

Free of Cost

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SCANNER™ Appendix

CA Final Gr. II (Old Course)

May - 2010

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PAPER'S

Paper - 5 : Cost Management

Chapter-2 : Marginal Costing

2010 - May [1] (a) A company uses absorption costing system based on standard costs. The total variable manufacturing cost is Rs. 6 per unit. The standard production rate is 10 units per machine hour. Total budgeted and actual fixed production overhead costs are Rs. 8,40,000. Fixed production overhead is allocated at Rs. 14 per machine hour. Assume this same standard for the last year and current year.

Selling price is Rs. 10 per unit.

Variable selling overheads are Rs. 2 per unit and fixed selling costs are Rs. 2,40,000. Assume that there are no price, spending or efficiency variances. Beginning inventory was 30,000 units and ending inventory was 40,000 units.

- (i) Compute the break-even point under absorption costing, assuming that there will be an under absorption of overhead and that production variance is written off at year end as adjustment to cost of goods sold.
- (ii) Compute the break-even point under marginal costing.
- (iii) Assuming that sales were at break-even level computed under (ii) above, and that production variance is written off at the year end as adjustment to cost of goods sold, and that stock levels were as given above, find the profit under absorption costing. (detailed cost statement not essential) (19 marks)

Chapter-5 : Standard Costing and variance Analysis

2010 - May [5] (a) X uses traditional standard costing system. The inspection and setup costs are actually Rs. 1,760 against a budget of Rs. 2,000.

ABC system is being implemented and accordingly, the number of batches is identified as the cost driver for inspection and setup costs. The budgeted production is 10,000 units in batches of 1,000 units, whereas actually, 8,800 units were produced in 11 batches.

- (i) Find the volume and total fixed overhead variance under the traditional standard costing system.
 - (ii) Find the total fixed overhead cost variance under the ABC system.
- (6 marks)

Chapter-6 : Pricing Decisions, Pareto Analysis

2010 - May [5] (b) What is penetration pricing policy ? Why and when it is used ?

(7 marks)

Chapter-8 : Transfer Pricing

2010 - May [4] (a) AB Ltd. has two divisions, A and B, making products A and B respectively. One unit of A is an input for each unit of B. B has production capacity of 45,000 units and ready market for 45,000 units in both the years 2010 and 2011. Other information available :

Division A	Year	
	2010	2011
Capacity (production units)	50,000	50,000
Maximum demand in usual external market (units)	25,000	30,000
Special order (units) (to be fully accepted or fully rejected)	10,000	15,000
Fixed cost Rs./annum upto 30,000 units (Beyond 30,000 units, fixed cost increases by Rs. 1,00,000 for every additional 10,000 units for each year)	4,30,000	4,30,000
Variable manufacturing cost Rs./unit	35	35
Variable selling cost Rs./unit (only for usual external sales)	10	10
Variable selling cost Rs./unit (only for special order and transfer to B)	5	5
Selling price (usual external market) Rs./unit	65	65
Selling price (only special order) Rs./unit	55	55

B buys input A from outside at a slightly incomplete stage at Rs. 30 per unit and incurs sub-contract charges at Rs. 20 per unit to complete it to a stage to match the output of Division A. In 2011, subcontract charges will increase to Rs. 30 per unit. B is willing to pay A, the price if incurs viz. Rs. 50 and Rs. 60 per unit in 2010 and 2011 respectively, provided A supplies B's full requirement. For any lesser quantity, (B will accept any quantity), B is willing

to pay A only Rs. 45 and Rs. 55 per unit in 2010 and 2011 respectively. Assume no change in inventory levels. In 2011, A may choose to avoid the variable selling overhead of Rs. 5 per unit on transfers to B or special order, by incurring a fixed overhead of Rs. 50,000 p.a. instead.

- (i) What will be the maximum profits of A under its best strategy in 2011?
(8 marks)
- (ii) In view of the company's overall interest, calculate the customerwise units to be produced by A in 2010.
(4 marks)
- (iii) Assuming that A follows its best strategy between what values of transfer price will B be able to negotiate with A, so that A's best strategy is unchanged in 2011.
(3 marks)

Chapter-9 : Target Costing, Life Cycle Costing

2010 - May [2] (b) What are the benefits of a target costing system ?
(3 marks)

(c) What is product life cycle costing ? What are its benefits ? (4 marks)

Chapter-14 : Budgeting Control and Performance Measurement

2010 - May [2] (a) Spares Ltd. produces spare part 'X' for cars. The company has an annual production capacity of 1,80,000 units of X. However, the actual production is carried out according to the volume of order received. For the next year, the company has received an order for a value of Rs. 64,00,000. To meet the requirements of the order, the company has to work at 70% capacity for the first four months, 80% capacity for next six months, and 90% capacity for the remaining period of the year. Assume no opening or closing stocks.

The following information is available :

Material cost is Rs. 15 per unit

Labour Rs. 12 per unit, subject to a minimum of Rs. 1,30,000 p.m.

Variable overheads Rs. 5 per unit

Fixed overheads Rs. 16,000 per month.

Semi-variable overheads Rs. 75,000 per annum incurred upto 70% average annual capacity utilisation. Thereafter, it increases at Rs. 5,000 per annum for every 10% average annual capacity increase.

If the company targets a return of 27% on budgeted cost, should the order be accepted ? Justify your answer showing budgeted annual values for each element of cost for the next year.
(12 marks)

2010 - May [3] (c) What is benchmarking ? What is the code of conduct suggested for ethical and effective benchmarking ?
(4 marks)

Chapter-15 : Linear Programming

2010 - May [3] (a) A company produces two products, x_1 and x_2 with respective unit contributions of Rs. 8 and Rs. 6.

Each product passes through machining operations in two machining centres, MI and MII, whose capacities are limited to 60 and 48 hours respectively with corresponding slack variables S_1 and S_2 .

The following table gives the values for an iteration under the simplex method for maximising the contribution :

	x_1	x_2	s_1	s_2	
Basic Variables					
x_1	1	0	1/3	- 1/6	(MI constraint)
x_2	0	1	- 1/6	1/3	(MII constraint)

You are required to :

- Evaluate if this iteration represents the optimal solution.
- Find out what will be the optimum contribution. (7 marks)

Chapter-16 : Transportation Problem

2010 - May [4] (b) In an unbalanced minimisation transportation problem, with positive unit transport costs from 3 factories to 4 destinations, it is necessary to introduce a dummy destination to make it a balanced transportation problem. How will you find out if a given solution is optimal ?

(4 marks)

Chapter-17 : The Assignment Problem

2010 - May [3] (b) A hospital has to pay nurses for 40 hours a week. One nurse is assigned to one patient. The cost per hour for each of the nurses is given below :

- Find the nurse-patient combination to minimise cost to the hospital.
- How much does each nurse earn per week ?

Nurse \ Patient	W	X	Y
K	10	10	30
L	30	10	20
M	20	30	20

Suppose that a new patient Z is admitted, and that a new nurse N is appointed. The new patient is charged Rs. 40 per hour by each of the existing nurses. The new nurse charges Rs. 50 per hour irrespective of the patient.

- What would be your revised calculations ?
- Comment on the new solution. (8 marks)

Chapter-19 : Programme Evaluation and Review Technique

2010 - May [1] (b) A Project Manager has to manage various projects. For each project given below, you are required to advise him whether to use PERT or CPM and briefly state the reason :

- Project K is yet to begin. The manager has recently successfully handled similar projects. He is able to break down the project into smaller modules and knows when he may comfortably finish each module.

- (ii) Project L has been sanctioned some fixed amount. Though the manager is familiar about what time it will take, he expects pressure towards the end to finish the project slightly earlier, by deploying additional resources of the company.
- (iii) Project M is new to the manager. He has never handled such a project. He can break up the project into smaller modules, but even then, he is not sure of their exact times.
- (iv) Project N has a limitation on the skilled workforce available. But the manager knows from earlier experience, the slack on each event in the project. He is confident of handling the bottleneck of labour.
- (v) Project O is a research project, bound to produce immense benefit to the company in future. (5 marks)

Chapter-20 : Simulation

2010 - May [5] (c) With a view to improving the quality of customer services, a Bank is interested in making an assessment of the waiting time of its customers coming to one of its branches located in residential area. This branch has only one teller's counter. The arrival rate of the customers and the service rate of the teller are given below :

Time between two consecutive arrivals of customers (in minutes)	Probability
3	0.17
4	0.25
5	0.25
6	0.20
7	0.13
Service time by the teller (in minutes)	Probability
3	0.10
4	0.30
5	0.40
6	0.15
7	0.05

You are required to simulate 10 arrivals of customers in the system starting from 11 AM and show the waiting time of the customers and idle time of the teller. Use the following random numbers taking the first two random numbers in two digits each for first trial and so on :

11, 56, 23, 72, 94, 83, 83, 02, 97, 99, 83, 10, 93, 34, 33, 53, 49, 94, 37 and 97.

(6 marks)

Chapter-1 : Basic Concepts of Systems

2010 - May [1] (a) What are the different categories of Information systems ? Explain each one of them briefly. (10 marks)

2010 - May [2] (c) Describe any two inter-related sub-systems of Marketing information system. (5 marks)

Chapter-3 : Basic Concepts of MIS

2010 - May [2] (a) Discuss various constraints that come in the way of operating an effective MIS. How are these constraints could be avoided to some extent ? (10 marks)

Chapter-6 : Enabling Technologies

2010 - May [4] (a) Describe various components of client/server architecture. (10 marks)

Chapter-7 : System Development Process

2010 - May [5] Write short notes on the following : (c) Data Dictionary (5 marks)

Chapter-8 : Systems Design

2010 - May [5] Write short notes on the following : (b) Contents of system manual of Systems Design (5 marks)

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

2010 - May [3] (b) Briefly explain the various stages of developing an in-house software. (5 marks)

2010 - May [5] Write short notes on the following : (a) Advantages of prewritten application software packages (5 marks)

Chapter-10 : Systems Implementation and Maintenance

2010 - May [5] Write short notes on the following : (d) Training for (i) system operators and (ii) users. (5 marks)

Chapter-12 : Enterprise Resource Planning : Redesigning Business

2010 - May [3] (a) Explain the process of evaluation of various ERP packages. (10 marks)

Chapter-13 : Controls in EDP Set-Up : General Controls

2010 - May [4] (b) Discuss any three control objectives of an operating system. (5 marks)

Chapter-15 : Detection of Computer Frauds

2010 - May [3] (c) Discuss the measures that can significantly decrease the potential for Computer frauds. (5 marks)

Chapter-16 : Cyber Laws and Information Technology Act 2000

2010 - May [1] (b) What are the duties of certifying authorities in respect of digital signature ? (5 marks)

Chapter-17 : Audit of Information Systems

2010 - May [1] (c) While performing an I.S. Audit, the auditors should ascertain that various I.S. Audit objectives are met. Discuss them briefly.
(5 marks)

Chapter-18 : Information Security

2010 - May [4] (c) Briefly state the role of a Security administrator.
(5 marks)

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

2010 - May [2] (b) State and briefly explain the components of a CASE work bench.
(5 marks)

Paper - 7 : Direct Taxes

Chapter-1 : Basic Concepts, Definitions And Residence and Scope of Total income

2010 - May [3] (a) Vikram aged 70 years resident in India received a dividend of Rs. 2,00,000 from shares held in a company situated in Malaysia. The other incomes of the assessee in India was Rs. 12,00,000. The company in Malaysia deducted tax at source and no further tax is payable in respect of the dividend income in Malaysia. The AO wants to tax the dividend income of Vikram in India since he is a resident in India. Decide the issue.
(3 marks)

2010 - May [7] (b) Can the provisions of Section 14A of the Income-tax Act, 1961 be applied for disallowing expenditure relating to income for which deduction is available under Chapter VIA, or the section can be invoked only in respect of expenditure relating to income exempt under the provisions of Sections 10 ?
(4 marks)

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

2010 - May [2] (c) LL Limited paid leave travel facility to its employees and considered exemption under Section 10(5), based on the self-declaration furnished by the employees. The Assessing Officer held that the company as employer ought to have verified the genuineness of the claim of exemption by verifying the details of actual expenditure incurred for availing leave travel facility by the employees. Accordingly, the AO treated the assessee company as assessee in default. Decide the correctness of action.
(4 marks)

Chapter-6 : Profit and gains of Business or Profession

2010 - May [1] The Trading Profit and Loss account of Pingu Trading Pvt. Ltd. having business of Agricultural produce, consumer items and other products for the year ended 31.03.2010 is as under :

Trading Account

(Amount in Rupee)

Opening Stock	3,75,000.00	Sales	1,55,50,000.00
Purchases	1,25,75,000.00	Closing stock	4,50,000.00
Freight & Cartage	1,26,000.00		
Gross Profit	<u>29,24,000.00</u>		
	<u>1,60,00,000.00</u>		<u>1,60,00,000.00</u>

Profit & Loss Account

	Rs.		Rs.
Bonus to Staff	47,500.00	Gross Profit	29,24,000.00
Rent of Premises	53,500.00	Income-tax Refund	20,000.00
Advertisement	5,000.00	Warehousing	
Bad Debts	75,000.00	Charges	15,00,000.00
Interest on Loans	1,63,500.00		
Depreciation	75,500.00		
Sales-tax Demand paid	1,08,350.00		
Miscellaneous Exp.	5,25,650.00		
Net Profit of the year	<u>33,90,000.00</u>		
	<u>44,44,000.00</u>		<u>44,44,000.00</u>

On scrutiny of records the following further information and details were extracted/gathered :

- (i) There was a survey u/s 133A on the business premises on 31.3.2010 in which it was revealed that the value of closing stocks of 31.3.2009 was Rs. 8,75,000 and a sale of Rs. 75,000 made on 13.3.2010 was not recorded in the books. The value of closing stocks after considering these facts and on the basis of inventory prepared by the department as on 31.3.2010 worked out at Rs. 12,50,000, which was accepted to be correct and not disputed.
- (ii) Income-tax refund includes amount of Rs. 4,570 of interest allowed thereon.
- (iii) Bonus to Staff includes an amount of Rs. 7,500 paid in the month of Dec. '09, which was provided in the books on 31.03.2009.
- (iv) Rent of Premises includes an amount of Rs. 5,500 incurred on repairs. The assessee was under no obligation to incur such expenses as per rent agreement.
- (v) Advertisement expenses include an amount of Rs. 2,500 paid for advertisement published in the souvenir issued by a political party.
- (vi) Miscellaneous expenses include :
 - (a) amount of Rs. 15,000 paid towards penalty for non-fulfilment of delivery conditions of a contract of sale for the reasons beyond control,
 - (b) amount of Rs. 1,00,000 spent on a notified scheme meant for the uplift of the residents of Mid Himalayan Region,

- (c) amount of Rs. 1,00,000 paid to the wife of a director, who is working as junior lawyer for taking an opinion on a disputed matter. The senior advocate of Supreme Court had charged only Rs. 25,000 for the same opinion,
- (d) amount of Rs. 1,00,000 paid to an Electoral Trust.
- (vii) Sales-tax demand paid includes an amount of Rs. 5,300 charged as penalty for delayed filing of returns and Rs. 12,750 towards interest for delays in deposit of tax.
- (viii) The company had made an investment of Rs. 25 lacs on the construction of a warehouse in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.09.2009 and the income from this activity is credited in the Profit and Loss account under the head of Warehousing charges.
- (ix) Depreciation under the Income-tax Act works out at Rs. 65,000.
- (x) Interest on loans include an amount of Rs. 20,000 on which tax at source was not deducted.

Compute the income chargeable to tax for assessment year 2010-2011 of Pingu Trading Pvt. Ltd. Support your answer with working notes. (18 marks)

2010 - May [3] (c) A Company Ltd. issued 11% Debentures and raised Rs. 600 lakhs. The debentures are redeemable after 6 years at a premium of 110%. The company wants to provide Rs. 10 lakhs for meeting the premium on redemption of debentures and claimed the same as revenue expenditure. Is it a permissible deduction ? (3 marks)

(d) Balaram & Co. engaged in real estate business acquired an old building for Rs. 75 lakhs from Mr. X. The firm demolished the building and sold scrap materials for Rs. 5 lakhs. The purchase consideration could not be paid immediately and therefore it settled to pay in installments to Mr. X with interest @ 6% and the amount of interest was Rs. 4,50,000. The AO treated the income from sale of scrap materials as business income, but whereas the claim of interest on delayed payment of purchase consideration claimed as revenue expenditure was disallowed. Decide the correctness of the action of assessee vis a vis the AO. (4 marks)

2010 - May [5] (c) During the year ended 31.3.2010, Geojit Marine Products Ltd. Has made payment in cash to the tune of Rs. 60,000 on a single day to local fishermen, who regularly supply to them lobsters and crabs. Will such cash payments be hit by the provisions of Section 40A(3) of the Income-tax Act, 1961 ? Will your answer be different, if such cash payments are made to a hawker who supplies lobsters and crabs ? (4 marks)

Chapter-7 : Capital Gains

2010 - May [4] (c) On 15.11.2009, Ram gave power of attorney and possession to Rahim in respect of a vacant land (held as stock in trade) acquired

10 years ago. The sale deed was executed in April, 2010. In which assessment year, the capital gain is chargeable to tax ? (4 marks)

2010 - May [6] (b) The land of Ganesh was acquired by NHAI in the year 2006 and since then the litigation was going on for enhancement of compensation. The issue was resolved on 11.09.09 and the court ordered finally to make payment to Ganesh of the enhanced compensation and the following amounts for interest on such enhanced compensation :

Financial Year	Amount (Rs.)
2006-2007	1,15,000
2007-2008	2,25,500
2008-2009	3,75,000
2009-2010	2,14,500

Explain the provisions of the Act and also work out the amount of interest and the assessment year in which the same shall be taxed. (6 marks)

2010 - May [7] (a) Can reference be made to the Valuation Officer under Section 55A of the Income-tax Act, 1961 where the Assessing Officer is of the view that in the context of computation of capital gains, the value of the asset as on 1.4.1981 adopted by the assessee, is more than the fair market value ? If reference under Section 55A is not permissible, is the Assessing Officer bound to accept the value as returned by the assessee ? (4 marks)

Chapter-8 : Income from other Sources

2010 - May [5] (a) In July 2009, Mr. Pervez employed as Marketing Manager in a Pharma company, received a Maruti car as gift from a distributor of the company. The value of the gifted car is estimated at Rs. 2,60,000. Is the value of car taxable as income ? If so, under what head it is taxable ? (4 marks)

Chapter-11 : Deduction from Gross Total income

2010 - May [4] (b) Gurudev Engineers Pvt. Ltd., is running an industrial undertaking whose profits are eligible for deduction under Section 80IA of the Income-tax Act, 1961. During the year ended 31.03.2010, the undertaking was engaged in eligible business referred to in Section 80IA(4), which however, consisted solely of executing works contract awarded by the State Government. Is the assessee eligible to claim deduction under Section 80IA(4) in respect of Profits derived from this undertaking ? (4 marks)

Chapter-14 : Transfer Pricing and other Provisions to check avoidance of Tax

2010 - May [4] (a) Discuss whether adjustment is required in the context of transfer pricing provisions where the transfer price adopted for an international transaction concluded on 1st November, 2009 is Rs. 50 lacs whilst the Arm's Length Price determined using appropriate method are Rs. 48 lacs and Rs. 56 lacs. (4 marks)

Chapter-17 : Income Tax Authorities

2010 - May [3] (b) The proceedings before the Income-tax Authorities either can be attended by the assessee in person or through an authorized representative. Who can be treated as an authorized representative of the assessee ? (4 marks)

Chapter-18 : Assessment Procedure

2010 - May [6] (a) Examine critically in the context of provisions of the Act “can the A.O. issue notice u/s 148 to reopen the same assessment order on the same grounds for which the CIT had issued notice u/s 263 of the Act” ? (4 marks)

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

2010 - May [2] (b) Premises of Ganesh was subjected to a search under Section 132 of the Act. The search was authorized and the warrant was signed by the Joint Commissioner of Income-tax having jurisdiction over the assessee. The assessee challenged the validity of search, since Section 132(1) does not empower Joint Commissioner to authorize a search under the Act. Decide the correctness of the contention raised by the assessee. (4 marks)

Chapter-23 : Penalties and Prosecution

2010 - May [2] (a) The Assessing Officer has served a notice proposing to levy penalty under Section 271(1)(c) of the Income-tax Act, 1961, as the variation of income assessed to income returned and also the tax effect was more than thirty percent. The addition arose consequent to the disallowance of claim of assessee relating to certain exemption. The assessee wants to reply to the effect that there was no mens rea or conscious act of concealment on his part and that the claim made was bonafide, the levy of penalty under Section 271(1)(c) is not valid. You are requested to help the assessee in this regard in drafting a suitable reply. (4 marks)

Chapter-25 : Deduction and Collection of Tax at Source

2010 - May [7] (c) Bharathi Cements Ltd., the assessee, purchases Jute bags from Raj Kumar & Co. The latter has to supply the jute bags with the logo and address of the assessee, printed on it. From 01.09.2009 to 20.03.2010, the value of jute bages supplied is Rs. 8,00,000 for which the invoice has been raised on 20.03.10. While effecting the payment for the same, is the assessee bound to deduct tax at source, assuming that the value of the printing component involved is Rs. 60,000. You are informed that the assessee has not sold any material to Raj Kumar & Co. and that the latter has to manufacture the jute bags in its plant using raw materials purchased by it from outsiders. (4 marks)

Chapter-31 : Assessment of Companies

2010 - May [5] (b) ABC (P) Ltd. Made a provision of Rs. 30 lakhs for doubtful debts by debit to Profit and Loss Account. The Assessing Officer while

computing 'Book-profit' under Section 115JB wants to add back the provision. Is the Assessing Officer justified in making such addition for computing Book-profit ? (4 marks)

Chapter-37 : Wealth Tax

2010 - May [8] (a) Examine the correctness of the following statements as per provisions contained in Wealth-tax Act, 1957 :

- (i) The building and land appurtenant thereto held on valuation date always do not form part of net wealth. (4 marks)
- (ii) Every officer of the company shall be treated as principal officer in respect of proceedings under W.T. Act. (2 marks)

(b) Dee (P) Ltd. has a farm house situated at 30 kilometers from the local limits of Jaipur Municipal Corporation. It also has a guest house at a distance of 40 kilometers from the local limits of Bangalore Municipal Corporation. Decide whether farm house and guest house are chargeable to Wealth tax. (2 marks)

(c) Mr. Parikh pledged his jewellery with a financier and borrowed Rs. 50 lakhs. He acquired shares in limited companies out of the borrowed amount.

The value of Assets as on 31.03.2010 are given below :

1. Market value of jewellery pledged with the financier Rs. 80,00,000
 2. The market price of shares on the valuation date Rs. 28,00,000
- The loan outstanding on the valuation date was Rs. 48 lakhs. Compute the Net Wealth of Mr. Parikh as on 31.03.2010. (2 marks)

Paper - 8 : Indirect Taxes

Chapter-1 : Basic Concepts

2010 - May [3] (b) Machchar Khalas is engaged in the manufacture of liquid mosquito destroyer. It obtains concentrated alletherin and dilutes the same by adding solvents, deodorized Kerosene oil, perfume (as a masking agent) and a stabilising agent. Briefly examine with a note whether the addition of stabilizing agent, masking agent etc. amounts to manufacture within the meaning of Section 2(6) of the Central Excise Act, 1944. (5 marks)

Chapter-2 : Classification of Excisable Goods

2010 - May [3] (a) Aarogya Products Ltd., is manufacturing tooth powder called 'Dantmanjan'. The product is manufactured exclusively in accordance with the formulae prescribed in Ayurvedic texts that are authoritative and is notified in the First Schedule to the Drugs and Cosmetics Act, 1940. The assessee has contended that the product, 'Dantmanjan' is a medicament. The Department has taken a stand that the said product is a tooth powder i.e. cosmetic/toiletry preparation. You are to write a brief note whether the stand taken by the Department in the matter of classification under the First Schedule to the Central Excise tariff is correct in law (5 marks)

2010 - May [1] (a) (i) Briefly explain with reference to the Central Excise (Removal of Goods) at Concessional Rate of Duty for manufacture of Excisable Goods) Rules, 2001 the provision relating to “return of goods to supplier”. (2 marks)

(b) With reference to the Central Excise Rules, 2002 mention the time limits prescribed for the following cases :

(i) Filing of Annual Installed Capacity Statement (2 marks)

(c) Explain briefly the provisions relating to Registration under Central Excise where a person has more than one premises requiring registration. (4 marks)

Chapter-8 : Demand

2010 - May [1] (b) With reference to the Central Excise Rules, 2002 mention the time limits prescribed for the following cases :

(ii) Return of seized records that have not been relied upon by the Department. (2 marks)

Chapter-9 : Refund

2010 - May [3] (c) What is Consumer Welfare fund ? How is this fund utilised ? Write a brief note with reference to the provisions of the Central Excise Act, 1944. (5 marks)

Chapter-10 : Appeals

2010 - May [2] (a) An assessee moved an application on 1.1.2009 under Sec. 35C(2) of the Central Excise Act, 1944 for rectification of mistake in an order passed on 4.7.2008. The Tribunal took up the application on 1.1.2010 and dismissed the same on the ground that the tribunal cannot entertain an application for rectification beyond a period of 6 months. Explain briefly with reference to any decided case law whether the Tribunal’s decision is correct in law. (3 marks)

Chapter-11 : Remission of Duty and Destruction of Goods

2010 - May [1] (d) What are the grounds on which remission of duty can be granted under Central Excise Rules, 2002 ? When should such application be submitted to the Central Excise officer ? Write a brief note. (4 marks)

Chapter-19 : Basic Concepts-Customs Act, 1962

2010 - May [4] (a) Explain briefly the following with reference to the Customs Act, 1962 :

(i) Assessment (2 marks)

(ii) Imported goods. (2 marks)

Chapter-22 : Classification of Goods

2010 - May [5] (b) Tony India imported various components in different consignments separately on the basis of valid import licences. The Department has taken a stand that in view of the provision in Rule 2(a) of the Interpretative Rules the goods will attract import duty as if they were finished goods and the benefit of an exemption notification exempting components only will not be

available. Write a brief note with reference to decided case law, if the stand taken by the Department is correct in law. (5 marks)

Chapter-23 : Valuation under the Customs Act, 1962

2010 - May [4] (b) Briefly explain the methodology for calculation of export duty after the introduction of the 'Transaction value' concept under Section 14 of the Customs Act, 1962. (4 marks)

2010 - May [5] (a) Compute the assessable value for purpose of determination of Customs duty from the following data :

	US\$
Machinery imported from USA by air (FOB price)	4,000
Accessories compulsorily supplied alongwith the machinery	1,000
Air freight	1,200
Insurance charges	Actuals not available
Local agent's commission to be paid in Indian Currency	Rs. 9,300
Transportation from Indian Airport to factory	Rs. 4,000
Exchange rate US\$1 = Rs. 48	

Provide explanations where necessary. (5 marks)

Chapter-24 : Administrative Aspects of Customs Act, 1962

2010 - May [4] (c) Discuss with a brief note the distinction between the functioning of Inland Container Depots (ICD) and Container Freight Stations (CFS). (4 marks)

Chapter-26 : Warehousing

2010 - May [4] (d) Briefly examine with a note the correctness of the following statement with reference to the Customs Act, 1962 : (4 marks)

"Interest under Section 47 is chargeable only after the expiry of warehousing period specified under Section 61(1) of the Customs Act, 1962." (4 marks)

Chapter-29 : Duty Drawback

2010 - May [4] (e) Briefly explain the term 'Export' for the purpose of duty drawback under Section 75 of the Customs Act, 1962. Is duty drawback available if the goods do not reach the destination ? (4 marks)

Chapter-30 : Provisions relating to Illegal Import, Confiscation, Penalty & Allied Provisions

2010 - May [5] (c) Briefly write a note on whether an exporter who has been held guilty of exporting 'prohibited goods' is entitled to an option to pay fine in lieu of confiscation under Section 125 of the Customs Act, 1962.

(5 marks)

Chapter-35 : Service Tax

2010 - May [6] (a) Examine briefly whether any liability to Service tax would arise in the following cases :

- (i) Services provided by one scheduled bank to another scheduled bank in relation to inter-bank transactions of purchase and sale of Foreign Currency. (2 marks)
- (ii) Services provided to or from installations, structures and vessels in the entire continental shelf and exclusive economic zone of India. (2 marks)
- (iii) Services provided to any person by Government Railways in relation to transport of goods by rail. (2 marks)
- (b) Write a brief note whether the Commissioner of Central Excise is empowered to revise or review the orders pertaining to Service tax passed by an adjudicating authority subordinate to him. (2 marks)
- (c) (i) State briefly the position under Rule 5 of the Taxation of Services (provided from outside India and received in India) Rules, 2006 the circumstance when such service could be treated as input service. (2 marks)
- (ii) Briefly indicate the provisions under the Finance Act, 1994 relating to interest under Sec. 75. (2 marks)
- (d) Briefly explain with a note the time period for filing a claim for refund of Service tax by an exporter of goods and sanction of refund claim by the Department. (3 marks)

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