

# GST - PRACTICE TEST PAPER - SET 14

## (From GST 9<sup>th</sup> Edition Question Bank)

For Admission / Inquiry - Whatsapp at 8527230445 (11am to 6pm)

1. PTL Pvt. Ltd. is a retail store of merchandise located in 25 States and/or UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. launched scheme of “Buy One Get One Free” for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. For saving cost, PTL Pvt. Ltd. directly purchases merchandise from the manufacturers.

In the month of May, in order to save employee cost, PTL Pvt. Ltd. purchased a tempo traveller worth ₹ 12,00,000 with seating capacity of 25 persons (including driver) for transportation of its employees.

Further, for ensuring the well-being of its employees, PTL Pvt. Ltd. voluntarily obtained the health insurance cover of ₹ 2,00,000 for each employee in the same month. The premium of ₹ 1,500 per employee has been paid by the company for 100 employees.


In the month of July, Mr. Raghav, a customer of the company, filed a law suit in the Court, against the company for not supplying goods of the value of ₹ 1,00,000. PTL Pvt Ltd. engaged Mr. Ram, an advocate, to represent it in Court for an agreed consideration of ₹ 25,000. As per the terms of the contract, Mr. Ram issued an invoice on 5<sup>th</sup> July. However, consideration was not paid till February next year.

Note - All the amounts given above are excluding taxes and all transactions are intra- State transactions. Rates of tax are CGST - 9% and SGST – 9%. However, for tempo traveller, the rates of taxes are CGST - 14% and SGST – 14%.

In relation to the above, answer the following questions:

- (i) With respect to “Buy One, Get One” offer, which of the following statements is true:
- It will not be considered as supply at all since no consideration is involved in one of the items.
  - Supply of item for which consideration is charged is a supply under section 7 of the CGST Act, 2017 while supply of the other item supplied free of cost is not a supply.
  - These are two individual supplies where a single price is charged for the entire supply. Since a single price is charged, the same will always be taxed as a mixed supply.
  - These are two individual supplies where a single price is charged for the entire supply. Their taxability will depend upon as to whether the supply is a composite supply or a mixed supply.
- (ii) Eligible input tax credit for the month of May (i) on the purchase of tempo traveller and (ii) on health insurance premium paid (assuming that all other conditions, for availing input tax credit have been complied with) is:
- (i) CGST - Nil, SGST - Nil and (ii) CGST - Nil, SGST - Nil
  - (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - Nil, SGST - Nil
  - (i) CGST - Nil, SGST - Nil and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000
  - (i) CGST - ₹ 1,68,000, SGST - ₹ 1,68,000 and (ii) CGST - ₹ 18,000, SGST - ₹ 18,000
- (iii) Which of the following statements is true in respect of the services of advocate availed by the company?
- CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt Ltd. ITC availed thereon is to be added to its output tax liability with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.

- (b) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. ITC availed thereon is to be added to output tax liability of PTL Pvt Ltd. with interest as consideration along with tax is not paid within 180 days of the issuance of invoice.
- (c) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by PTL Pvt. Ltd. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.
- (d) CGST-₹ 2,250 and SGST- ₹ 2,250 on advocate services are payable by Mr. Ram. The condition of payment of consideration along with tax within 180 days of the issuance of invoice does not apply in the given case.

2. **[Important]** Mr. Kumar started interior designing practice from the month of January. His turnover up to the month of March was ₹ 12,50,000. On 30<sup>th</sup> June, his turnover exceeded ₹ 20,00,000 & reached to ₹ 20,05,000. 

Mr. Kumar applied for GST registration (as regular taxpayer) on 15<sup>th</sup> July and registration was granted to him on 25<sup>th</sup> July.

On 16<sup>th</sup> July, he entered into a contract for designing the flat of Mr. Shyam. The service was completed on 22<sup>nd</sup> July and Mr. Kumar issued invoice on the same day for ₹ 6,00,000.

On 5<sup>th</sup> July, Mr. Kumar purchased capital goods amounting to ₹ 4,50,000 and from 25<sup>th</sup> July to 31<sup>st</sup> July, he availed services amounting to ₹ 1,75,000 for the purpose of completing the service.

On 1<sup>st</sup> August, Mr. Kumar got another contract for interior designing from Mr. Ram, which he accepted on 2<sup>nd</sup> August. The service was completed on 6<sup>th</sup> August and invoice was issued on 7<sup>th</sup> August for ₹ 5,00,000. Payment was received on 29<sup>th</sup> August.

Note: All values are excluding taxes, unless specifically mentioned. Mr. Kumar makes only intra-State outward supplies and all purchases are also intra-State. Rates of tax are CGST - 9% and SGST - 9%.

In relation to the above, answer the following questions:

- (i) The effective date of registration for Mr. Kumar is-
- 30<sup>th</sup> June
  - 15<sup>th</sup> July
  - 25<sup>th</sup> July
  - 16<sup>th</sup> July
- (ii) Mr. Shyam can issue a revised tax invoice till-
- 23<sup>rd</sup> October
  - 8<sup>th</sup> September
  - 25<sup>th</sup> September
  - 25<sup>th</sup> August
- (iii) Eligible input tax credit available with Mr. Kumar for the month of July is-
- CGST ₹ 40,500 & SGST ₹ 40,500
  - CGST ₹ 15,750 & SGST ₹ 15,750
  - CGST ₹ 56,250 & SGST ₹ 56,250
  - CGST ₹ 36,000 & SGST ₹ 36,000
- (iv) The time of supply of services provided by Mr. Kumar to Mr. Ram is-
- 7<sup>th</sup> August
  - 1<sup>st</sup> August
  - 29<sup>th</sup> August
  - 06<sup>th</sup> August
- (v) If instead of opting for regular scheme, Mr. Kumar opts to pay tax under section 10(2A) of the CGST Act, 2017, the tax liability for the month of July will be-
- Nil
  - CGST ₹ 54,000 & SGST ₹ 54,000
  - CGST ₹ 18,000 & SGST ₹ 18,000
  - CGST ₹ 78,150 & SGST ₹ 78,150

3. During the month of May, Z Ltd. sold goods to Y Ltd. for ₹ 2,55,000 and charged GST @ 18%. However, owing to some defect in the goods, Y Ltd. returned the goods by issuing debit note of ₹ 40,000 in the same month. Z Ltd. records the return of goods by issuing a credit note of ₹ 40,000 plus GST in the same month. In this situation, GST liability of Z Ltd. for the month of May will be-
- ₹ 45,900
  - ₹ 38,700
  - ₹ 53,100
  - ₹ 40,000

4. C & Co., a registered supplier in Delhi, opted for composition levy under sub-sections (1) and (2) of section 10 of the CGST Act, 2017. It sold goods in the fourth quarter of a financial year for ₹ 15,00,000 (exclusive of GST). The applicable GST rate on these goods is 12%.

C & Co. purchased goods from Ramesh & Co., registered in Delhi, for ₹ 9,55,000 on which Ramesh & Co. had charged CGST of ₹ 57,300 and SGST of ₹ 57,300. C & Co. had also purchased goods from E & Co., registered in Haryana, for ₹ 2,46,000 on which E & Co. had charged IGST of ₹ 29,520.

GST liability of C & Co. for the fourth quarter of the financial year is-

- CGST ₹ 7,500 & SGST ₹ 7,500
  - CGST ₹ 3,180 & SGST ₹ 32,700
  - CGST ₹ 32,700 & SGST ₹ 3,180
  - Nil
5. Mr. Raghu avails services of Mr. Raja, an Accountant, as under-
- Audit of financial accounts ₹ 55,000
  - Tax audit and annual filing ₹ 10,000
  - Income-tax return filing of Mr. Raghu's wife ₹ 5,000

All the above amounts are exclusive of taxes and the applicable rate of GST on these services is 18%. The accountant of Mr. Raghu has booked the entire expenses of ₹ 70,000 plus GST in the books of account. Mr. Raghu is eligible to take input tax credit of -

- ₹ 13,500
  - ₹ 11,700
  - ₹ 9,900
  - ₹ 1,800
6. TT Pvt. Ltd., registered in Rajasthan, furnished following information for the month of June:
- Inter-State sale of goods for ₹ 1,25,000 to JJ Enterprises registered in Haryana
  - Inter-State purchases of goods from XYZ company, registered in Punjab, for ₹ 40,000
  - Intra-State purchases of goods from RR Traders, registered in Rajasthan, for ₹ 65,000

The applicable rate of GST is 18%. All the above amounts are exclusive of taxes.

GST liability payable in cash is-

- CGST ₹ 1,800 & SGST ₹ 1,800
  - SGST ₹ 3,600
  - IGST ₹ 3,600
  - CGST ₹ 3,600
7. Pradeep Traders, registered in Haryana, sold goods for ₹ 2,05,000 to Balram Pvt. Ltd. registered in Uttar Pradesh (GST is leviable @ 5% on said goods). As per the terms of sales contract, Pradeep Traders has to deliver the goods at the factory of Balram Pvt. Ltd. For this purpose, Pradeep Traders has charged freight of ₹ 2,400 from Balram Pvt. Ltd. GST is leviable @ 12% on freight. What would be the net GST liability to be paid in cash in this case assuming that the amounts given herein are exclusive of GST?
- IGST-₹ 37,332
  - IGST-₹ 10,370
  - CGST-₹ 18,666 and SGST-₹ 18,666
  - CGST-₹ 5,185 and SGST-₹ 5,185

8. Prem & Sons had taken GST registration on 1<sup>st</sup> January but failed to furnish GST returns for the next 6 months. Owing to this, the proper officer cancelled its registration on 25<sup>th</sup> July and served the order for cancellation of registration on 31<sup>st</sup> July. Now, Prem & Sons wants to revoke the cancellation of registration. Prem & Sons can file an application for revocation of cancellation of registration on or before.
- 30<sup>th</sup> August
  - 29<sup>th</sup> August
  - 29<sup>th</sup> September
  - 29<sup>th</sup> October
9. XX, registered in Delhi, purchased books from PC Traders, registered in Uttar Pradesh. Books are exempt from GST. XX arranged the transport of these books from a goods transport agency (GTA) which charged a freight of ₹ 9,000 for the same. GST is payable @ 5% on such GTA services. Which of the following statement is correct in the given context:
- GST of ₹ 450 is payable by XX on reverse charge basis.
  - Supply of goods and supply of GTA service is a composite supply wherein supply of goods is the principal supply and since principal supply is an exempt supply, no tax is payable on freight.
  - Since exempt goods are being transported, service provided by GTA for transporting the same is also exempt.
  - GST of ₹ 450 is payable by the GTA.
10. Kalim & Associates made an application for cancellation of GST registration in the month of March due to closure of its business. Its application for cancellation of GST registration was approved on 14<sup>th</sup> September. In the given case, Kalim & Associates is:
- required to file Final Return on or before 13<sup>th</sup> December
  - not required to file Final Return
  - required to file Final Return on or before 30<sup>th</sup> September
  - required to file Final Return on or before 14<sup>th</sup> December

**SUGGESTED ANSWERS**

- (d)
  - (b)
  - (c)
- (a)
  - (d)
  - (c)
  - (a)
  - (c)
- (b)
- (a)
- (b)
- (c)
- (b)
- (a)
- (a)
- (d)

**11. [IMPORTANT]**

- (a) **[ITC Chapter - Section 18]** Babla & Bros. is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1<sup>st</sup> October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla & Bros. was ₹ 50 lakh.

Examine the eligibility of Babla & Bros. for availing ITC, if any.

- (b) **[ITC Chapter - Section 18]** Mamta Sales trades in exempt goods and provides taxable services. It is registered under GST. On 1<sup>st</sup> October, the exemption available on its goods gets withdrawn. Analyze the scenario and determine the eligibility of Mamta Sales for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods.

**Solution:**

- (a) Since the exemption available on goods being supplied by Babla & Bros. is withdrawn, it becomes liable to registration as its turnover has crossed the threshold limit (for registration) on the day when the exemption is withdrawn.

Assuming that Babla & Bros. applies for registration within 30 days of 1<sup>st</sup> October and it obtains such registration, it will be entitled to take credit of input tax **in respect of inputs** held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e. 30<sup>th</sup> September [Section 18(1)(a) of the CGST Act, 2017].

**Input tax paid on capital goods will not be available as input tax credit in this case.**

- (b) If the exempt supply made by a registered person becomes a taxable supply, provisions of section 18(1)(d) of the CGST Act, 2017 become applicable. In the given case, since Mamta Sales is a registered person, section 18(1)(d) will be applicable.

As per section 18(1)(d), Mamta Sales will be entitled to take credit of input tax **in respect of inputs** held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and **on capital goods** exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e. 30<sup>th</sup> September.

**Input tax credit on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.**

- 12. [Payment of Tax]** Suhasini is a registered software consultant. On account of her ill health, she could not provide any services during the month of October. However, she had to incur all the expenses relating to her office. She paid ₹ 75,000 to various vendors. Total GST involved on the goods and services procured by her is ₹ 13,500. Out of the total bills paid by her, one bill for ₹ 15,000 relates to security services availed for security of her office, tax on which is payable under reverse charge. GST involved in such bill is ₹ 2,700.

Suhasini is of the opinion that for the month of October, no GST is payable from electronic cash ledger as she has sufficient balance of ITC for payment of GST under reverse charge on security services.

Do you think Suhasini is right? Explain with reasons.

**Solution:**

The amount available in the electronic credit ledger, i.e. input tax credit may be used for making any payment towards output tax. Output tax, in relation to a taxable person, means the tax chargeable on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis.

Therefore, input tax credit cannot be used to pay the tax liability under reverse charge. The same is always required to be paid through electronic cash ledger and not electronic credit ledger.

**Thus, Suhasini is wrong and she should pay GST of ₹ 2,700 on security service through electronic cash ledger.**

13. [Important] Supply under GST + Payment of Tax + ITC - 'XY' of Kolkata is engaged in supply of various goods and services. It pays GST under regular scheme. The following information is provided by it for the month of July:



Payments	Amount (₹)	Receipts	Amount (₹)
Inter-State purchases of office stationery	1,40,000	Inter-State supply of office stationery	2,00,000
Repairing of lorry used to transport goods from warehouse to clients' location [Intra-State supply]	1,00,000	Intra-State supply of 500 combi packs containing one calculator and one diary	4,00,000
		Intra-State supply of services of <b>business correspondent to Shubhvidhi Bank</b> with respect to accounts in <b>its urban area branch</b>	1,00,000

The following additional information is provided by 'XY' in relation to the above receipts and payments:

- (i) 10% of the inter-State supply of office stationery are made to unregistered persons.
- (ii) Each combi pack (containing a calculator and a diary) is priced at ₹ 800. The calculator and the diary are individually priced at ₹ 700 and ₹ 200 respectively.
- (iii) An invoice of ₹ 40,000 towards purchase of office stationery is missing and no other tax paying document is available in respect of such goods.
- (iv) All the figures mentioned above are exclusive of taxes, wherever applicable.
- (v) Rates of CGST, SGST and IGST for all services, office stationery and calculator are 9%, 9% and 18% respectively. Rates of CGST, SGST and IGST for diary are 14%, 14% and 28% respectively.
- (vi) Subject to the information given above, all the necessary conditions for availing input tax credit have been fulfilled.

Details of opening balances of input tax credit as on 1<sup>st</sup> July is given hereunder:

Tax	Amount (₹)
CGST	5,000
SGST	5,000
IGST	80,000

Compute the minimum net GST [CGST, SGST or IGST, as the case may be] payable in cash by 'XY' for the month of July.

**Solution:**

Computation of minimum net GST payable in cash by 'XY' for the month of July

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b>Total tax liability</b>				
Inter-State supply of stationery [Note 1]	2,00,000			36,000
Intra-State supply of 500 combi packs of calculators and diaries [Note-2]	4,00,000 (500 x 800)	56,000 <b>(4,00,000 x 14%)</b>	56,000 <b>(4,00,000 x 14%)</b>	
Intra-State supply of services of <b>business correspondent to a Shubhvidhi Bank</b> with respect to accounts in its urban area branch [Note-3]	1,00,000	9,000 (1,00,000 x 9%)	9,000 (1,00,000 x 9%)	



<b>Total tax liability</b>		<b>65,000</b>	<b>65,000</b>	<b>36,000</b>
<b>Input tax credit (ITC)</b>				
<b>Brought forward ITC</b>		<b>5,000</b>	<b>5,000</b>	<b>80,000</b>
Inter-State purchase of office stationery [Note-4]	1,00,000			18,000
Intra-State repairing of lorry used for transportation of goods [Note-5]	1,00,000	9,000	9,000	
<b>Total ITC</b>		<b>14,000</b>	<b>14,000</b>	<b>98,000</b>
<b>Minimum net GST payable in cash</b>				
Total tax liability		65,000	65,000	36,000
IGST credit being set off against IGST liability				(36,000)
IGST credit being used to pay CGST and SGST liability in any order and in any proportion		(11,000)	(51,000)	
CGST and SGST credit being used to pay CGST and SGST liability respectively		(14,000) CGST	(14,000) SGST	
<b>Minimum net GST payable in cash</b>		<b>40,000</b>	<b>Nil</b>	<b>Nil</b>

**Notes:-**

1. Taxable supplies made by a registered person are liable to tax irrespective of whether they are made to a registered person or to an unregistered person.
2. Supply of calculator and diary as a combi pack with a single price of ₹ 800 is a mixed supply. Being a mixed supply comprising of two supplies, **it shall be treated as supply of that particular supply which attracts highest rate of tax.**
3. Services provided by a business facilitator/ business correspondent to a banking company only with respect to accounts in its **rural area branch are exempt** and not with respect to accounts in its urban area branch.
4. ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
5. ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

**Note:** IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

- 14. [EXEMPTION] Mutiservices Private Ltd., registered in Punjab, is engaged in supplying a variety of services. Its turnover was ₹ 35 lakh in the preceding financial year. It has provided the following information for the month of April:**

Particulars	Amount (₹)
Fee for the coaching provided to students for competitive exams. The coaching centre is run by Mutiservices Private Ltd. in Punjab (Intra-State transaction)	6,24,000
Receipts for services provided in relation to conduct of examination in Pureit University, Delhi (providing education recognized by Indian law), being an inter-State transaction	19,200
Amount received for transportation of students and faculty from their residence to Lotus Public School - a higher secondary school – and back (Intra-State transaction)	24,000
Amount received for providing the security and housekeeping services in Dhaani Public School – a pre-school (Intra-State transaction)	36,000

**Note:** Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively. All the amounts given above are exclusive of taxes.

Compute the total GST liability of Multiservices Private Ltd. for the month of April.

**Solution:****Computation of net GST liability of Multiservices Private Ltd. for the month of April:**

Particulars	Value of Taxable supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Fee for the coaching provided to students for competitive exams [Note-1]	6,24,000	56,160	56,160	
Services towards conduct of examination in Pureit University, Delhi [Note-2]	NIL			-
Services of transportation of students and faculty from their residence to Lotus Public School and back [Note-3]	NIL			-
Security and housekeeping services in Dhaani Public School [Note-4]	36,000	-	-	
<b>Total GST liability</b>		<b>56,160</b>	<b>56,160</b>	

**Notes:-**

- Coaching centre run by Mutiservices Private Ltd. is **not an educational institution** since competitive exam coaching does not lead to grant of a qualification recognized by law. Therefore, fee received for coaching provided at such coaching centre is taxable.
  - Since Pureit University provides qualification recognized by law, it is an educational institution and services provided to an educational institution, in relation to conduct of examination by such institution **are exempt from GST.**
  - Since Lotus Public School provides education up to higher secondary school, it is an educational institution and services of transportation of students, faculty and staff provided to an educational institution **are exempt.**
  - Since Dhaani Public School provides pre-school education, it is an educational institution. Security and housekeeping services provided within the premises of an educational institution **are exempt.**
- 15. [RETURN] The due date for payment of tax by a person paying tax under section 10 of the CGST Act, 2017, i.e. a composition supplier is aligned with the due date of return to be filed by the said person. Discuss the correctness or otherwise of the statement.**

**Solution:**

**The statement is not correct.** Every registered person paying tax under section 10, i.e. a composition supplier, is required to file a return annually in Form GSTR-4. Form GSTR-4 for a financial year should be furnished by 30<sup>th</sup> April of the succeeding financial year. **However, a composition supplier is required to pay his tax on a quarterly basis.**

A quarterly statement for payment of self-assessed tax in **GST CMP-08** is required to be furnished by 18<sup>th</sup> day of the month succeeding such quarter.

Therefore, while the return is to be furnished annually, payment of tax needs to be made on a quarterly basis, by a composition supplier.