

INTERMEDIATE COURSE

GROUP – I

REVISION TEST PAPERS

JANUARY, 2025



BOARD OF STUDIES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

New Delhi

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REVISION TEST PAPER, JANUARY 2025 – OBJECTIVE & APPROACH

(Students are advised to go through the following paragraphs carefully to derive maximum benefit out of this RTP)

I. Objective of Revision Test Paper

Revision Test Papers are one among the many educational inputs provided by the Board of Studies (BOS) to its students. Popularly referred to as RTP by the students, it is one of the very old publications of the BOS whose significance and relevance from the examination perspective has stood the test of time.

The primary objectives of the RTP are:

- To help students get an insight of their preparedness for the forthcoming examination;
- To update them on the latest developments relevant for the forthcoming examination in select subjects;
- To enhance the confidence level of the students adequately.

Students must bear in mind that the RTP contains a variety of questions based on different topics of the syllabi and thus a comprehensive study of the entire syllabus is a pre-requisite before answering the questions of the RTP. In other words, in order to derive maximum benefit out of the RTPs, it is advised that before proceeding to solve the questions given in the RTP, students ought to have thoroughly read the Study Materials and Statutory Update, wherever applicable.

The topics on which the questions are set herein have been carefully selected and meticulous attention has been paid in framing different types of questions. Detailed answers are provided to enable the students to do a self-assessment and have a focused approach for effective preparation.

Live Virtual Classes by renowned subject experts conducted free of charge for the students of Foundation, Intermediate and Final levels provide the students much required support in preparing for their exams conveniently at home as these classes can be accessed live or viewed later as recorded lectures through hand-held devices such as smart phones, laptops, I-pads, tablets, etc. anytime anywhere. Further,

students are advised to attempt the Multiple-Choice Questions (MCQs) at MCQ Paper Practice Portal which is a holistic platform for self-assessment within the stipulated timeframe.

Students are welcome to send their suggestions for fine tuning the RTP to the Joint Director, Board of Studies, The Institute of Chartered Accountants of India, A-29, Sector-62, Noida 201309 (Uttar Pradesh). RTP is also available on BOS Knowledge Portal at <https://boslive.icai.org> for downloading.

II. Planning and preparing for examination

Ideally, when the RTP reaches your hand, you must have finished reading the relevant Study Materials of all the subjects (along with the Statutory Update in case of Paper 3A and Paper 3B) available at the BoS Knowledge Portal. Get a good grasp of the concepts/ provisions/ amendments/ cases discussed therein.

After reading the Study Materials alongwith Statutory Update thoroughly, then, proceed to solve the questions given in the RTP on your own. RTP is an effective tool to revise and refresh the concepts and provisions discussed in the Study Material. RTPs are provided to you to help you assess your level of preparation. Hence you must solve the questions given therein on your own and thereafter compare your answers with the answers given therein.

Examination tips

How well a student fares in the examination depends upon the level and depth of his preparation. However, there are certain important points which can help a student better his performance in the examination. These useful tips are given below:

- Reach the examination hall well in time.
- As soon as you get the question paper, read it carefully and thoroughly. You are given separate 15 minutes for reading the question paper.
- Plan your time so that appropriate time is awarded for each question.

- First impression is the last impression. The question which you can answer in the best manner should be attempted first.
- Always attempt to do all questions. Therefore, it is important that you must finish each question within allocated time. Keep sometime for checking the answers as well.
- Read the question carefully more than once before starting the answer to understand very clearly as to what is required.
- Answer all parts of a question one after the other; do not answer different parts of the same question at different places.
- Write in a neat and legible hand-writing.
- Always be concise and write to the point and do not try to fill pages unnecessarily.
- There must be logical expression of the answer.
- In case a question is not clear, you may state your assumptions and then answer the question.
- Check your answers carefully and underline important points before leaving the examination hall.
- In case of case scenario based MCQs, read the facts given in the case attentively. Also, read each MCQ based thereon and all the options carefully, before choosing the correct answer.

III. Subject-wise Applicability

PAPER – 1 : ADVANCED ACCOUNTING

The April, 2023 edition of the Study Material, comprising of three modules, is applicable for the students appearing for January, 2025 Examination. For understanding the coverage of syllabus, it is important to read the Study Material carefully.

You must read the study material thoroughly to attain conceptual clarity. The tables, diagrams and flow charts in study material have been extensively prepared to facilitate easy understanding of concepts. Likewise, examples and illustrations given in the Study Material would enable you to grasp the application of theoretical concepts in real-world

scenarios. After covering the concepts and illustrations, work out the exercise questions at the end of each chapter and then compare your answers with the answers given to test your level of understanding. Also, solve the MCQs and case scenario based MCQs uploaded in MCQ Practice Dashboard. This will help you to maximize your speed and accuracy in solving independent MCQs and case scenario based MCQs in the Examination.

The RTP consists of twenty questions together with their answers on different topics discussed in the study material. Answers to the questions have been given in detail along with the working notes for easy understanding and comprehending the steps in solving the problems. Moreover, the answers have been presented in the same manner as expected from the students in the examination. The students are expected to solve the questions under examination conditions and then compare their solutions with the solutions given in the RTP. This will facilitate them to further strategize their preparation for scoring good marks in the examination.

PAPER – 2: CORPORATE AND OTHER LAWS

The April 2023 edition of the Study Material is applicable for Intermediate Course Paper 2: Corporate and Other Laws. The Study Material has been divided into three modules (Modules 1, 2 & 3) for ease of handling by students.

The Study Material is based on the provisions of the Companies Act, 2013, the Limited Liability Partnership Act, 2008, the General Clauses Act, 1897 and the Foreign Exchange Management Act, 1999, as amended upto 30th April, 2023.

The amendments in the Companies Act, 2013 for the period 1st May, 2023 to 30th June, 2024 are given under the Part I of the RTP. These amendments have been uploaded on the website at <https://resource.cdn.icai.org/82859bos66938.pdf>.

The students are advised to read the Study Material thoroughly to attain conceptual clarity. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. Examples

and Illustrations given in the Study Material would help the students to understand the application of concepts. Work out the exercise questions at the end of each chapter and then compare your answers with the answers given to test your level of understanding. Thereafter, solve the MCQs and case scenarios based MCQs uploaded in MCQ Paper Practice Dashboard and assess your level of understanding.

Finally, solve the questions given in this RTP independently and compare the same with the answers given to assess your level of preparedness for the examination.

PAPER – 3: TAXATION

Section A: Income-tax Law (50 Marks)

The Income-tax law, as amended by the Finance Act, 2023 and significant notifications, circulars and other legislative amendments upto 30.06.2024 are relevant for January, 2025 Examination. The relevant assessment year for January, 2025 examination is A.Y. 2024-25.

The June, 2023 edition of the Study Material, comprising of two modules (Modules 1 & 2), is based on the provisions of income-tax law, as amended by the Finance Act, 2023 and significant notifications and circulars issued upto 30.04.2023. Hence, the same is applicable for January, 2025 Examination. Further, a list of topic-wise exclusions from the syllabus and inclusions with reference to section 10 in the syllabus has been specified by way of “**Study Guidelines**” and the same has been webhosted at <https://resource.cdn.icai.org/76864bos61928.pdf> at BoS Knowledge Portal.

The above referred study material has to be read along with Statutory Update for January, 2025 Examination webhosted at <https://resource.cdn.icai.org/81242bos65468.pdf> at BoS Knowledge Portal, which contains the significant notifications/circulars issued between 01.05.2023 and 30.06.2024, which are also relevant for January, 2025 Examination.

You have to read the Study Material thoroughly to attain conceptual clarity. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. The amendments made by the

Finance Act, 2023 and latest notifications and circulars have been given in *italics/bold italics*. Examples and Illustrations given in the Study Material would help you understand the application of concepts. Work out the exercise questions at the end of each chapter and then compare your answers with the answers given to test your level of understanding. Thereafter, solve the MCQs and case scenarios based MCQs uploaded in MCQ Paper Practice Dashboard and assess your level of understanding.

After that, solve the questions given in RTP for May 2024 and September, 2024, examinations keeping in mind the amendments contained in Statutory Update for January, 2025 Examination.

Finally, solve the questions given in this RTP independently and compare the same with the answers given to assess your level of preparedness for the examination.

Section B: Goods and Services Tax (50 Marks)

For Section B: Goods and Services Tax of Paper 3: Taxation, the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2023, including significant notifications and circulars issued and other legislative amendments made, up to 30th June, 2024, are applicable for January, 2025 examination.

Further, a list of topic-wise exclusions from the syllabus has been specified by way of **“Study Guidelines for January, 2025 Examination”**. The same is given as part of **“Applicability of Standards/Guidance Notes/Legislative Amendments etc. for January, 2025 - Intermediate Examination”** appended at the end of this Revision Test Paper.

The June, 2023 edition of the Study Material alongwith the Statutory updates for January, 2025 examination is applicable for Intermediate Course Paper 3: Taxation, Section B: Goods and Services Tax. The Study Material has been divided into two modules for ease of handling by students.

Study Material is based on the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended upto 30.04.2023. The amendments in the GST law made between 01.05.2023 and 30.06.2024 are covered in the

Statutory Updates for January, 2025 examination web-hosted at <https://resource.cdn.icai.org/81538bos65769.pdf> at BoS Knowledge Portal. For the ease of reference, the amendments have been grouped into Chapters which correspond with the Chapters of the Study Material.

You have to read the Study Material alongwith the Statutory Update thoroughly to attain conceptual clarity. You are advised to solve the questions given in this RTP independently and compare the same with the answers given to assess your level of preparedness for the examination.



PAPER – 1: ADVANCED ACCOUNTING



QUESTIONS

PART – I: Multiple Choice Questions based on Case Scenarios

1. Surya Ltd. Has a two fixed asset, FA1 is being carried in the balance sheet for ₹ 600 lakhs and FA 2 is being carried at ₹ 300 lakhs

As at 31st March 2024, the value in use for FA 1 is ₹ 500 lakhs and the net selling price is ₹ 550 lakhs. The Company did upward revaluation last year for ₹ 20 lakhs for FA 1.

As at 31st March 2024, the value in use for FA 2 is ₹ 350 lakhs and the net selling price is ₹ 320 lakhs.

- (a) How much is the total Impairment loss for current year for FA 1:
- (i) ₹ 100 Lakhs
 - (ii) ₹ 50 Lakhs
 - (iii) ₹ 30 lakhs
 - (iv) Nil
- (b) How much impairment loss will be charged to profit and loss for current year for FA1:
- (i) ₹ 100 Lakhs
 - (ii) ₹ 50 Lakhs
 - (iii) ₹ 30 lakhs
 - (iv) Nil

- (c) How much is the total Impairment loss for current year for FA 2:
- (i) ₹ 50 Lakhs
 - (ii) ₹ 30 Lakhs
 - (iii) ₹ 20 lakhs
 - (iv) Nil
- (d) What will be the carrying value on 1st April 2024 for FA 1:
- (i) ₹ 550 Lakhs
 - (ii) ₹ 530 Lakhs
 - (iii) ₹ 520 lakhs
 - (iv) ₹ 500 lakhs

General MCQs

2. The debit or credit balance of "Foreign Currency Monetary Item Translation Difference Account"
- (a) Is shown as "Miscellaneous Expenditure" in the Balance Sheet
 - (b) Is shown under "Reserves and Surplus" as a separate line item
 - (c) Is shown as "Other Non-current" in the Balance Sheet
 - (d) Is shown as "Current Assets" in the Balance Sheet

Part II - Descriptive Questions

Applicability of Accounting Standards

AS 1

3. ABC Ltd. was making provision for non-moving inventories based on no issues for the last 12 months up to 31.3.2023.

The company wants to provide during the year ending 31.3.2024 based on technical evaluation:

Total value of inventory	₹ 100 lakhs
Provision required based on 12 months issue	₹ 3.5 lakhs
Provision required based on technical evaluation	₹ 2.5 lakhs

Does this amount to change in Accounting Policy? Can the company change the method of provision?

AS 3

4. Classify the following activities as (1) Operating Activities, (2) Investing Activities, (3) Financing Activities (4) Cash Equivalents.
- Proceeds from long-term borrowings.
 - Proceeds from Trade receivables.
 - Trading Commission received.
 - Redemption of Preference Shares.
 - Proceeds from sale of investment
 - Interim Dividend paid on equity shares.
 - Interest received on debentures held as investment.
 - Dividend received on shares held as investments.
 - Rent received on property held as investment.
 - Dividend paid on Preference shares.
 - Marketable Securities

AS 5

5. During the course of the last three years, a company owning and operating Helicopters lost four Helicopters. The company's accountant felt that after the crash, the maintenance provision created in respect of the respective helicopters was no longer required, and proposed to write it back to the Profit and Loss account as a prior period item.

Is the company's proposed accounting treatment correct? Discuss.

AS 7

6. Rose Constructions undertake to construct a bridge for the Government of Uttar Pradesh. The construction commenced during the financial year ending 31.03.2024 and is likely to be completed by the next financial year. The contract is for a fixed price of ₹ 12 crore with an escalation clause. You are given the following information for the year ended 31.03.2024:

Cost incurred upto 31.03.2024	₹ 4 crore
Cost estimated to complete the contract	₹ 6 crore

Escalation in cost was by 5%. Hence, the contract price is also increased by 5%.

You are required to ascertain the stage of completion and compute the amount of revenue and profit to be recognized for the year as per AS 7.

AS 9

7. Mithya Ltd. entered into agreement with Satya Ltd. for sale of goods costing ₹ 8 lakh at a profit of 20% on cost. The sale transaction took place on 1st February, 2024. On the same day, Satya Ltd. entered into another agreement with Mithya Ltd. to resell the same goods at ₹ 10.80 lakh on 1st August, 2024. State the treatment of this transaction in the financial statements of Mithya Ltd. as on 31.03.2024. The pre-determined re-selling price covers the holding cost of Satya Ltd. Give the Journal Entries as on 31.03.2024 in the books of Mithya Ltd.

AS 10

8. MS Ltd. has acquired a heavy machinery at a cost of ₹ 1,00,00,000 (with no breakdown of the component parts). The estimated useful life is 10 years. At the end of the sixth year, one of the major components, the turbine requires replacement, as further maintenance is uneconomical. The remainder of the machine is perfect and is expected to last for the next four years. The cost of a new turbine is ₹ 45,00,000. The discount rate assumed is 5%.

Can the cost of the new turbine be recognised as an asset, and, if so, what treatment should be used?

AS 11

9. Bansal Company Ltd. imported raw material worth US Dollars 12,000 on 15th January, 2024 when the exchange rate was ₹ 68 per US Dollar. The payment for the transaction was made on 5th May, 2024 when exchange rate was ₹ 64 per US Dollar. At the year end, 31st March, 2024, the rate of exchange was ₹ 65 per US Dollar. The accountant of the company

passed entry on 31st March, 2024 adjusting the cost of raw material consumed for the difference between ₹ 64 and ₹ 68 per US Dollar. Discuss whether this treatment is justified as per the provisions of AS-11 (Revised).

AS 14

10. Astha Ltd. is absorbed by Nistha Ltd.; the consideration being the takeover of liabilities, the payment of cost of absorption not exceeding ₹ 10,000 (actual cost ₹ 9,000); the payment of the 9% debentures of ₹ 50,000 at a premium of 20% through 8% debentures issued at a premium of 25% of face value and the payment of ₹15 per share in cash and allotment of three 11% preference shares of ₹ 10 each and four equity shares of ₹10 each at a premium of 20% fully paid for every five shares in Astha Ltd.

The number of shares of the vendor company are 1,50,000 of ₹ 10 each fully paid. Calculate purchase consideration as per AS 14.

AS 16

- 11 How will interest be capitalized when qualifying assets are funded by borrowings in the nature of bonds that are issued at a discount?

X Ltd. issued in year 1, a 3 year 10% p.a. (interest paid annually) bond with a face value of ₹ 1,00,000 at a price of ₹ 90,000 to finance a qualifying asset which is ready for intended use at the end of year 2. Compute the amount of borrowings costs to be capitalized if the company uses for amortization of discount straight line basis

AS 17

12. A Company has an inter-segment transfer pricing policy of charging at cost less 5%. The market prices are generally 20% above cost.

You are required to examine whether the policy adopted by the company is correct or not?

AS 18

13. Will transactions with related parties, for services provided/received free of cost, be required to be disclosed?

A Limited has a corporate communications department, which centralises the public relations function for the whole group of A Limited and its subsidiaries. No charges are, however, levied by A Limited on its subsidiaries and accordingly, these transactions are not given accounting recognition. Would these constitute related party transactions requiring disclosure under AS 18 in the standalone financial statements of A Limited?

AS 19

14. Money Limited leased a machine to Hello Limited on the following terms:

		(₹ in lakh)
(i)	Fair value of the machine	24.00
(ii)	Lease term	5 years
(iii)	Lease rental per annum	4.00
(iv)	Guaranteed residual value	0.8
(v)	Expected residual value	1.5
(vi)	Internal rate of return	15%

Discounted rates for 1st year to 5th year are 0.8696, 0.7561, 0.6575, 0.5718, and 0.4972 respectively.

Ascertain Unearned Finance Income.

AS 20

15. XYZ Limited has a wholly owned subsidiary BC Limited. The Group prepares consolidated Financial Statements for the year ended 31st March, 2024. XYZ Limited (in its separate financial statements) has incurred a loss of ₹ 2 crore during the year, while the consolidated profit for the group during the year is ₹ 40 lakh.

XYZ Limited has 5,00,000 shares outstanding as at 31st March, 2024. Further, it has granted options to issue equity shares as at that date. In respect of such options, 1,00,000 shares are considered to be the shares issued for no consideration. There are no changes in income or

expenses that are expected from the issue of equity shares on exercise of these options.

Calculate Basic and Diluted EPS for XYZ Limited for separate financial statements and for the Group.

AS 22

16. ABC Ltd. prepares its accounts annually on 31st March. On 1st April, 2022, it purchases a machine at a cost of ₹ 1,50,000. The machine has a useful life of three years and an expected scrap value of zero. Although it is eligible for a 100% first year depreciation allowance for tax purposes, the straight line method is considered appropriate for accounting purposes. ABC Ltd. has profits before depreciation and taxes of ₹ 2,00,000 each year and corporate tax rate is 40 percent each year.

The purchase of machine at a cost of ₹ 1,50,000 in 2022 gives rise to a tax saving of ₹ 60,000. The corporate tax rate has been assumed to be same in each of the three years. Calculate deferred tax and pass necessary journal entries.

What will be the amount of deferred tax, if the substantively enacted tax rates for 2022, 2023 and 2024 are 40%, 35% and 38% respectively.

AS 23

17. A Ltd. invested ₹ 1,00,000 to acquire 10% stake (Investment I) in B Ltd. and later invested ₹ 3,00,000 to acquire additional 20% (Investment II). The net asset value of the B Ltd. at the respective investment dates was ₹ 7,50,000 and ₹ 12,50,000 respectively. Determine whether B Ltd. is an associate of A Ltd. Also, calculate goodwill arising on the acquisition of the associate.

AS 24

18. What are the disclosure and presentation requirements of AS 24 for discontinuing operations?

Give four examples of activities that do not necessarily satisfy criterion (a) of paragraph 3 of AS 24, but that might do so in combination with other circumstances.

AS 26

19. During 2023-2024, an enterprise incurred costs to develop and produce a routine, low risk computer software product, as follows:

	Amount (₹)
Completion of detailed programme and design (Phase 1)	25,000
Coding and Testing for establishing technical feasibility (Phase 2)	20,000
Other coding costs (Phase 3)	42,000
Testing costs (Phase 4)	12,000
Product masters for training materials (Phase 5)	13,000
Duplication of computer software and training materials, from product masters (2,000 units) (Phase 6)	40,000
Packing the product (1,000 units) (Phase 7)	11,000

After completion of phase 2, it was established that the computer software is technically feasible for the market. What amount should be capitalized as software costs in the books of the company, on the Balance Sheet date?

AS 29

20. During the year, QA Ltd. delivered manufactured products to customer K. The products were faulty and on 1st October, 2023 customer K commenced legal action against the Company claiming damages in respect of losses due to the supply of faulty product. Upon investigating the matter, QA Ltd. discovered that the products were faulty due to defective raw material procured from supplier F. Therefore, on 1st December, 2023, the Company commenced legal action against F claiming damages in respect of the supply of defective raw materials.

QA Ltd. has estimated that it's probability of success of both legal actions, the action of K against QA Ltd. and action of QA Ltd. against F, is very high.

On 1st October, 2023, QA Ltd. has estimated that the damages it would have to pay K would be ₹ 5 crore. This estimate was revised to ₹ 5.2

crore as on 31st March, 2024 and ₹ 5.25 crore as at 15th May, 2024. This case was eventually settled on 1st June, 2022, when the Company paid damages of ₹ 5.3 crore to K.

On 1st December, 2023, QA Ltd. had estimated that it would receive damages of ₹ 3.5 crore from F. This estimate was revised to ₹ 3.6 crore as at 31st March, 2024 and ₹ 3.7 crore as on 15th May, 2024. This case was eventually settled on 1st June, 2022 when F paid ₹ 3.75 crore to QA Ltd. QA Ltd. had, in its financial statements for the year ended 31st March, 2024, provided ₹ 3.6 crore as the financial statements were approved by the Board of Directors on 26th April, 2024.

- (i) Whether the Company is required to make provision for the claim from customer K as per applicable AS? If yes, please give the rationale for the same.
- (ii) If the answer to (a) above is yes, what is the entry to be passed in the books of account as on 31st March, 2024?
- (iii) What will the accounting treatment of the action of QA Ltd. against supplier F as per applicable AS?



SUGGESTED ANSWERS/HINTS

Case Scenario and MCQ

Q. No.	Hints	
1.	(a)	(ii)
	(b)	(iii)
	(c)	(iv)
	(d)	(i)
2.	(b)	

Descriptive Question

- 3. The decision of making provision for non-moving inventories on the basis of technical evaluation does not amount to change in accounting policy. Accounting policy of a company may require that provision for non-moving inventories should be made. The method of estimating the amount of

provision may be changed in case a more prudent estimate can be made. In the given case, considering the total value of inventory, the change in the amount of required provision of non-moving inventory from ₹ 3.5 lakhs to ₹ 2.5 lakhs is also not material. The disclosure can be made for such change in the following lines by way of notes to the accounts in the annual accounts of ABC Ltd. for the year 2023-24:

“The company has provided for non-moving inventories on the basis of technical evaluation unlike preceding years. Had the same method been followed as in the previous year, the profit for the year and the corresponding effect on the year end net assets would have been lower by ₹ 1 lakh.”

4. Operating Activities: b, c.

Investing Activities: e, g, h, i.

Financing Activities: a, d, f, j.

Cash Equivalents: k

5. The balance amount of maintenance provision written back to profit and loss account, no longer required due to crash of the helicopters, is not a prior period item because there was no error in the preparation of previous periods' financial statements. The term 'prior period items', as defined in AS 5 (revised) "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies", refer only to income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The balance amount left in the provision created earlier is not as a result of error in the past. So it will not be considered as prior period item. Such write back of provision is not an ordinary feature of the business, it shall be considered as an extra-ordinary item.

As per paragraph 8 of AS 5, extraordinary items should be disclosed in the Statement of Profit and Loss as a part of net profit or loss for the period. The nature and the amount of each extraordinary item should be separately disclosed in the Statement of Profit and Loss in a manner that its impact on current profit or loss can be perceived. Hence, the amount so written-back (if material) should be disclosed as an extraordinary item as per AS 5 rather than as prior period items.

6.

	₹ in crore
Cost of construction of bridge incurred upto 31.3.2024	4.00
Add: Estimated future cost	<u>6.00</u>
Total estimated cost of construction	<u>10.00</u>
Contract Price (12 crore x 1.05)	12.60 crore

Stage of completion

Percentage of completion till date to total estimated cost of construction

$$= (4/10) \times 100 = 40\%$$

Revenue and Profit to be recognized for the year ended 31st March, 2024 as per AS 7:

Proportion of total contract value recognized as revenue

$$= \text{Contract price} \times \text{percentage of completion}$$

$$= ₹ 12.60 \text{ crore} \times 40\% = ₹ 5.04 \text{ crore}$$

Profit for the year ended 31st March, 2024 = ₹ 5.04 crore – ₹ 4 crore = 1.04 crore.

7. In the given case, Mithya Ltd. concurrently agreed to repurchase the same goods from Satya Ltd. on 1st February, 2024. Also the re-selling price is pre-determined and covers purchasing and holding costs of Satya Ltd. Hence, the transaction between Mithya Ltd. and Satya Ltd. on 1st February, 2024 should be accounted for as financing rather than sale. The resulting cash flow of ₹ 9.60 lakh received by Mithya Ltd., cannot be considered as revenue as per AS 9 "Revenue Recognition".

Journal Entries in the books of Mithya Ltd.

			₹ in lakh
1.2.2024	Bank Account	Dr.	9.60

	To Advance from Satya Ltd*. (Being advance received from Satya Ltd. amounting [₹ 8 lakh + 20% of ₹ 8 lakh = 9.60 lakh] under sale and re-purchase agreement)			9.60
31.3.2024	Financing Charges Account	Dr.	0.40	
	To Satya Ltd. (Financing charges for 2 months [(10.80 – 9.60) x 2/6])			0.40
31.3.2024	Profit and Loss Account	Dr.	0.40	
	To Financing Charges Account (Being amount of finance charges transferred to P& L Account)			0.40

8. The new turbine will produce economic benefits to MS Ltd., and the cost is measurable. Hence, the item should be recognised as an asset. The original invoice for the machine did not specify the cost of the turbine; however, the cost of the replacement ₹ 45,00,000 can be used as an indication (usually by discounting) of the likely cost, six years previously.

Statement showing cost of new turbine and machine after 6th year

			₹
Cost of machines recognized on purchase			1,00,00,000
Less: Depreciation charged for 6 years	[(1,00,00,000/ 10) x 6]		(60,00,000)
			40,00,000

* The balance of Satya Ltd.'s account will be disclosed as an advance under the heading liabilities in the balance sheet of Mithya Ltd. as on 31st March, 2024.

Less: Current cost of turbine to be derecognized:			
Cost of Turbine before 6 years	$[45,00,000 \times \{1 / (1.05)^6\}]$	33,57,900	
Less: Depreciation for 6 years	$[(33,57,900 / 10) \times 6]$	<u>(20,14,740)</u>	(13,43,160)
Add: Cost of new turbine to be recognised			<u>45,00,000</u>
Revised carrying amount of machine			<u>71,56,840</u>

9. As per AS 11, 'The Effects of Changes in Foreign Exchange Rates', initial recognition of a foreign currency transaction is done in the reporting currency by applying the exchange rate at the date of the transaction. Accordingly, on 15th January, 2024, the raw material purchased and its creditors will be recorded at US dollar 12,000 × ₹ 68 = ₹ 8,16,000.

Also, on balance sheet date such transaction is reported at closing rate of exchange, hence it will be valued at the closing rate i.e. ₹ 65 per US dollar (USD 12,000 × ₹ 65 = ₹ 7,80,000) at 31st March, 2024, irrespective of the payment made for the same subsequently at lower rate in the next financial year.

The difference of ₹ 3 (65 – 68) per US dollar i.e. ₹ 36,000 (USD 12,000 × ₹ 3) will be shown as an exchange gain in the profit and loss account for the year ended 31st March, 2024 and will not be adjusted against the cost of raw materials.

In the subsequent year on settlement date, the company would recognize or provide in the Profit and Loss account an exchange gain of ₹ 1 per US dollar, i.e. the difference from balance sheet date to the date of settlement between ₹ 65 and ₹ 64 per US dollar i.e. ₹ 12,000.

Hence, the accounting treatment adopted by the Accountant of the company is incorrect i.e. it is not in accordance with the provisions of AS 11.

10. As per AS 14 'Accounting for Amalgamations', the term 'consideration' has been defined as the aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company.

The payment made by transferee company to discharge the Debenture holders and outside liabilities and cost of winding up of transferor company shall not be considered as part of purchase consideration.

Computation of Purchase Consideration

	₹
Cash payment ₹15 x 1,50,000	22,50,000
11% Preference Shares of ₹ 10 each [(1,50,000 x 3/5) x ₹ 10]	9,00,000
Equity shares of ₹ 10 each @ 20% premium [(1,50,000 x 4/5) x ₹ 12]	<u>14,40,000</u>
Total Purchase consideration	<u>45,90,000</u>

11. As per AS 16, "Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds". Further, as per para 4 (b) of the standard, "amortization of discounts or premiums relating to borrowings" as a component of borrowing costs. Thus, the borrowing costs comprise the periodic interest payable on the bonds in question and the amount of discount amortised during the period.

Paragraph 6 of the Statement, inter-alia, states that "Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset".

Further, paragraph 19 states that "Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete". Thus, only that portion of the amortised discount should be capitalised as part of the cost of a qualifying asset which relates to the period during which acquisition, construction or production of the asset takes place.

Straight line basis

(Amount in ₹)

Years	Interest	Amortisation of discount	Total borrowing costs
Year 1	10,000	3,333	13,333
Year 2	10,000	3,333	13,333
Year 3	10,000	3,334	13,334

In the above case, the amount of borrowing costs capitalized would be ₹ 13,333 in Year 1 and Year 2. The borrowing costs of ₹ 13,334 incurred in Year 3 would be expensed since the asset is ready for its intended use at the end of Year 2.

12. AS 17 'Segment Reporting' requires that inter-segment transfers should be measured on the basis that the enterprise actually used to price these transfers. The basis of pricing inter-segment transfers and any change therein should be disclosed in the financial statements. Hence, the enterprise can have its own policy for pricing inter-segment transfers and hence, inter-segment transfers may be based on cost, below cost or market price. However, whichever policy is followed, the same should be disclosed and applied consistently. Therefore, in the given case inter-segment transfer pricing policy adopted by the company is correct if followed consistently.
13. These transactions would require disclosure under AS 18 in the standalone financial statements of A Limited. As per paragraph 10 of AS 18, a related party transaction is "a transfer of resources or obligations between related parties, regardless of whether or not a price is charged". In the given situation, there is a transfer of resources from A Limited to its subsidiaries, though no price is charged for the same. Hence, it will constitute as related party transaction and will require disclosure in the financial statements of A Ltd.
14. As per AS 19 on Leases, **unearned finance income** is the difference between (a) the **gross investment** in the lease and (b) the present value of minimum lease payments under a finance lease from the standpoint

of the lessor; and any unguaranteed residual value accruing to the lessor, at the interest rate implicit in the lease.

Where:

- (a) **Gross investment** in the lease is the aggregate of (i) minimum lease payments from the stand point of the lessor and (ii) any unguaranteed residual value accruing to the lessor.

Gross investment = Minimum lease payments + Unguaranteed residual value

$$= [\text{Total lease rent} + \text{Guaranteed residual value (GRV)}] + \text{Unguaranteed residual value (URV)}$$

$$= [(\text{₹ } 4,00,000 \times 5 \text{ years}) + \text{₹ } 80,000] + \text{₹ } 70,000$$

$$= \text{₹ } 21,50,000 \text{ (a)}$$

- (b) Table showing present value of (i) Minimum lease payments (MLP) and (ii) Unguaranteed residual value (URV).

Year	MLP inclusive of URV ₹	Internal rate of return (Discount factor @ 15%)	Present Value ₹
1	4,00,000	0.8696	3,47,840
2	4,00,000	0.7561	3,02,440
3	4,00,000	0.6575	2,63,000
4	4,00,000	0.5718	2,28,720
5	4,00,000	0.4972	1,98,880
	<u>80,000</u> (GRV)	0.4972	<u>39,776</u>
	20,80,000		13,80,656 (i)
	<u>70,000</u> (URV)	0.4972	<u>34,804</u> (ii)
	<u>21,50,000</u>	(i) + (ii)	<u>13,45,852</u> (b)

Unearned Finance Income (a) - (b) = ₹ 21,50,000 – ₹ 13,45,852 = ₹ 8,04,148.

15. Computation of earnings per share

Particulars	Consolidated financial statements	Standalone financial statements of XYZ Limited
Basic earnings/(loss) per share	₹ 8 [40,00,000/5,00,000]	(₹ 40) [2,00,00,000/5,00,000]
Diluted earnings/(loss) per share	₹ 6.66 [40,00,000/6,00,000]	(₹ 40) [2,00,00,000/5,00,000]

As per paragraph 39 of AS 20 "Potential equity shares should be treated as dilutive when, and only when, their conversion to equity shares would decrease net profit per share from continuing ordinary operations.

In the above case, if the exercise of options was considered for separate financial statements of XYZ Limited, the diluted loss per share would have reduced to ₹ 33.33 [2,00,00,000/6,00,000]. As this is antidilutive, the options would not be treated as potentially dilutive equity shares. Accordingly, in the separate financial statements of XYZ Limited, the Diluted EPS would be same as Basic EPS.

16. If the cost of machine is spread over three years of its life for accounting purposes, the amount of the tax saving should also be spread over the same period as shown below:

Statement of Profit and Loss

(for the three years ending 31st March, 2022, 2023, 2024)

		(₹ in thousand)		
		2022	2023	2024
	Profit before depreciation and taxes	200	200	200
Less:	Depreciation for accounting purposes	<u>50</u>	<u>50</u>	<u>50</u>
	Profit before taxes	<u>150</u>	<u>150</u>	<u>150</u>
Less:	Tax expense			
	Current tax:			
	0.40 x (200 - 150)	20		

	0.40 x 200		80	80
	Deferred tax:			
	Tax effect of timing differences originating during the year leading to DTL			
	0.40 (150-50)	40		
	Tax effect of timing differences reversing during the year			
	0.40 (0-50)	-	(20)	(20)
	Tax expense	<u>60</u>	<u>60</u>	<u>60</u>
	Profit after tax	<u>90</u>	<u>90</u>	<u>90</u>
	Net timing differences	<u>100</u>	<u>50</u>	<u>0</u>
	Deferred tax liability balance	<u>40</u>	<u>20</u>	<u>0</u>

In 2022, the amount of depreciation allowed for tax purposes exceeds the amount of depreciation charged for accounting purpose by ₹ 1,00,000 and, therefore, taxable income is lower than the accounting income. This gives rise to a deferred tax liability of ₹ 40,000. In 2023 and 2024 accounting income is lower than taxable income because the amount of depreciation charged for accounting purposes exceeds the amount of depreciation allowed for tax purposes by ₹ 50,000 each year. Accordingly, deferred tax liability is reduced by ₹ 20,000 each in both the years. As may be seen, tax expense is based on the accounting income of each period.

In 2022, the profit and loss account is debited and deferred tax liability account is credited with the amount of tax on the originating timing difference of ₹ 1,00,000 while in each of the following two years, deferred tax liability account is debited and profit and loss account is credited with the amount of tax on the reversing timing difference of ₹ 50,000.

The following Journal entries will be passed:

Year 2022			
Profit and Loss A/c	Dr.	20,000	

To Current tax A/c (Being the amount of taxes payable for the year 2022 provided for)			20,000
Profit and Loss A/c To Deferred tax liability A/c (Being the deferred tax liability created for originating timing difference of ₹ 1,00,000)	Dr.	40,000	40,000
Year 2023			
Profit and Loss A/c To Current tax A/c (Being the amount of taxes payable for the year 2023 provided for)	Dr.	80,000	80,000
Deferred tax liability A/c To Profit and Loss A/c (Being the deferred tax liability adjusted for reversing timing difference of ₹ 50,000)	Dr.	20,000	20,000
Year 2024			
Profit and Loss A/c To Current tax A/c (Being the amount of taxes payable for the year 2024 provided for)	Dr.	80,000	80,000
Deferred tax liability A/c To Profit and Loss A/c (Being the deferred tax liability adjusted for reversing timing difference of ₹ 50,000)	Dr.	20,000	20,000

Presentation:

In the year 2022, the balance of deferred tax account i.e. ₹ 40,000 would be shown separately from the current tax payable for the year in terms of paragraph 30 of AS 22. In the year 2023, the balance of deferred tax liability account would be ₹ 20,000 and be shown separately from the current tax payable for the year as in year 2022. In year 2024, the balance of deferred tax liability account would be nil.

If the rate of tax changes, it would be necessary for the enterprises to adjust the amount of deferred tax liability carried forward by applying the tax rate that has been enacted or substantively enacted by the balance sheet date on accumulated timing differences at the end of the accounting year

The amount of deferred tax liability would be computed as follows:

The deferred tax liability carried forward each year would appear in the balance sheet as under:

31 st March, 2022	= 0.40 (1,00,000)	= ₹ 40,000
31 st March, 2023	= 0.35 (50,000)	= ₹ 17,500
31 st March, 20224	= 0.38 (Zero)	= ₹ Zero

Accordingly, the amount debited (credited) to the profit and loss account (with corresponding credit or debit to deferred tax liability) for each year would be as under:

31 st March, 2022	Debit	= ₹ 40,000
31 st March, 2023	(Credit)	= ₹ (22,500)
31 st March, 2024	(Credit)	= ₹ (17,500)

- 17.** As per para 3 of AS 23 an associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor. Significant influence may be gained by share ownership, statute or agreement. As regards share ownership, if an investor holds, directly or indirectly through subsidiary(ies), 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. In this case, A Ltd. has invested 30 % in B Ltd. so B Ltd. is to be considered as an associate of A Ltd.

The goodwill arising on the acquisition of the associate will be computed as follows:

		₹
Investment I		1,00,000
Share of net assets	(10 percent of ₹ 7,50,000)	<u>(75,000)</u>

Goodwill (A)		<u>25,000</u>
Investment II		3,00,000
Share of net assets	(20 percent of ₹ 12,50,000)	<u>(2,50,000)</u>
Goodwill (B)		<u>50,000</u>
Total goodwill (A + B)		<u>75,000</u>

- 18. (i)** An enterprise should include the following information relating to a discontinuing operation in its financial statements beginning with the financial statements for the period in which the initial disclosure event (as defined in paragraph 15) occurs:
- (a) a description of the discontinuing operation(s);
 - (b) the business or geographical segment(s) in which it is reported as per AS 17, Segment Reporting;
 - (c) the date and nature of the initial disclosure event;
 - (d) the date or period in which the discontinuance is expected to be completed if known or determinable;
 - (e) the carrying amounts, as of the balance sheet date, of the total assets to be disposed of and the total liabilities to be settled;
 - (f) the amounts of revenue and expenses in respect of the ordinary activities attributable to the discontinuing operation during the current financial reporting period;
 - (g) the amount of pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense related thereto; and
 - (h) the amounts of net cash flows attributable to the operating, investing, and financing activities of the discontinuing operation during the current financial reporting period.
- (ii)** Para 3 of AS 24 “Discontinuing Operations” explains the criteria for determination of discontinuing operations. According to Paragraph 9 of AS 24, examples of activities that do not necessarily

satisfy criterion (a) of paragraph 3, but that might do so in combination with other circumstances, include:

- (i) Gradual or evolutionary phasing out of a product line or class of service;
- (ii) Discontinuing, even if relatively abruptly, several products within an ongoing line of business;
- (iii) Shifting of some production or marketing activities for a particular line of business from one location to another; and
- (iv) Closing of a facility to achieve productivity improvements or other cost savings.

An example in relation to consolidated financial statements is selling a subsidiary whose activities are similar to those of the parent or other subsidiaries.

- 19.** As per para 44 of AS 26, costs incurred in creating a computer software product should be charged to research and development expense when incurred until technological feasibility/asset recognition criteria has been established for the product. Technological feasibility/asset recognition criteria have been established upon completion of detailed programme design or working model. In this case, ₹ 45,000 would be recorded as an expense (₹ 25,000 for completion of detailed program design and ₹ 20,000 for coding and testing to establish technological feasibility/asset recognition criteria). Cost incurred from the point of technological feasibility/asset recognition criteria until the time when products costs are incurred are capitalized as software cost (₹ 42,000 + ₹ 12,000 + ₹ 13,000) ₹ 67,000. Duplication of computer software and training materials, from product masters and packing the products are the cost incurred after development phase. Hence, the same shall be expensed off during the year it is incurred.
- 20. (i)** Yes, QA Ltd. is required to make provision for the claim from customer K as per AS 29 since the claim is a present obligation as a result of delivery of faulty goods manufactured. Also, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. Further, a reliable estimate of ₹ 5.2 crore can be made of the amount of the



PAPER – 2: CORPORATE AND OTHER LAWS

PART – I: ANNOUNCEMENTS STATING APPLICABILITY FOR JANUARY, 2025 EXAMINATIONS

Applicability for January, 2025 examinations

The Study Material (April 2023 edition) is applicable for January, 2025 examinations. This study material is updated for all amendments till 30th April, 2023.

Further, all relevant amendments/ circulars/ notifications etc. in the Company law part for the period 1st May, 2023 to 30th June, 2024, are mentioned below:

THE COMPANIES ACT, 2013

I. Chapter 3: Prospectus and Allotment of Securities

Notification S.O. 4744(E) dated 30th October, 2023

The Central Government has inserted sub- section (3) and sub- section (4) to section 23 of the Companies Act, 2013, through the Companies (Amendment) Act, 2020.

Amendment:

In section 23, the following sub- sections to be included:

“(3) Such class of public companies may issue such class of securities for the purposes of listing on permitted stock exchanges in permissible foreign jurisdictions or such other jurisdictions, as may be prescribed.

(4) The Central Government may, by notification, exempt any class or classes of public companies referred to in sub-section (3) from any of the provisions of this Chapter, Chapter IV, section 89, section 90 or section 127 and a copy of every such notification shall, as soon as may be after it is issued, be laid before both Houses of Parliament.”

[Enforcement Date: 30th October, 2023]

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Sub- section (3) and sub- section (4) to section 23 have been inserted through the Companies (Amendment) Act, 2020. However, the said sub- sections have been enforced w.e.f. 30th October, 2023.

II. Chapter 7: Management and Administration

Notification S.O. G.S.R. 801(E) dated 27th October, 2023

The Central Government has amended the Companies (Management and Administration) Rules, 2014, through the Companies (Management and Administration) Second Amendment Rules, 2023.

Amendment:

in **Rule 9**, after sub-rule (3), the following sub- rules shall be inserted, namely:-

“(4) Every company shall designate a person who shall be responsible for furnishing, and extending co-operation for providing, information to the Registrar or any other authorised officer with respect to beneficial interest in shares of the company.

(5) For the purpose of sub-rule(4), the company may designate-

- (i) a company secretary, if there is a requirement of appointment of such company secretary under the Act and the rules made thereunder; or
- (ii) a key managerial personnel, other than the company secretary; or
- (iii) every director, if there is no company secretary or key managerial personnel.

(6) Until a person is designated as referred under sub-rule (4), the following persons shall be deemed to have been designated person;

- (i) company secretary, if there is a requirement of appointment of such company secretary under the Act and the rules made thereunder; or
- (ii) every Managing Director or Manager, in case a company secretary has not been appointed; or

(iii) every director, if there is no company secretary or a Managing Director or Manager.

(7) Every company shall inform the details of the designated person in Annual return.

(8) If the company changes the designated person at any time, it shall intimate the same to the Registrar in e-form GNL-2 specified under the Companies (Registration Offices and Fees) Rules, 2014."

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Sub- rule (4), (5), (6), (7) and (8) of Rule 9 is newly inserted.

PART – II: Question and Answers



QUESTIONS

DIVISION A: MULTIPLE CHOICE QUESTIONS

Case Scenario

ABC Limited, was incorporated on 1st January, 2023. It operates in the manufacturing sector and aims to expand its business model to include e-commerce operations. ABC Limited's first financial year ended on 31st March, 2024, and the board is preparing for its first Annual General Meeting (AGM) to present the financial statements and discuss the new business model. ABC Limited's current board consists of five directors, including two independent directors appointed in line with best corporate governance practices.

The company has a wholly owned subsidiary, XYZ Limited, which is primarily involved in research and development for new products. XYZ Limited's financial year also ended on 31st March, 2024. Additionally, ABC Limited has a 30% stake in an associate company, MNO Limited, which provides logistics and distribution services. The board is assessing if it is required to prepare consolidated financial statements (CFS) that combine the financials of ABC Limited, XYZ Limited, and MNO Limited, considering the exemptions available under the Companies Act, 2013.

The AGM agenda includes:

1. Approval of the financial statements for the financial year 2023-24.
2. Discussion of a special resolution to adopt a new e-commerce business model, which requires a threefold majority approval.
3. Approval of consolidated financial statements, if required.
4. Appointment of auditors and other general meeting proceedings.

The board has provided notice to all members about the AGM agenda, including the proposal for the special item requiring special resolution. This notice was sent by email and registered post to ensure compliance with statutory notice requirements. All shareholders, including minority stakeholders, received this notice with proof of delivery available with the company.

Solve the MCQs (1-5) on the basis of the Companies Act, 2013.

1. Given that ABC Limited's first financial year ended on 31st March, 2024, and it was incorporated on 1st January, 2023, what is the latest date by which ABC Limited must hold its first AGM?
 - (a) 30th September, 2024.
 - (b) 31st December, 2024.
 - (c) 31st March, 2025.
 - (d) 30th June, 2025.
2. Suppose ABC Limited holds its first AGM on 15th December, 2024. By when must it hold its subsequent AGM to remain compliant?
 - (a) 15th December, 2025.
 - (b) 30th September, 2025.
 - (c) 30th June, 2025.
 - (d) 31st March, 2025.
3. Under the Companies Act, 2013, does ABC Limited need to prepare consolidated financial statements (CFS) to present at the AGM?
 - (a) Yes, because it has one wholly owned subsidiary and an associate company.

- (b) No, because it qualifies for exemption as a wholly owned subsidiary.
 - (c) Yes, only if XYZ Limited and MNO Limited are listed companies.
 - (d) No, if shareholders provide written consent exempting it from CFS preparation.
4. What must ABC Limited ensure to pass the special resolution approving the adoption of a new e-commerce business model at the AGM?
- (a) The resolution must have more than 50% of votes in favor.
 - (b) The resolution must be stated as special in the notice, and votes in favor must be three times the votes against.
 - (c) The resolution can be passed if votes in favor exceed votes against without being stated as special.
 - (d) The resolution must have unanimous support from the board of directors.
5. Under which conditions would ABC Limited be exempt from preparing consolidated financial statements?
- (a) If ABC Limited is a wholly owned subsidiary, all members agree in writing to the exemption, and proof of delivery of this intimation is available.
 - (b) If XYZ Limited's shareholders unanimously agree to waive CFS requirements.
 - (c) If MNO Limited's financials are not significant to ABC Limited's overall financial position.
 - (d) If ABC Limited's board decides to skip CFS preparation with a simple majority vote.

Independent MCQs

6. XYZ LLP is a consulting firm where four partners—A, B, C, and D—are responsible for various functions. Partner B, without consulting the other partners, enters into a contract with a third party, Mr. P, for a high-value procurement deal on behalf of XYZ LLP. It is later found that Partner B did not have authority to engage in such deals, and XYZ LLP has no

history of involvement in procurement. Mr. P, who is an experienced business- person, was aware that Partner B was not authorized to enter into procurement deals for XYZ LLP.

In this scenario, which of the following is correct based on the Limited Liability Partnership Act, 2008?

- (a) XYZ LLP is bound by the contract because partner B is a partner in the LLP.
 - (b) XYZ LLP is bound by the contract as Mr. P believed partner B was authorized to act on behalf of the LLP.
 - (c) XYZ LLP is bound by the contract because Mr. P is a third party and was not aware of the internal matters of XYZ LLP.
 - (d) XYZ LLP is not bound by the contract as partner B lacked authority, and Mr. P knew of this lack of authority.
7. ABC LLP was incorporated with two partners, Mr. Raj and Ms. Rani. Due to certain differences, Ms. Rani resigned from the LLP on 1st January, 2024, leaving Mr. Raj as the sole partner. Mr. Raj continued running the business without admitting a new partner and was aware that he was the only remaining partner. On 1st August of the same year, ABC LLP incurred a debt of ₹ 5 lakh from a vendor. Given the provision in the Limited Liability Partnership Act, 2008, which of the following statements correctly describes Mr. Raj's liability in this situation?
- (a) Mr. Raj will not be personally liable for the ₹ 5 lakh debt as the debt was incurred by the LLP.
 - (b) Mr. Raj will be personally liable for the ₹ 5 lakh debt since he was the sole partner of the LLP for more than six months.
 - (c) Mr. Raj and Ms. Rani will both be liable for the ₹ 5 lakh debt as they were originally partners.
 - (d) The LLP will be automatically dissolved after six months, and no personal liability will arise for Mr. Raj.
8. Mr. Amit, a Chartered Accountant, is the appointed auditor of Grey Limited. Mrs. Anita, Mr. Amit's wife, recently acquired equity shares in Grey Limited with a face value of ₹ 1 lakh. Which of the following

- statements is correct regarding M/s Amit & Co. eligibility to continue as the auditor of Grey Limited?
- (a) M/s Amit & Co. must vacate the position of auditor immediately due to the disqualification arising from his wife's holding of shares.
 - (b) M/s Amit & Co. can continue as the auditor only if Mrs. Anita divests her shares within 30 days.
 - (c) M/s Amit & Co. can continue as the auditor since the shares held by Mr. Amit's wife do not exceed the limit specified under the Companies (Audit and Auditors) Rules, 2014.
 - (d) M/s Amit & Co. cannot continue as the auditor, as any acquisition of shares by a relative leads to automatic disqualification.
9. XYZ Limited is a company with 51% of its equity shares held by the State Government of Maharashtra and 49% by private investors. The Board of XYZ Limited seeks to appoint an auditor for the upcoming financial year. As per the Companies Act, 2013, which of the following statements is correct regarding the appointment of the auditor?
- (a) The Board of XYZ Limited has the authority to appoint the auditor through a board resolution.
 - (b) The Comptroller and Auditor General (CAG) of India will appoint the auditor for XYZ Limited.
 - (c) The shareholders of XYZ Limited will appoint the auditor in the annual general meeting.
 - (d) The State Government of Maharashtra, holding the majority stake, will appoint the auditor.
10. X purchased a car from Y, believing that Y was the legitimate owner. Although X paid the full purchase price and took possession of the car, he did not check the Registration Certificate (RC) of the car to verify the authenticity of Y's ownership. Later, it was discovered that Y was not the rightful owner, and the car had been stolen. In the context of "good faith" as defined in the General Clauses Act, 1897, determine the validity of X's ownership claim over the car.

- (a) X holds valid ownership of the car because he paid the full price and believed Y to be the legitimate owner.
- (b) X does not hold valid ownership because his purchase was made without due care and attention, even though he acted honestly.
- (c) X holds valid ownership because he had no knowledge of the car being stolen, showing he acted in "good faith."
- (d) X's ownership is valid because he did not act negligently, and his actions were deemed "in good faith."

Descriptive Questions

11. XYZ Limited issued a prospectus to raise funds for a new manufacturing project. After successfully raising the funds, the company identified an investment opportunity in a different industry six months later, requiring a significant portion of the funds. The proposed investment involved trading in equity shares of other listed companies.

The board of directors suggested varying the original objectives for which the funds were raised to allow this new investment and recommended passing a special resolution in the company's general meeting. While the promoters and controlling shareholders supported this change, some shareholders expressed concerns, particularly regarding the deviation from the initially stated purpose of the funds.

Based on the provisions of the Companies Act, 2013, advise on the validity of the proposal to redirect the funds toward this new investment.

12. XYZ Tech Solutions Limited is a growing technology company that has seen significant contributions from its employees and directors in the development of a ground breaking software product. To reward these key contributors, the board proposed issuing sweat equity shares to certain employees and directors. XYZ Tech Solutions Limited already has issued ordinary equity shares but has never issued sweat equity shares before.

The company has a paid up equity share capital ₹ 20 crore. The company has proposed to issue sweat equity shares worth ₹ 4 crore of face value. The company's board has drafted a special resolution outlining the proposed issuance of sweat equity shares and including specific details, such as the number of shares, the current market price, consideration (if any), and the classes of directors and employees eligible to receive the shares.

The company has approached you to advise them about the issue of the said sweat equity shares, in line with the provisions of the Companies Act, 2013.

13. PQR Limited, a manufacturing company, is in the process of expanding its operations. To support this expansion, PQR Limited has acquired a plot of land along with the buildings on it from ABC Limited, another company in the same industry. The property, however, is subject to an existing charge, created in favor of a bank as security for a loan taken by ABC Limited. This charge had been registered by ABC Limited at that time. The directors of PQR Limited are of the opinion that as the charge for the property was already created, there is no further obligation to be fulfilled from the side of PQR Limited.

After negotiations, the bank, as the charge holder, consents to the sale and transfer of the property to PQR Limited with the condition that PQR Limited must register a new charge over the acquired property as security for its own loan obligations.

Advise whether the contention of directors of PQR Limited is correct. Give your answer in terms of the provisions of the Companies Act, 2013.

14. Vishal Limited is an unlisted public company, having five directors in its board which includes two independent directors.

Sam (P) Limited, is subsidiary company of Vishal Limited, actively carrying on its business, having paid up capital of ₹ 1.5 crore with 40 members and turnover of ₹ 18 crore, respectively and the said company is not a start-up company.

It is also provided that Sam (P) Limited is not a start up company.

In the context of aforesaid case-scenario, please answer to the following question(s):-

Whether Sam (P) Limited is mandatorily required to prepare cash flow statement for the financial year as a part of its financial statements?

Provide your answer by analyzing Sam (P) Limited into following category of companies:-

- (i) Small company, and
- (ii) Dormant company, respectively.

15. Pran Limited is an unlisted company, having its registered office at Agartala. The company scheduled its Annual General Meeting (AGM) on 31st July, 2024 in Goa. The meeting commenced at 3:00 PM and concluded at 6:00 PM.

It is also provided that by 1st July, 2024, the company had obtained written consent from all members via email, agreeing to hold the AGM at this out-of-state location. As per the Companies Act, 2013, evaluate whether the AGM was validly conducted.

16. HD Software Limited is engaged in the business of providing software services. The company appointed its statutory auditors (not the first auditor). The Board of directors of the company informed the auditor that the fees shall be fixed by the Board of directors only.

But the auditor objected to the same. Now the directors have approached you to advise them whether they can solely fix the remuneration of the auditor.

The Limited Liability Partnership Act, 2008

17. Amit and Priya are partners in XYZ LLP, a consulting firm. Recently, Priya moved to a new address but forgot to notify the LLP within the required period. A month later, Amit's cousin, Ramesh, expressed interest in joining XYZ LLP as a partner, and after a few discussions, he was accepted as a new partner.

However, XYZ LLP did not immediately update the Registrar of Companies (RoC) regarding Priya's address change or Ramesh's admission as a partner. Two months after Ramesh joined, the LLP filed a notice with the RoC about these changes.

Advise the LLP about the default on part of LLP about the non-compliance in respect to not informing the ROC about:

- (i) Priya's address change
- (ii) Ramesh's admission as a partner.

The General Clauses Act, 1897

18. The Parliament recently passed the Environment Protection Amendment Act, 2024, to strengthen regulations on industrial waste disposal. The Act specified the commencement date as 1st September, 2024. The President gave assent to the Act on 15th July, 2024.

Green Earth Limited, an industrial company, is uncertain about when the provisions of the Environment Protection Amendment Act, 2024, will start to apply. The company's legal team has raised question on whether they need to immediately comply with the new regulations or if they have a grace period until the commencement date. Give your answer in reference to the provisions of the General Clauses Act, 1897.

Interpretation of Statutes

19. At the time of interpreting a Statute what will be the effect of 'Usage' or 'customs and Practices'?

The Foreign Exchange Management Act, 1999

20. Ravi, an Indian citizen, works as a software engineer for an international company. During the previous financial year (2023-2024), Ravi resided in India for 200 days. However, in April of the current financial year, he accepted a job offer in Canada and left India with a long-term work visa, planning to settle in Canada indefinitely.

Analyse the residential status of Ravi for the financial year 2024-2025, as per the provisions of the Foreign Exchange Management Act, 1999.

**SUGGESTED ANSWERS/HINTS****Multiple Choice Questions**

MCQ No.	Most Appropriate Answer
1.	(b)
2.	(b)
3.	(a)
4.	(b)
5.	(a)
6.	(d)
7.	(b)
8.	(c)
9.	(b)
10.	(b)

Descriptive questions

11. According to section 27(1) of the Companies Act, 2013, the terms of a contract referred to in the prospectus or objects for which the prospectus has been issued can be varied, but only with the authority of the company given by it in general meeting by way of special resolution.

The second proviso to sub-section (1) prescribes that such company is not to use any amount raised by it through the prospectus for buying, trading or otherwise dealing in equity shares of any other listed company.

In the given question, XYZ Limited, is planning to use the amount initially raised for investing in a different industry, which also involves trading in equity shares of other listed companies.

Though XYZ Limited has passed a special resolution for the said proposal but it cannot use any amount raised by it through the prospectus for buying, trading or otherwise dealing in equity shares of any other listed company. Hence, the said proposal for new investment is not valid.

- 12.** According to section 54(1) of the Companies Act, 2013, a company may issue sweat equity shares if all of the following conditions are fulfilled:
- Share of that class must be already issued
 - Issue is authorised by a special resolution passed by the company;
 - Resolution specifies the details regarding the number of shares, the current market price, consideration, if any, and the class or classes of directors or employees to whom such equity shares are to be issued;

The special resolution authorising the issue of sweat equity shares shall be valid for making the allotment within a period of not more than 12 months from the date of passing.

During a year, the maximum amount/limit for which sweat equity shares can be issued is higher of:

- 15% of the existing paid up equity share capital or
- Shares of the issue value of rupees 5 crore.

The issuance of sweat equity shares (cumulative, including all previous issues, if any) shall not exceed 25% of the paid-up equity capital of the company at any time.

In the given question, the company has proposed to issue sweat equity shares to the tune of ₹ 4 crore. However, the maximum limit to which it can issue such shares is- Higher of:

- 15% of the issued paid up share capital, i.e. ₹ 3 crore, or
- 5 crore

Thus, company can issue sweat equity shares to the tune of ₹ 5 crore. However, the company cannot issue such shares more than 25% of the paid-up equity capital= 25% of ₹ 20 crore= ₹ 5 crore.

Hence, the company can issue sweat equity shares of ₹ 4 crore.

- 13.** The provisions of section 77 relating to registration of charges shall, so far as may be, apply to:
- a. a company acquiring any property subject to a charge within the meaning of that section; or
 - b. any modification in the terms or conditions or the extent or operation of any charge registered under that section.

According to section 79(a) of the Companies Act, 2013, in case of a property where charge is already registered and if it is sold with the permission of the holder of charge, it shall be the duty of the company acquiring it to get the charge registered in accordance with section 77.

According to the provisions of section 77, when a company acquires property that is subject to an existing charge, it is the duty of the acquiring company (PQR Limited in this case) to register the charge as its own. This means that PQR Limited must create a fresh charge over the acquired property and register it with the Registrar of Companies (RoC) as per section 77.

Now upon acquisition, it is PQR Limited's responsibility to ensure that the previous charge is effectively discharged and that the new charge is registered in its name, reflecting PQR Limited as the current owner and debtor of the charge. Hence, the contention of directors of PQR Limited that since the charge for the property was already created, there is no further obligation on part of PQR Limited, is not correct.

- 14.** According to section 2(10) of the Companies Act, 2013, Financial statement in relation to a company, includes:
- (i) a balance sheet as at the end of the financial year;
 - (ii) a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;
 - (iii) cash flow statement for the financial year;
 - (iv) a statement of changes in equity, if applicable; and

- (v) any explanatory note annexed to, or forming part of, any document referred to in sub-clause (i) to sub-clause (iv):

Provided that the financial statement, with respect to one person company, small company, dormant company and private company (if such private company is a start-up) may not include the cash flow statement.

For considering the applicability of preparation of cash flow statement in case of Sam (P) Limited, it is required first to analyze that Sam (P) Limited does not fall in the following categories:

- (i) Small company – A company which is a subsidiary company cannot be categorized as a small company as per proviso to section 2(85). Thus, even though its paid up capital and turnover are within the prescribed limits, as Sam (P) Limited is a subsidiary company of Vishal Limited, it cannot be considered as small company.
- (ii) Dormant company – It is given that the company is actively carrying on its business, so it cannot be also categorized as a dormant company based upon the facts given.

So, Sam (P) Limited shall be deemed to be a public company as it is subsidiary of Vishal Limited, an unlisted public company and so it will not fall into this category of exemption as well.

Thus, it can be concluded that Sam (P) Limited is mandatorily required to prepare cash flow statement for the financial year as a part of its financial statements as it does not fall in any of the categories of companies mentioned under proviso to section 2(10) of the Companies Act, 2013.

- 15.** Section 96(2) of the Companies Act, 2013, states that every annual general meeting shall be called during business hours, that is, between 9 AM and 6 PM on any day that is not a National Holiday and shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situated.

Provided that annual general meeting of an unlisted company may be held at any place in India if consent is given in writing or by electronic mode by all the members in advance.

In the given question, Pran Limited is an unlisted company and consent of all members to conduct the AGM at Goa has been received in advance (by 1st July, 2024). Also, the meeting was started well within the prescribed time i.e. at 3.00 PM. Hence, the meeting was validly called.

- 16.** Section 142 of the Companies Act, 2013, provides for remuneration of auditors. According to this section the remuneration of the auditors of a company shall be fixed by the company in general meeting or in such manner as the company in general meeting may determine. However, the Board may fix remuneration of the first auditor appointed by it.

The remuneration shall, in addition to the fee payable to an auditor, include the expenses, if any, incurred by the auditor in connection with the audit of the company and any facility extended to him but does not include any remuneration paid to him for any other service rendered by him at the request of the company.

As per the facts of the question and stated provision, remuneration of the appointed statutory auditors of a company shall be fixed by the company in general meeting or in such manner as the company in general meeting may determine as they are not the first auditor.

Hence, the contention of the Board of directors that they can fix the remuneration of the auditor on their own is not valid.

- 17.** According to section 25 of the Limited Liability Partnership Act, 2008,
- (1) Every partner shall inform the LLP of any change in his name or address within a period of 15 days of such change.
 - (2) A LLP shall—
 - (a) where a person becomes or ceases to be a partner, file a notice with the Registrar within 30 days from the date he becomes or ceases to be a partner; and
 - (b) where there is any change in the name or address of a partner, file a notice with the Registrar within 30 days of such change.

- (3) A notice filed with the Registrar under sub-section (2)—
- (a) shall be in such form and accompanied by such fees as may be prescribed;
 - (b) shall be signed by the designated partner of the LLP and authenticated in a manner as may be prescribed; and
 - (c) if it relates to an incoming partner, shall contain a statement by such partner that he consents to becoming a partner, signed by him and authenticated in the manner as may be prescribed.
- (i) **Priya's Address Change:** Under the provision, Priya was required to inform XYZ LLP of her address change within 15 days of the move. Following that, XYZ LLP was required to file a notice with the RoC within 30 days of being notified of Priya's new address. As Priya did not inform the LLP about change of address and consequently LLP did not file a notice regarding the change in address of Priya with the Registrar, XYZ LLP is not in compliance with the required timeline.
- (ii) **Ramesh's Admission as a Partner:** For new partners, XYZ LLP must file a notice with the RoC within 30 days of a person becoming a partner. This notice should include Ramesh's consent statement, signed by him and authenticated as prescribed. The delay in filing means XYZ LLP did not meet the 30-day requirement.

18. According to section 5 of the General Clauses Act, 1897, where any Central Act has not specifically mentioned a particular date to come into force, it shall be implemented on the day on which it receives the assent of the Governor General in case of a Central Acts made before the commencement of the Indian Constitution and/or, of the President in case of an Act of Parliament.

In the given question, the Environment Protection Amendment Act, 2024, received assent of President of India on 15th July, 2024. The commencement date is prescribed as 1st September 2024. Accordingly, the Environment Protection Amendment Act, 2024, shall come into enforcement 1st September, 2024.

- 19. Effect of usage:** Usage or practice developed under the statute is indicative of the meaning recognized to its words by contemporary opinion. A uniform notorious practice continued under an old statute and inaction of the Legislature to amend the same are important factors to show that the practice so followed was based on correct understanding of the law. When the usage or practice receives judicial or legislative approval it gains additional weight.

In this connection, we have to bear in mind two Latin maxims:

- (i) '*Optima Legum interpret est consuetude*' (the custom is the best interpreter of the law); and
- (ii) '*Contemporanea Expositio est optima et fortissima in lege*' (the best way to interpret a document is to read it as it would have been read when made).

Therefore, the best interpretation/construction of a statute or any other document is that which has been made by the contemporary authority. Simply stated, old statutes and documents should be interpreted as they would have been at the time when they were enacted/written.

Contemporary official statements throwing light on the construction of a statute and statutory instruments made under it have been used as *contemporanea expositio* to interpret not only ancient but even recent statutes in India.

- 20.** As per section 2(v) of the Foreign Exchange Management Act, 1999, the term 'person resident in India' means the following entities:

A person who resides in India for more than 182 days during the preceding financial year.

The following persons are not persons resident, in India even though they may have resided in India for more than 182 days.

- A. A person who has gone out of India or stays outside India for any of the three purposes given below,
- B. A person who has come to or stays in India otherwise than for any of the three purposes given below;

Three Purposes

- (1) For or on taking up Employment
- (2) For carrying on a business or Vacation
- (3) For any other purpose in such circumstances as would indicate stay for an uncertain period.

Ravi's Residential Status: Ravi resided in India for more than 182 days in the preceding financial year, which would typically qualify him as a "person resident in India." However, his decision to leave India for long-term employment in Canada changes his status. According to the provision, a person who has left India for the purpose of employment abroad is not considered a "person resident in India" even if they meet the 182-day requirement. Thus, Ravi does not qualify as a resident for the current financial year.



PAPER – 3: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance Act, 2023, including significant notifications/ circulars issued upto 30th June, 2024, is applicable for January, 2025 examination. The relevant assessment year for January, 2025 examination is A.Y.2024-25. The June, 2023 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance Act, 2023 and significant notifications/circulars issued upto 30.04.2023, and hence, the same is relevant for January, 2025 examination. The Statutory Update containing significant notifications/circulars issued between 1.5.2023 and 30.6.2024 which are relevant for January, 2025 is webhosted at <https://resource.cdn.icai.org/81242bos65468.pdf>



QUESTIONS

Case scenario

Sagar LLP is an LLP unit set up in Special Economic Zone (SEZ) in the financial year 2018-19 for manufacture of textiles. The unit fulfils all the conditions under section 10AA of the Income-tax Act, 1961. The details of this unit for the financial year 2023-24 are given:

Particulars	₹
Profits of unit located in SEZ	58,00,000
Export sales of above unit received in India in convertible foreign exchange on or before 30.9.2024	1,00,00,000
Domestic sales of above unit	60,00,000

Sagar LLP has three partners, Mr. Ram, Mr. Shyam and Mr. Ganesh. Mr. Ram and Mr. Shyam are working partners while Mr. Ganesh is a non-working partner. All the three partners are receiving remuneration of ₹ 1 lakh per month from the LLP which is already debited to the profits and loss account of the LLP.

Apart from this, Mr. Ganesh was employed in XYZ Ltd. till 30.9.2023 and having a salary of ₹ 80,000 per month. He resigned then and decided to start his own business. He set up a warehousing facility in Pune for storage of agricultural produce, fulfilling the conditions for claim of deduction under section 35AD. Capital expenditure in respect of warehouse amounted to ₹ 90 lakhs (including cost of land ₹ 30 lakhs) was incurred during the P.Y. 2023-24. The warehouse became operational with effect from 1st December 2023. The profit from operation of warehousing facility (before considering deduction under section 35AD) during the F.Y. 2023-24 is ₹ 1,10,00,000.

He pays lumpsum premium of ₹ 90,000 towards health insurance for self and his wife (age 43 years) for 36 months on 01.10.2023 by account payee cheque. He also contributes ₹ 1,50,000 towards PPF.

From the information given above, choose the **most appropriate answer** to the following questions –

1. What is the amount of remuneration allowable as deduction to the LLP for A.Y.2024-25 under the head "Profits and gains of business or profession"?
 - (a) ₹ 36.00 lakhs
 - (b) ₹ 57.30 lakhs
 - (c) ₹ 35.70 lakhs
 - (d) ₹ 24.00 lakhs
2. What is the amount of deduction available under section 10AA to Sagar LLP and under section 35AD to Mr. Ganesh while computing income under the regular provisions of the Income-tax Act, 1961 for A.Y.2024-25?
 - (a) ₹ 36.25 lakhs and ₹ 60 lakhs, respectively

- (b) ₹ 21.875 lakhs and ₹ 60 lakhs, respectively
- (c) ₹ 18.125 lakhs and ₹ 60 lakhs, respectively
- (d) ₹ 21.875 lakhs and ₹ 90 lakhs, respectively
3. What is the total income of Mr. Ganesh under the regular provisions of the Income-tax Act, 1961 for A.Y.2024-25?
- (a) ₹ 52,57,500
- (b) ₹ 52,55,000
- (c) ₹ 53,05,000
- (d) ₹ 64,55,000
4. What is the tax liability (rounded off) of Mr. Ganesh under default tax regime under section 115BAC for A.Y.2024-25?
- (a) ₹ 37,42,280
- (b) ₹ 40,18,560
- (c) ₹ 36,34,640
- (d) ₹ 40,65,200
5. What is the tax liability (rounded off) of Mr. Ganesh if he has opted out of the default tax regime for A.Y.2024-25?
- (a) ₹ 15,89,870
- (b) ₹ 24,24,460
- (c) ₹ 15,89,020
- (d) ₹ 24,90,280
6. Mr. Akshay (aged 59 years), an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Delhi airport on 20th April 2023 and returned on 15th October 2023. He has been in India for less than 700 days during the 7 years immediately preceding the previous year. Determine his residential status and his total income for the assessment year 2024-25 from the following information:

- (1) Long term capital gain on sale of shares of Shama India Ltd., a listed Indian company, amounting to ₹ 1,12,000. The sale proceeds were credited to his bank account in UK.
- (2) Dividend amounting to ₹ 40,000 (gross) received from RIL Ltd., an Indian company. He had borrowed money from Mr. Abhay, a non-resident Indian, for the above-mentioned investment on 2nd April, 2023. Interest on the borrowed money for the P.Y. 2023-24 amounted to ₹ 10,000.
- (3) Interest on post office saving bank account amounting to ₹ 9,500.

Mr. Akshay has shifted out of the default tax regime and wants to pay tax under normal provisions of the Act.

7. Mr. Rohan, an employee of ABC Ltd. is posted at Mumbai. He was appointed on 1st March 2023 on the scale of ₹ 60,000 - ₹ 2,000 - ₹ 80,000. Details of his other income for the previous year 2023-24 are as follows:
- (i) Dearness allowance: 40% of basic salary (60% forms part of pay for retirement benefits)
 - (ii) Telephone allowance @₹500 per month
 - (iii) Both Mr. Rohan and the company contribute 15% of basic salary to RPF. Interest accrued in this Fund@12% p.a. amounted to ₹ 25,800.
 - (iv) The company has provided him with the rent free unfurnished accommodation in Mumbai owned by the company.
 - (v) The salary of ₹ 2,500 p.m. of domestic servant is reimbursed by the company.
 - (vi) Rohan has used his own motor car of 1.8 ltr engine capacity for both official and personal purposes. The running and maintenance costs of ₹ 50,000 are borne by the company.
 - (vii) Professional tax paid ₹ 2,500 of which ₹ 1,500 was paid by the employer.
 - (viii) During the year 2022-23, Mr. Rohan gifted a sum of ₹ 6,00,000 to Mrs. Rohan. She started a business by introducing such amount as

her capital. On 1st April, 2023, her total investment in business was ₹ 10,00,000. During the previous year 2023-24, she has suffered a loss of ₹ 1,20,000 from such business

Determine the gross total income of Mr. Rohan for the A.Y. 2024-25 under normal provisions of the Act.

8. Mr. Mayank, a resident individual, furnished the following information in respect of income earned and losses incurred by him for the F.Y. 2023-24

Particulars	Amount (₹)
Income from Salary (Computed)	27,40,000
Long term capital loss on sale of shares of Reliance Ltd. STT has been paid both at the time of acquisition and sale	(1,25,000)
Income from let out property in Kanpur	5,50,000
Loss from let out property in Delhi	(3,75,000)
Interest on self-acquired property in Mumbai	(1,50,000)
Net winnings from online games (Net of TDS)	35,000
Profit and gains from manufacturing business (after deducting normal depreciation of ₹ 2,00,000 and additional depreciation of ₹ 50,000)	36,86,000

The other details of losses and unabsorbed depreciation pertaining to A.Y. 2023-24 are as follows:

Particulars	Amount
Business loss from manufacturing business	(5,35,000)
Unabsorbed normal depreciation	(2,10,000)
Loss from the activity of owning and maintaining the race horses	(1,50,000)
Loss from let out property in Delhi	(2,10,000)

Mr. Mayank filed his return of income for A.Y. 2023-24 on 28.7.2023 and opted for section 115BAC. Compute the Gross total income of

Mr. Mayank for the A.Y. 2024-25 and the amount of loss, if any, that can be carried forward if he wants to continue with the provisions under section 115BAC.

9. Examine the applicability of Tax deduction at source (TDS) or Tax collection at source (TCS) as per the Income-tax Act, 1961 for the A.Y 2024-25 in the following situations
- (i) Mr. Arjun, a resident Indian, is in retail business in Delhi and his turnover for F.Y.2022-23 was ₹ 9.90 crores. He regularly purchases goods from another resident, Mr. Saurabh, a wholesaler in Noida. GST rate on such goods is 5%. The aggregate amount of sales made by Mr. Saurabh to Mr. Arjun during the F.Y.2023-24 was ₹ 49 lakhs (without GST). Mr Arjun made the payment for consideration of goods (₹ 21 lakhs on 8.7.2023, ₹ 26.25 lakhs on 27.8.2023 and ₹ 4.2 lakhs on 11.3.2024). Mr. Saurabh's turnover for F.Y.2022-23 was ₹ 10.10 crores.
 - (ii) Mr. Raja paid ₹ 12 lakhs on 1.11.2023 to M/s. Thomas Cook for a holiday package to Singapore for a week with his family, comprising of his wife and two children, being twins aged 22 years, in the last week of November. Mr. Raja also remitted ₹ 10 lakhs on 28.3.2024, out of his personal savings, under LRS through Bank of India, as gift to his sister residing in London, on the occasion of her 50th birthday.
10. Mr. Ramesh is an authorized wholesale distributor of fertilizers and other agricultural products. An analysis of his trading and profit & loss account for the previous year 31.3.2024 revealed the following information:
- (1) Net Profit ₹ 75,43,000.
 - (2) The following incomes were credited in the profit and loss account
 - (a) Rent received ₹ 5,40,000
 - (b) Income-tax refund ₹ 15,000
 - (c) Dividend from Indian companies ₹ 2,50,000 (Gross)

- (3) Rates and taxes debited to profit and loss account include ₹ 1,000 paid towards late filing of his IT return for A.Y. 2023-24 under section 234F of Income-tax Act.
- (4) Salaries debited to profit and loss account include ₹ 35,000 paid on single day by way of cash to his accountant.
- (5) Interest of ₹ 1,20,000 paid on loan of ₹ 10,00,000 taken from NBFC. Out of the loan, amount of ₹ 2 lakhs was used for personal purposes and the balance was used for business purposes. No TDS was deducted while paying interest. Interest of ₹ 1,20,000 is debited to profit and loss account.
- (6) Municipal Taxes of ₹ 10,000 paid for the building was debited to profit and loss account.

Additional Information

- (1) Closing stock was undervalued by ₹ 40,000
- (2) Income-tax refund includes ₹ 2,000 towards interest.
- (3) An amount of ₹ 45,000 was paid by cheque during the year towards health insurance policy covering himself, his spouse and his children.
- (4) Advance Tax paid during the year is ₹ 15 lakhs.
- (5) Half of the building is used for business purpose and remaining half let out to Mr. Anshul for residential purpose.
- (6) He also sold his vacant land on 10.11.2023 for ₹ 10 lakhs. The stamp duty value of land at the time of transfer was ₹ 14 lakhs. The FMV and stamp duty value of the land as on 1st April, 2001 was ₹ 4 lakhs and ₹ 3 lakhs, respectively. This land was acquired by him on 05.08.1995 for ₹ 1.80 lakhs. He had incurred registration expenses of ₹ 10,000 at that time. The cost of inflation index for the years 2023-24 and 2001-02 are 348 and 100, respectively.
- (7) Mr. Ramesh's turnover for the P.Y. 2022-23 was ₹ 3 crores

You are required to compute the total income and tax payable by Mr. Ramesh for the A.Y. 2024-25 under regular provisions of the Act.



SUGGESTED ANSWERS/HINTS

Answer Key

Question No.	Answer
1.	(d) ₹ 24.00 lakhs
2.	(b) ₹ 21.875 lakhs and ₹ 60 lakhs, respectively
3.	(a) ₹ 52,57,500
4.	(c) ₹ 36,34,640
5.	(b) ₹ 24,24,460

6. Determination of residential status

An individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India for at least 60 days in the previous year and has been in India during the 4 years immediately preceding the relevant previous year for a total period of 365 days or more.

If the individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Mr. Akshay, an Indian citizen, has satisfied the first basic conditions for being a resident, since he was in India for 189 days (20+17+30+31+31+29+31) during the previous year 2023-24. Hence, he is a resident in India for A.Y.2024-25.

An individual would be resident but not ordinarily resident if he satisfies either one of the following conditions:

- (i) He has been non-resident in India in any 9 out of 10 previous years preceding the relevant previous year, or

- (ii) He has, during the 7 years immediately preceding the relevant previous year, been in India for a period of 729 days or less.

Since Mr. Akshay has been in India for less than 700 days during the 7 years immediately preceding the previous year, he would be a resident but not ordinarily resident for A.Y. 2024-25

Computation of total income of Mr. Akshay for A.Y.2024-25

	Particulars	Amount (₹)
(1)	Long-term capital gain on sale of shares of an Indian listed company is chargeable to tax in the hands of Mr. Akshay, since it has accrued and arisen in India even though the sale proceeds were credited to bank account in UK.	1,12,000
(2)	Dividend received from an Indian company taxable in the hands of the Akshay as Income from other sources since the income has accrued or arisen in India	40,000
	<i>Less:</i> Interest expenditure restricted to 20% of dividend	<u>8,000</u> 32,000
(3)	Interest on post office saving bank account is taxable in the hands of Mr. Akshay as Income from other sources, since it has accrued and arisen in India and is also received in India.	9,500
	<i>Less:</i> Exemption under section 10(15)	<u>3,500</u> 6,000
	Gross Total Income	1,50,000
	<i>Less:</i> Deduction under section 80TTA	6,000
	Total Income	1,44,000

7. **Computation of gross total income of Mr. Rohan
for the A.Y.2024-25**

Particulars		Amount (₹)	Amount (₹)
I	Salaries		
	Basic Salary (₹ 60,000 x 11 + ₹ 62,000 x 1)		7,22,000
	Dearness Allowance (40% of ₹ 7,22,000)		2,88,800
	Telephone allowance (₹ 500 x 12)		6,000
	Employer's contribution to RPF (15% of ₹ 7,22,000)	1,08,300	
	Less: Exempt [12% of salary i.e., 12% x 8,95,280 (7,22,000 + 60% of 2,88,800)]	1,07,434	866
	Interest accrued in the RPF@12%	25,800	
	Less: Exempt @9.5% p.a.	20,425	5,375
	Value of Rent Free accommodation		
	<u>From April 2023 to August 2023</u>	56,175	
	[15% of ₹ 3,74,500 i.e., ₹ 3,00,000 (60,000 x 5) + 72,000 (₹ 3,00,000 x 40% x 60%) + ₹ 2,500 (₹ 500 x 5)]		
	<u>From September 2023 to March 2024</u>	52,678	1,08,853
	[10% of ₹ 5,26,780 i.e., ₹ 4,22,000 (60,000 x 6 + 62,000 x 1) + 1,01,280 (₹ 4,22,000 x 40% x 60%) + ₹ 3,500 (₹ 500 x 7)]		
	Reimbursement of salary of domestic servant [₹ 2,500 x 12]		30,000
	Perquisite value of motor car		
	Running and maintenance costs incurred by employer	50,000	
	Less: Specified as per Rule 3 [₹ 2,400 x 12]	28,800	21,200
	Professional tax paid by employer		1,500
	Gross Salary		11,84,594

	Less: Deduction under section 16		
	Standard deduction	50,000	
	Professional tax paid	2,500	52,500
	Taxable Salary		11,32,094
II	Profit and gains from business or profession		
	Where the amount of Mr. Rohan (₹ 6 lakh, in this case) is invested by Mrs. Rohan in a business as her capital, proportionate share of profit or loss, as the case may be, computing taking into account the value of the investment as on 1.4.2023 to the total investment in the business (₹ 10 lakhs) would be included in the income of Mr. Rohan [loss of ₹ 1,20,000 x 6/10]	(72,000)	-
	[Business loss of ₹ 72,000 cannot be set off against salary income. It has to be carried forward to next year]		
	Gross Total Income		11,32,094

8. Computation of gross total income of Mr. Mayank for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Income from Salary (Computed)		27,40,000
Income from house property		
Income from let out property in Kanpur	5,50,000	
Less: Set off of loss from let out property in Delhi	(3,75,000)	
Less: Interest u/s 24(b) is not allowed in case of self-occupied property since Mr. Mayank is paying tax under section 115BAC]	-	
Less: Loss from let out property in Delhi of	-	

A.Y. 2023-24 cannot be set off against income from house property of A.Y. 2024-25 since Mr. Mayank has paid tax under section 115BAC during the A.Y. 2023-24 and no deduction in respect of loss of house property of that year will be allowed in any subsequent year.		
		1,75,000
Profits and gains from business or profession		
Profits from manufacturing business	36,86,000	
Add: Additional depreciation not allowable in case of section 115BAC	50,000	
	37,36,000	
Less: Brought forward business loss of A.Y. 2023-24	(5,35,000)	
Less: Unabsorbed normal depreciation	(2,10,000)	29,91,000
Capital Gains		
Long term capital loss on sale of shares of Reliance Ltd. on which STT has been paid can be set off only against long term capital gains. Hence, it has to be carried forward	(1,25,000)	-
Income from Other Sources		
Net winnings from online games [₹ 35,000/70%]		50,000
Gross Total Income		59,56,000

Losses to be carried forward to A.Y. 2025-26

Particulars	Amount (₹)
Brought forward loss from the activity of owning and maintaining the race horses of A.Y. 2023-24 can be set off only against the income from the activity of owning and maintaining race horses. Hence, it has to be carried forward.	1,50,000

Long term capital loss on sale of shares of Reliance Ltd. on which STT has been paid	1,25,000
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9. (i) Since Mr. Arjun's turnover for the F.Y. 2022-23 does not exceed ₹ 10 crores, TDS provisions under section 194Q would not be attracted. However, TCS provisions under section 206C(1H) would be attracted in the hands of Mr. Saurabh since his turnover for the P.Y. 2022-23 exceeds ₹ 10 crores and his sales consideration (including GST) from Mr. Arjun exceeds ₹ 50 lakhs.

No tax is to be collected under section 206C(1H) on 8.7.2023 and 27.8.2023 since the aggregate receipts till that date i.e., ₹ 47.25 lakhs, has not exceeded the threshold limit of ₹ 50 lakhs.

Tax of ₹ 145 i.e., 0.1% of ₹ 1.45 lakhs has to be collected under section 206C(1H) on 11.3.2024 (₹ 4.20 lakhs - ₹ 2.75 lakhs, being the balance threshold limit)

- (ii) M/s. Thomas Cook, being a seller of an overseas tour programme package has to collect tax at source under section 206C(1G) from Mr. Raja on receiving amount for purchase of package. For the amount received on or after 1.10.2023, tax has to be collected @5% on upto ₹ 7 lakhs received and @20% on amount received above ₹ 7 lakhs.

M/s Thomas Cook has to collect tax of ₹ 1,35,000, being ₹ 35,000 (5% of ₹ 7 lakhs) and ₹ 1 lakh (20% of ₹ 5 lakhs).

Bank of India, being an authorized dealer has to collect tax at source under section 206C(1G) @20% on amount in excess of ₹ 7 lakhs remitted under the LRS on or after 1.10.2023 since the remittance of ₹ 10 lakhs is not for the purpose of education and medical treatment.

Bank of India has to collect tax of ₹ 60,000 i.e., 20% of ₹ 3 lakhs, being the amount remitted in excess of ₹ 7 lakhs.

10. Computation of total income of Mr. Ramesh for A.Y. 2024-25 under normal provisions of the Act

Particulars	Amount (₹)	Amount (₹)
Income from house property		
Rent received (Rent received has been taken as gross annual value, due to absence of information relating to expected rent)	5,40,000	
Less: Municipal tax paid by Ramesh (₹ 10,000 x ½)	<u>5,000</u>	
Net Annual Value	5,35,000	
Less: Deduction u/s 24(a) – 30% of NAV	<u>1,60,500</u>	3,74,500
Profits and gains from business or profession		
Net profit as per profit and loss account	75,43,000	
Add: Expenses/Payments debited to profit and loss account but not allowed		
- Fee for late filing of income-tax return for A.Y. 2023-24 – disallowed	1,000	
- Salary paid to an accountant in cash exceeding ₹ 10,000 – disallowed under section 40A(3)	35,000	
- Interest paid to NBFC on loan which is used for personal purposes (₹ 1,20,000 x 2,00,000/10,00,000) – not allowed as per section 37	24,000	
- Interest paid to NBFC on which tax is not deducted attracts disallowance @30% of ₹ 96,000 under section 40(a)(ia) [Since Mr. Ramesh's turnover for the immediately preceding previous year i.e., P.Y. 2022-23 exceeds ₹ 1 crore, he is required to deduct tax at source.	28,800	

Disallowance @30% of interest is attracted for non-deduction of tax at source]		
- Municipal taxes paid for let out portion [₹ 10,000 x ½]	<u>5,000</u>	
	76,36,800	
<i>Add:</i> Undervaluation of Closing stock	<u>40,000</u>	
	76,76,800	
Less: Income chargeable under other heads and income not chargeable to tax but credited to profit and loss account		
- Rent received (Taxable under the head "Income from house property")	5,40,000	
- Income-tax refund	15,000	
- Dividend received from Indian companies (Taxable under the head "Income from other sources")	<u>2,50,000</u>	
		68,71,800
Capital Gains		
Long-term capital gains on sale of land (since held for more than 24 months)		
Full Value of Consideration [Higher of stamp duty value of ₹ 14 lakhs and Actual consideration of ₹ 10 lakhs, since stamp duty value exceeds actual consideration by more than 10%]	14,00,000	
<i>Less:</i> Indexed Cost of acquisition [₹ 3,00,000 x 348/100]	<u>10,44,000</u>	3,56,000
Cost of acquisition		
Higher of –		
- Actual cost ₹ 1.80 lakhs + ₹ 0.10 lakhs = ₹ 1.90 lakhs and		
- Fair Market Value (FMV) ₹ 4 lakhs as on		

1.4.2001 restricted to stamp duty value of ₹ 3 lakhs as on 1.4.2001 = ₹ 3 lakhs		
Income from Other Sources		
Interest on income-tax refund	2,000	
Dividend from Indian companies	<u>2,50,000</u>	<u>2,52,000</u>
Gross Total Income		78,54,300
Less: Deduction under Chapter VI-A		
Section 80D - Health insurance premium paid for self, spouse and his children allowable as deduction to the extent ₹ 25000		<u>25,000</u>
Total Income		<u>78,29,300</u>

Computation of tax payable by Mr. Ramesh for the A.Y.2024-25

Particulars	Amount (₹)
Tax on ₹ 3,56,000@20% under section 112	71,200
Tax on balance income of ₹ 74,73,300	
Upto ₹ 2,50,000	Nil
₹ 2,50,001 - ₹ 5,00,000 [i.e., ₹ 2,50,000 @5%]	12,500
₹ 5,00,001 - ₹ 10,00,000 [i.e., ₹ 5,00,000 @20%]	1,00,000
Above ₹ 10,00,000 [i.e., ₹ 64,73,300 @30%]	<u>19,41,990</u>
	21,25,690
<i>Add:</i> Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore	<u>2,12,569</u>
	23,38,259
<i>Add:</i> Health and Education cess@4%	<u>93,530</u>
Tax liability	24,31,789
<i>Less:</i> Advance Tax	<u>15,00,000</u>
Tax Payable	<u>9,31,789</u>
Tax Payable (Rounded off)	<u>9,31,790</u>

SECTION B: GOODS AND SERVICES TAX

- (1) All questions should be answered on the basis of the position of GST law as amended up to 30.06.2024.
- (2) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.



QUESTIONS

Case Scenario

Vintage Cinemas Pvt. Ltd. (VCPL) is a leading chain of multiplexes operating in several States across India. The company has its corporate office in Mumbai, Maharashtra and is registered under GST in multiple States including Maharashtra. The company offers movie tickets, food and beverages and other entertainment-related services.

The turnover of the company in the preceding financial year as per the audited financial statements was ₹ 175 crore. The company crossed the aggregate turnover of ₹ 35 crore till June in the current year.

In July, VCPL opened a new multiplex in Gujarat wherein the commercial operations will commence from August 1.

Due to operations in multiple States, the finance and accounts operations are handled by a centralized team at the corporate office. The same team is also responsible for filing the GST returns for all the GST registrations of the company.

The company is also engaged in leasing of space to independent vendors in its food court against rental charges for the purpose of increasing the source of revenue.

The company obtained a new office building in Mumbai under a rental agreement and paid an amount of ₹ 5 crore as refundable security deposit to the owner of the premises. The term of the rental agreement is 5 years.

The company also dispatched advertisement material worth ₹ 35 lakh from Maharashtra to Gujarat Multiplex for the upcoming movies by way of transport through road in September. The company claimed input tax credit on such advertisement material at the time of receipt in Maharashtra.

The rate of tax applicable on all inward and outward supplies is 18% IGST, 9% CGST and 9% SGST unless otherwise specified.

On the basis of the facts given above, choose the most appropriate answer to Q.1 to Q.5 below -

1. Which of the following statements is correct under GST law in relation to the registration requirements of the company (VCPL) in relation to its operations to be commenced in the State of Gujarat?
 - (a) VCPL is not required to take GST registration for Gujarat multiplex till turnover of Gujarat multiplex does not cross ₹ 20 lakh.
 - (b) VCPL is required to take GST registration in Gujarat while commencing business in Gujarat as aggregate turnover of VCPL has already exceeded ₹ 20 lakh in the current financial year.
 - (c) VCPL is allowed to add Gujarat multiplex as additional place of business under the existing GST registration in Maharashtra.
 - (d) VCPL is required to take GST registration only from next financial year subject to the condition that turnover of current financial year for Gujarat multiplex exceeds ₹ 20 lakh.
2. Which of the following statements is true in relation to filing of return by VCPL?
 - (a) VCPL is required to file a single consolidated GST return for all States.
 - (b) VCPL is required to file separate GST return for each State where it is registered.

- (c) VCPL is required to file returns only for the Maharashtra State where its corporate office is located.
- (d) VCPL has an option to file return in the State with the highest turnover.
3. VCPL is required to levy GST on rental charges _____.
- (a) only if the turnover of tenant exceeds ₹ 20 lakh.
- (b) only if the turnover of tenant exceeds ₹ 1.5 crore.
- (c) only if the total rental charge collection in hands of VCPL exceeds ₹ 20 lakh.
- (d) irrespective of the turnover of the tenant or the amount of rental charge collection in the hands of VCPL.
4. In respect of the refundable security deposit given by VCPL, _____.
- (a) GST is payable on the deposit amount by the owner of the premises.
- (b) GST is payable on the deposit amount by VCPL.
- (c) there is no requirement to pay GST by the owner or VCPL.
- (d) GST is payable in equal proportion over the term of rent agreement by the owner of premises.
5. VCPL is _____ for the advertisement material sent from Maharashtra Office to Gujarat office in relation to the upcoming movies.
- (a) not liable to issue any document as the transaction is between entities having same PAN.
- (b) liable to issue only a delivery challan.
- (c) liable to issue only a bill of supply.
- (d) liable to generate a tax invoice as well as an E-Way Bill.
6. M/s Consultease Services Private Limited, a company registered under GST in Mumbai, Maharashtra, offers business consultancy, digital

marketing and project management services across India. The company recorded the following transactions in October:

1. **Consultancy services for market analysis:** Provided consultancy services for market analysis to XYZ Ltd., a registered client in Chennai, Tamil Nadu (Inter-State), for ₹ 4,50,000. Additionally, the company paid an amount of ₹ 4,500 as professional tax applicable in the State of Maharashtra as per requirement of local state legislation. The amount of professional tax was recovered separately from XYZ Ltd.
2. **Digital Marketing Services for Launch Event:** Conducted digital marketing for an upcoming product launch for Mr. A based in Rajasthan, who is an unregistered person under GST. The agreed fee for the said services is ₹ 3,00,000. Out of the agreed fee, an amount of ₹ 25,000 is incurred by Mr. A. The company was liable to pay the same in relation to the supply and the net payment received by the company was ₹ 2,75,000 (exclusive of any tax).
3. **Travelling payment for the team:** The employees incurred an amount of ₹ 50,000 on travel to Kolkata for client project and claimed a reimbursement of the same from the company. As a policy, company charged such expenses from the clients on actual basis.
4. **Discount passed on to customer:** Post supply discount was offered to a customer amounting to ₹ 50,000 against a supply for which invoice was issued in September. The customer has not reversed the input tax credit relating to such discount.
5. **Recovery of late payment charges:** The company received an amount of ₹ 1,00,000 as late payment charges for delay in payment for consideration from a client whose service contract was completed in June.
6. **Purchase of car:** A car was purchased in the name of company for use by the director. The total cost of car was ₹ 10,50,000 (inclusive of IGST amounting to ₹ 1,50,000).

7. **Insurance services:** The company paid for insurance of the above new car amounting to ₹ 25,000 which includes IGST amounting to ₹ 2,300.
8. **Procurement of services:** The company received inter-State supply of services used for business purpose on which GST paid was Rs. 45,000. Said credit was not restricted under any provision of GST laws.
9. **Sponsorship:** The company sponsored a sports event wherein it paid an amount of ₹ 2,00,000 to the event organizers.

You are required to compute the following for the month of October:

- (a) Total value of supply
 (b) output tax payable by the Company.
 (c) net GST payable in cash.

Note

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
 (ii) All the amounts given above are exclusive of taxes.
 (iii) There was no opening balance of input tax credit.
 (iv) The turnover of the company was ₹ 10 crores in the previous financial year.
 (v) All the transactions are inter-State, unless otherwise specified.
7. Mr. Bholuram, a supplier located in Meerut, U.P. supplied the bedsheets, pillow covers and blankets to a Governmental agency, registered in U.P. under a contract. The total contract value is ₹ 4,61,000 excluding GST. The value of supply is bifurcated as below:
- | | |
|----------------------------------|------------|
| 400 Blankets for ₹ 600 each | ₹ 2,40,000 |
| 850 Bed Sheets for ₹ 180 each | ₹ 1,53,000 |
| 1700 Pillow Covers for ₹ 40 each | ₹ 68,000 |

Is Governmental agency required to deduct tax at source (while making the payment to Mr. Bholuram) under section 51 of the CGST Act, 2017 and if yes, determine the amount of tax to be deducted source?

8. Blue Panda Pvt. Ltd. is a manufacturing company that supplies goods to various registered dealers across India. The company had an aggregate turnover of ₹ 6 crore in the financial year 2023-24. The finance team of the company is not sure whether e-invoicing provisions are applicable to the company and is of the view that under e-invoicing system, invoices need to be generated directly on the e-invoicing portal instead of its ERP system.

You are required to advise the finance team on the following questions:-

- (a) What is e-invoicing, and whether it would apply to Blue Panda Pvt. Ltd.?
 - (b) Does Blue Panda Pvt. Ltd. need to create its invoices directly on the e-invoicing portal?
9. Briefly examine the place of supply in the following independent cases.
- (a) Ms. Shanti (unregistered resident of Gujarat) went to meet her parents at the native place Patna, Bihar and buys a medical insurance policy for her parents from an insurance company – MNT Insurers- of Patna (registered in Bihar). The location of the recipient of services in the records of the MNT Insurers is Patna.
 - (b) Lakhan Singh Transports Pvt. Ltd., a Goods Transportation Agency registered in Noida, Uttar Pradesh, is hired by Ram Trade Links (registered supplier in New Delhi) to transport its consignment of goods from its warehouse in Delhi to the house of a buyer located in Roorkee, Uttar Pradesh.
 - (c) Mr. Karan (Mumbai) takes a post-paid mobile connection in Mumbai from the service provider - Freesia Ltd. and gives his residence address at Mumbai as the address for billing with the said company.

10. List the accounts and records which are not required to be maintained by a supplier who has opted for composition scheme, as per the provisions of the GST laws.



SUGGESTED ANSWERS

MCQ No.	Most Appropriate Answer
1.	(b)
2.	(b)
3.	(d)
4.	(c)
5.	(d)

6. (a) **Computation of total value of supply**

Particulars	IGST (₹)
Consultancy services provided to XYZ Ltd. (As per section 15 of the CGST Act, 2017, the value of supply includes the amount of any tax paid under any law other than GST. Accordingly, the amount of professional tax is includible in the value of services.)	4,54,500
Digital marketing services provided to Mr. A (The amount incurred by the recipient on behalf of the supplier is includible in the value of supply.)	3,00,000
Travelling expenses recovered from the client (Incidental expenses like travelling expenses incurred in course of supply is includible in value of supply.)	50,000

Post supply discount (No adjustment of post supply discount is allowed as the customer has not reversed the input tax credit.)	-
Late payment charges (The late payment charges recovered are includible in GST and liable to tax at the time of receipt of amount.)	1,00,000
Total value of supply for October	9,04,500

(b) Computation of output tax payable

Particulars	IGST (₹)
Total value of outward supply	9,04,500
Total output tax payable @ 18% (Company is liable to pay GST on sponsorship services under reverse charge, but the tax payable under reverse charge is not included in the value of output tax.)	1,62,810

(c) Computation of net GST payable in cash

Particulars	IGST (₹)
Total output tax	1,62,810
Less: Input Tax Credit [Refer Working Note below]	(81,000)
Net GST payable (A)	81,810
Add: GST payable under reverse charge for receipt of sponsorship services (B) [Tax on sponsorship services availed by a body corporate from any person is payable under reverse charge. Since the tax payable under reverse charge is not an output tax, ITC cannot be utilized to pay GST payable under reverse charge. Thus, it has to be paid in cash.]	36,000
Total GST payable in cash (A) +(B)	1,17,810

Working Note:**Computation of ITC available**

Particulars	IGST (₹)
Purchase of car for use by director (ITC on motor vehicles for transportation of persons with seating capacity \leq 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Purchase of car for use by director is not a specified purpose.)	-
Insurance of car (ITC is not allowed on services of insurance relating to the motor vehicles on which ITC is blocked. Since, the car is not used for any of the eligible purposes, ITC thereon is blocked and thus, ITC on insurance taken on such car is also blocked)	-
ITC on receipt of services (ITC is available on services used in the course or furtherance of business.)	45,000
ITC on sponsorship services (ITC is available on services used in the course or furtherance of business.)	36,000
Total ITC available	81,000

7. As per section 51 of the CGST Act, 2017, it is mandatory for the following persons to deduct tax at source from payments made to the suppliers of taxable goods and/or services:-
- Central/State Government department or establishment;
 - local authority; or
 - Governmental agencies; or
 - such notified persons

The tax would be deducted @ 1% (each under CGST and SGST) of the payment made to the supplier of taxable goods and/or services, where the total value of such supply, under a contract, exceeds ₹ 2,50,000 (excluding the amount of Central tax, State tax, Union Territory tax, Integrated tax and cess indicated in the invoice). Thus, individual supplies may be less than ₹ 2,50,000/-, but if total value of supplies under a contract is more than ₹ 2,50,000/-, TDS has to be deducted.

In the given case, Mr. Bholuram has made supplies to a Governmental agency and total value of supply under a contract exceeds ₹ 2,50,000, it is mandatory for Governmental agency to deduct TDS @1% each under CGST and SGST on the net value of taxable supplies.

The amount of TDS required to be deducted each under CGST & SGST each is ₹ 4,610.

8. (a) E-invoicing is a system for electronically reporting Business-to-Business (B2B) invoices to the GST system for certain notified taxpayers whose turnover exceeds ₹ 5 crore in any financial year from 2017-18 onwards. Since Blue Panda Pvt. Ltd. had an aggregate turnover of ₹ 6 crore in FY 2023-2024, it is required to issue e-invoices for its B2B transactions.
- (b) No, Blue Panda Pvt. Ltd. does not need to create invoices directly on the e-invoicing portal. The company will continue generating its GST invoices using its own Accounting/Billing/ERP system. The only requirement is that these invoices must be reported to the Invoice Registration Portal (IRP) for validation and issuance of a unique Invoice Reference Number (IRN).
9. (a) The place of supply of insurance services provided to a person other than a registered person, be the location of the recipient of services on the records of the supplier of services. Thus, in the given case, the place of supply is the location of the recipient of services in the records of the supplier, i.e. Patna.
- (b) The place of supply of services by way of transportation of goods, including by mail or courier to a registered person, is the location of such person. Thus, in the given case, the recipient being

registered, the place of supply is the location of recipient, i.e. New Delhi.

- (c) The place of supply of telecommunication services including data transfer, broadcasting, cable and direct to home television services to any person in case of mobile connection for telecommunication and internet services provided on post-paid basis, be the location of billing address of the recipient of services on the record of the supplier of services. Thus, in the given case, the place of supply is the location of billing address of the recipient, i.e. Mumbai.
10. A supplier who has opted for composition scheme is not required to maintain following records:
- (a) **Stock of goods:** Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
- (b) **Details of tax:** Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

**Applicability of Standards/Guidance Notes/Legislative Amendments etc. for
January, 2025 Examination**

Intermediate Level

Paper 2: Corporate and Other Laws

The provisions of the Companies Act, 2013 and the Limited Liability Partnership Act, 2008 along with significant Rules/ Notifications/ Circulars/ Clarification/ Orders issued by the Ministry of Corporate Affairs, and the laws covered under Part II: Other Laws, as amended by concerned authority, including significant notifications and circulars issued up to 30.06.2024 are applicable for January 2025 examination.

The Study Material has to be read along with the 'Relevant Legislative amendments for January 2025 examinations' for the period of 1.5.2023 to 30.06.2024.

Paper 3: Taxation

Section A: Income-tax Law

The provisions of income-tax law, as amended by **the Finance Act, 2023**, including significant circulars, notifications, press releases issued and legislative amendments made **upto 30.06.2024**, are applicable for January, 2025 examination. The relevant assessment year for income-tax is **A.Y. 2024-25**.

The Study Material for Intermediate Paper 3A, based on the provisions of income-tax law, as amended by the Finance Act, 2023, is relevant for January, 2025 examination. The Study Material has to be read along with the **Statutory Update** covering significant notifications and circulars issued between 1.5.2023 to 30.06.2024. Statutory Update for January, 2025 examination has been webhosted at <https://resource.cdn.icai.org/81242bos65468.pdf>

Note –The Study Guidelines specifying the list of topic-wise exclusions from the scope of syllabus and topic-wise inclusion of clauses of section 10 in the syllabus is webhosted at <https://resource.cdn.icai.org/76864bos61928.pdf>

Section B: Goods and Services Tax**Applicability of the GST law**

The provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2023 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 30.06.2024, are applicable for January 2025 examination.

The amendments made by the Annual Union Finance Acts in the CGST Act, 2017 and IGST Act, 2017 are made effective from the date notified subsequently. Thus, only those amendments made by the relevant Finance Acts which have become effective till 30.06.2024 are applicable for January 2025 examination.

*Accordingly, all the amendments made by the Finance Act, 2023 are applicable for January 2025 examination. Further, **since the amendments made by the Central Goods and Services Tax (Amendment) Act, 2023 and Integrated Goods and Services Tax (Amendment) Act, 2023, (enacted as on 18.08.2023) have become effective from 01.10.2023, the same are also applicable for January 2025 examination.***

The Study Guidelines given below specify the exclusions from the syllabus for January 2025 examination.

List of topic-wise exclusions from the syllabus		
(1)	(2)	(3)
S. No. in the syllabus	Topics of the syllabus	Exclusions (Provisions which are excluded from the corresponding topic of the syllabus)
2(iii)	Charge of tax including reverse charge	CGST Act, 2017 (i) Rate of tax prescribed for supply of goods* (ii) Rate of tax prescribed for supply of services* (iii) Categories of supply of goods, tax on which is payable on reverse charge basis under section 9(3)

		<p>IGST Act, 2017</p> <p>(i) Rate of tax prescribed for supply of goods</p> <p>(ii) Rate of tax prescribed for supply of services</p> <p>(iii) Categories of supply of goods, tax on which is payable on reverse charge basis under section 5(3)</p>
2(iv)	Exemption from tax	<p>CGST Act, 2017 & IGST Act, 2017</p> <p>Exemptions for supply of goods</p>
3(ii)	Basic concepts of place of supply	<p>IGST Act, 2017 & IGST Rules, 2017</p> <p>(i) Place of supply of goods imported into, or exported from India</p> <p>(ii) Place of supply of services where location of supplier or location of recipient is outside India</p> <p>(iii) Special provision for payment of tax by a supplier of online information and database access or retrieval [OIDAR] services</p> <p>(iv) Refund of integrated tax paid on supply of goods to tourist leaving India</p> <p>(v) Special provision for specified actionable claims supplied by a person located outside taxable territory</p>
3(iii)	Basic concepts of time of supply	<p>CGST Act, 2017 & CGST Rules, 2017</p> <p>Provisions relating to change in rate of tax in respect of supply of goods or services</p>
3(iv)	Basic concepts of value of supply	<p>CGST Act, 2017 & CGST Rules, 2017</p> <p>Chapter IV: Determination of Value of Supply [Rules 27-35] of CGST Rules, 2017</p>
3(v)	Basic concepts of input tax credit	<p>CGST Act, 2017 read with CGST Rules, 2017</p>

		<ul style="list-style-type: none"> (i) Claim of credit by a banking company or a financial institution [Rule 38] (ii) Manner of determination of input tax credit in respect of inputs or input services and reversal thereof [Rule 42] (iii) Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases [Rule 43] (iv) Input tax credit provisions in respect of inputs and capital goods sent for job work. (v) Input tax credit provisions relating to distribution of credit by Input Service Distributor [ISD] (vi) Manner of recovery of credit distributed in excess (vii) Manner of reversal of credit of additional duty of customs in respect of Gold dore bar
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*Rates specified for computing the tax payable under composition levy are included in the syllabus.

Note: The syllabus includes select provisions of the CGST Act, 2017 and IGST Act, 2017 and not the entire CGST Act, 2017 and the IGST Act, 2017. The provisions covered in any topic(s) of the syllabus which are related to or correspond to the topics not covered in the syllabus shall also be excluded.

In the above table, in respect of the topics of the syllabus specified in column (2) the related exclusion is given in column (3). Where an exclusion has been so specified in any topic of the syllabus, the provisions corresponding to such exclusions, covered in other topic(s) forming part of the syllabus, shall also be excluded. For example, since provisions relating to ISD are excluded from the topics "Input tax credit", the provisions relating to (i) registration of ISD and (ii) filing of returns by an ISD are also excluded from the topics "Registration" and "Returns" respectively.

The entire content included in the Study Material and the Statutory Update for January 2025 examination shall alone be relevant for the said examination. The amendments in the GST law made after the issuance of the Study Material - to the extent covered in the Statutory Update for January 2025 examination shall be relevant for the said examination.

Though the Statutory Update for January 2025 examination shall provide the precise scope and coverage of the amendments, for the sake of clarity, it may be noted that the amendments made in the various provisions of the GST law for providing relief to the taxpayers of Manipur shall not be applicable for January 2025 examination.