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DIRECTORATE OF INCOME TAX (INCOME TAX)

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F.No: DE/2013/Challenged Qs/ITOs/ITIs/DIT/5163 to 5181

Dated: 07.03.2014

To

All the CCIT/CIT  
Incharge of Examination

Sir/Madam

**Subject: Departmental Examination for ITOs-2013- Disposal of representations in respect of challenged questions -reg-**

Kindly refer to the above.

In this regard, it is submitted that various representations were received from the candidates who appeared in the ITO Examination -2013 regarding discrepancy in the answer-keys used for asked evaluation of paper-II (Advanced Accountancy) and proposed some options other than given in the answer-key issued by this Directorate. This Directorate's decision in respect of the challenged questions is as under:

S. No.	Challenged Questions of paper-II (Advanced Accountancy)	Directorate's decision
1.	Q. -5/Set A Q.-78/Set B Q.- 56/Set C Q. -84/Set D	The correct answer is option ' <b>b</b> ' as given in the answer key, because, in the Stock & Debtor system of branch accounting, goods are sent to the branch at <b>invoice</b> price.
2.	Q. -11/Set A Q.-33/Set B Q.- 26/Set C Q. -59/Set D	The correct answer is ' <b>a</b> ' as given in the answer key, because, Net income results from subtracting indirect expenses from Gross Profit. Subtracting Direct Departmental Expenses from Gross Profit results in a 'Departmental Margin'
3.	Q. -12/Set A Q.-29/Set B Q.- 16/Set C Q. -90/Set D	The correct answer is ' <b>b</b> ' as given in the answer key, because, any amount payable to a partner (except rent), such as interest on capital, interest on loan, salaries, commission etc., should be treated as appropriation and it should not be charged against profit. The journal entry for ' <b>interest on drawings</b> ' is Partners' Capital/ Current A/c Dr. To Profit & Loss Appropriation A/c Cr.
4.	Q. -35/Set A Q.-46/Set B Q.- 43/Set C Q. -32/Set D	The correct answer is ' <b>a</b> ' as given in the key, because in 'Pooling of Interest' method, the difference is to be adjusted to General Reserve.

5.	Q. -36/Set A Q.-18/Set B Q.- 29/Set C Q. -21/Set D	The correct answer is 'b', as given in the key. Depreciation is a process of allocation of cost of fixed asset (less any residual value) over its estimated useful life.
6.	Q. -51/Set A Q.-25/Set B Q.- 72/Set C Q. -60/Set D	The correct answer is ' <u>c</u> ', according to AS-14 (Annex-2).
7.	Q. -66/Set A Q.-97/Set B Q.- 14/Set C Q. -31/Set D	The correct answer is ' <u>a</u> ' as given in the key, because as per Sec. 13 of Indian Partnership Act, 1932, interest on capital is paid only out of profit.
8.	Q. -71/SetA Q.-91/Set B Q.- 60/Set C Q. -54/Set D	The correct answer is ' <u>b</u> ', as given in the key.
9.	Q. -76/SetA Q.-8/Set B Q.- 39/Set C Q. -81/Set D	The correct answer is ' <u>a</u> ', as given in the key and mentioned in AS-9 (Annex-3).
10.	Q. -77/SetA Q.-27/Set B Q.- 92/Set C Q. -82/Set D	The answer in the key is correct (Annex-4).
11.	Q. -82/Set A Q.-22/Set B Q.- 44/Set C Q. -35/Set D	The option ' <u>a</u> ', as given in the answer key is correct as per AS-22 (Annex-5).
12	Q. -87/Set A Q.-11/Set B Q.- 40/Set C Q. -46/Set D	The option ' <u>a</u> ', as given in the answer key is correct as per AS-7 (Annex-6).
13	Q. -100/SetA Q.-88/Set B Q.- 9/Set C Q. -66/Set D	The option ' <u>d</u> ', as given in the answer key is correct because income tax does not appear as an expense in P & L A/c as it is not an expense to earn revenue.



3. In respect to the discrepancies noted in paper-IV (IT & A/c) of ITO Examination, it may be noted that these discrepancies were noted by the Directorate before the evaluation and suitable modifications were made in the model answers.

4. In view of the above, all such representations of the candidates stand rejected. The candidates may be informed accordingly.

Yours faithfully,



(Rinku Singh)

Joint Director of Income Tax(Exam)

New Delhi

g/c

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