E	N		53F	O

CROSSWORD PUZZLE

1	2	3			4		5	6		7	8
9					10	11					
12				13				14			
			15			16					
	17	18			19						
20							21		22		
23							24				25
26				27	28	29			30		
				31				32			
33	34		35				36				
37			38			39				40	
41							42				

ACROSS

- Minimum number of meetings to be conducted by a company in a year.
- Smell
- An independent assessment and certification body which provides global assessment and certification services in the field of management system, product certifications, etc.
- The first annual general meeting of the company shall be held within -----months from the closing of first financial year.
- Largest company (in terms of assets value) in India.
- Maximum number of public companies in which a person can be appointed as a director.
- A grouping of assets, such as mortgages, that serves as a basis for the issuing of securities.
- Roman numeral for four.
- An open _____ policy: A communication policy in which a manager encourages openness and transparency with the employees of that company.
- The speed of a printer is measured in _____.
- Roman numeral for 1001.
- Payment of interest on time deposits with banks to be subject to TDS under section 194A with effect from 1st June, 2015.
- These get special benefits from the government.
- Watchdog of international trade.
- A short-term memory for your computer to store programs it is using and gets wiped out, when shut down is _____.
- The highest adult male singing voice especially in church music.
- _____ is the tax required to be paid by the assesses, which is deducted by the person paying the income to him.
- One of major trade partners of India.
- That is, in Latin.
- Roman numeral for 55.
- In computer architecture, _____ bus is a set of wires that connects CPU and RAM and carries the memory addresses.
- Intelligence exhibited by machines or software.
- Roman numeral for 51.
- An organization that owns or controls productions of goods or services in one or more countries other than the home country.
- _____ tax is proposed to be abolished w.e.f. A.Y.2016-17.
- Tax benefit under section 80G to be extended for contribution made by domestic donors to Clean Fund.

from India and acquired citizenship of a foreign country are eligible to be granted an _____.

- A _____ is a reference to a resource that specifies the location of the resource on a computer network and a mechanism for retrieving it.
- As per CENVAT Credit Rules, the time limit for taking CENVAT credit on inputs enhanced from the present six months to _____ year
- If something happens _____ and off during a period of time, it happens sometimes.
- A kind of borrowing made by the companies.
- An intergovernmental organization established 24 October 1945 to promote international co-operation.
- Ind AS has been notified under the Companies (Indian Accounting Standards) _____, 2015
- As per the Companies Act, 2013, an intermediate wholly-owned subsidiary company whose immediate parent is a company incorporated in _____ is not required to prepare consolidated financial statements.
- A telecommunication medium that is used for transmitting and receiving moving images and sound.
- Organizations that provide services for accessing, using, or participating in the Internet.
- One of the punctuation marks.
- Internationally well accepted concept of..... to be introduced in the Income-tax Act, 1961 for determining the residential status of companies.
- Condition for equilibrium for a firm : MC = _____.
- Contributions to Swachh Bharat Kosh set up for the promotion of sanitation will also be considered as eligible expenditure qualifying for _____.
- The time limit for return of capital goods from a job worker is _____ years.
- Ballots
- SEBI formulated the SEBI (Share Based Employee Benefits) Regulations, 2014 which replaces the SEBI (_____) Guidelines, 1999.
- An unbiased examination and evaluation of the financial statements of an organization.
- Boy
- A life insurance which provides coverage at a fixed rate of payments for a limited period of time.
- A subject which is proposed to be dropped from the CA Final course as per new proposed scheme of education and training.
- A social science and a system of rules that are enforced through social institutions to govern behaviour.
- Compete with
- Ind AS is applicable to _____ the companies on voluntary basis for financial statements for accounting periods beginning on or after April 1, 2015, with the comparatives for the periods ending 31st March, 2015 or thereafter.
- _____ checks how well the eyes, inner ears, and brain help you keep your balance and position.
- For example, in Latin.

DOWN

- The scheme of Advance Ruling has been extended to resident _____ in Central Excise and Customs.
- Persons of Indian origin (of certain categories) who migrated

A poem written by CA.V.MURALI, Chairman, BOS of ICAI

Dedicated to the CA Students

ALWAYS WIN

“Always look to the bright side,
Always keep moving with the tide.
From facing challenges never hide,
Over Stumbling Blocks you must ride.

Always have a smile for all
Against all odds stand tall.
Even if on the way you falter and fall
Get up, dust yourself and be on the ball.

Always be firm about your aim,
It's the way to win the game.
Your doubts & miseries you must tame,
On your way to attaining fame.

Always reach for the sky
Have the will and spirit to try
And try till you attain the high
You will attain dignity and be our pride.

Don't give up on your dreams
To others farfetched they may sometimes seem
Dedicated study and sincere effort
Will give you the winning polish & sheen.”



CA. Manoj Fadnis, President ICAI with CCM CA Sumantra Guha at the Orientation Program organized by EIRC of ICAI at Kolkata.



Photograph taken at the Press Meet addressed by President, Vice President and Chairman BOS of ICAI.



CA. Manoj Fadnis, President, ICAI, CA. M. Devaraja Reddy, Vice President, ICAI, CA. V. Murali, Chairman BOS being welcomed by CA. Pramod Dayal Rungta, Chairman EIRC and other office bearers.



CCM CA. S. Santhanakrishnan and CCM CA. Prafulla Chhajed along with Chairman BOS at the CA Awareness Programme organized by BOS of ICAI.



CA. G. Narayanaswamy, Former Central Council Member, ICAI being honoured at the GMCS valedictory function.



Mr. M. Vallalar, IAS, Managing Director Tamilnadu Minerals Ltd., Chief Guest being honoured by the CA Students at the Valedictory of the GMCS on 27.2.2015.



CA. R. Kirlosh Kumar, IAS – Director Town and Country Planning, Govt. of Tamil Nadu, Chief Guest, being honoured at the Women's Day Celebration.



Photo Taken at the Orientation Programme for Candidates. CCM CA. Babu Abraham, CCM CA. S. Santhanakrishnan with Chairman CMII CA. C. S. Nanda.



Mrs. J. Sabita, Vice President Human Resources of Steria, Chief Guest addressing the students on Communication Skills.



CA. C. S. Nanda, CCM being received by the CA Students at the GMCS Inaugural Function.



Launching of Swachh Bharat Abhiyaan by the Board of Studies, ICAI at Chennai on 23-3-2015 wherein 500 CA student volunteers participated.



CA. V. Murali, Chairman Board of Studies, ICAI being honoured by CA. D. C. Jain, Chairman, Madurai Branch of SIRC of ICAI.



Photograph taken on the occasion of Women's Day Celebrations organized by ICAI for Women CA students and members. The Chief Guest Mr. R. Koteeswaran, Managing Director & CEO of India Overseas Bank being honoured by CA. Prafulla Chhajed, Chairman WMEC of ICAI.

If undelivered, please return to: The
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