

Paper 7 : Direct Taxation

Question 1 (a)-(Compulsory-filling up the blanks)

Overall performance was poor. Very few students could score full marks.

Question 1(b) (Compulsory-multiple choice questions)

Overall performance was not satisfactory.

The question number 1 was meant to help the students to ultimately do well in this paper.

Question No. 2

- (a) Answers given by most students were vague. They could not bring out the distinction between exemption under Chapter III and Chapter VI-A of the Income-tax Act.
- (b) Answer to this question on general deduction under section 37(1) was satisfactory in most cases.
- (c) Computation of income from house property in case of joint ownership was demonstrated well by most students.

Question No.3

- (a) This question was a simple computation of salary income. Many students considered basic salary and DA for 12 months instead of 9 months. Many students were not aware of the provision relating to educational facilities for the children of the employee.
- (b) Attempted by majority of the students. But most of them failed to give proper reasoning.
- (c) Concept of reverse merger was not known to majority of the students, though the topic is covered in the Institute's study material.

Question No.4

- (a) Students were not aware of the power of the CBDT to allow carry forward of loss in case of belated return.
- (b) The answer to the question on deduction under section 80DDB was found to be sketchy in many cases.
- (c) The question on computation of income from house property was attempted well by many students.

Question No. 5

- (a) The question on deduction under section 80 TTA was answered correctly.

- (b) The question on computation of tax liability of limited liability partnership was attempted well by many students.
- (c) Concept of "substantial interest" and applicability thereof were not known to many students.

Question No. 6

- (a) "Regular workmen" as defined in section 80JJA was not known to majority of the students.
- (b) The question on claiming exemption for reducing tax liability on short-term capital gain was not attempted well by most students.
- (c) Although the first sub-division was answered correctly, majority of the students failed to correctly explain why receipt of wrist watch should not be liable to tax.
- (d) The question on valuation of perquisite was attempted poorly by many students.

Question No. 7

Out of five sub-divisions, four sub-divisions were attempted well. The students failed to state reason for inadmissibility of claim for deduction of income and wealth tax liabilities in computation of net wealth.

Question No. 8

First alternative on valuation of house property was not attempted by many students.

The second alternative was not answered in proper manner by many students.

Question No. 9

Answers to five short questions on transfer pricing were sketchy in most cases.

Question No. 10

First Alternative: Students lack concept on transfer pricing provisions.

Second Alternative: Students lack concept on transfer pricing provisions.

General Observations

Students were not found to be well prepared for the examination. In respect of transfer pricing provision the students were not found to be properly prepared, although the study material of the Institute deals with such provisions quite elaborately. In general students were not able to answer with cogent reasons.

Suggestion to Students

1. They should go through the Institute's study material thoroughly. They should also study the prescribed text book.
2. Adequate practice is required.
3. They should avoid writing irrelevant points.
4. They should decide the length of the answer depending upon the marks