



UDESHE REGULAR JAN 2025 (GROUP-1)

Marks : 50

01/09/2024
Time : 90 Min

Master Test – 1

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

Wherever necessary suitable assumptions may be made and disclosed by way of a note.

Working Notes should form part of the answer

Question 1 (i to x)

(1 Mark × 10 = 10 Marks)

- 1(i).** Additional guidance given in Ind AS over and above what is given in IFRS are called?
- (1) Carve-outs
 - (2) Carve-ins
 - (3) Clarifications
 - (4) Carve Clarifications
- (ii).** All non-corporate entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees two crores but does not exceed rupees ten crores at any time during the immediately preceding accounting year.
- (1) Level II entities.
 - (2) Level IV entities.
 - (3) Level III entities.
 - (4) Level I entities.
- (iii).** Which of the following is NOT a major consideration in selection and application of accounting policies?
- (1) Prudence
 - (2) Comparability
 - (3) Materiality
 - (4) Substance over form
- (iv).** All of the following costs are excluded while computing value of inventories except?
- (1) Selling and Distribution costs
 - (2) Abnormal wastage
 - (3) Storage costs
 - (4) Allocated fixed production overheads based on normal capacity.
- (v).** How should the cost of raw materials be measured under AS 2?
- (1) Cost plus a reasonable profit margin
 - (2) Cost minus a reasonable profit margin
 - (3) Costs (if finished goods are sold at cost or at above cost)
 - (4) Market value only
- (vi).** X Ltd. has received a grant of ₹ 20 crore for purchase of a qualified machine costing ₹ 80 crore. X Ltd has a policy to recognise the grant as a deduction from the cost of asset. The expected remaining useful life of machine is 10 years. Assume that there is no salvage value & the depreciation method is straight-line. The amount of annual depreciation to be charged as an expense in Profit and Loss Statement will be:
- (1) ₹ 10 crore
 - (2) ₹ 6 crore
 - (3) ₹ 2 crore
 - (4) ₹ 8 crore

- (vii). XYZ Limited reported a net profit of ₹ 50,00,000 for the year ended 31st December 2022. The company had 20 Lakh ordinary shares outstanding throughout the year. On 1st July 2022, XYZ issued ₹ 30,00,000 of 5% convertible bonds of ₹100 each convertible into 10 shares. The bonds were outstanding for the entire year, and XYZ pays tax at a rate of 25%. Calculate the diluted earnings per share (EPS) for the year ended 31st December 2022.
- (1) 1.80
 - (2) 2.00
 - (3) 2.50
 - (4) 2.35
- (viii). A Ltd. acquired 2,000 equity shares of Omega Ltd. on cum-right basis at ₹ 75 per share. Subsequently, Omega Ltd. made a right issue of 1:1 at ₹ 60 per share, which was subscribed for by A. Total cost of investments at the yearend will be ₹
- (1) 2,70,000.
 - (2) 1,50,000.
 - (3) 1,20,000.
 - (4) 1,70,000.
- (ix). Ankesh Ltd. is a company that is required to present its financial statements as per the Schedule III. While making ageing of trade receivables what are the first 2 classifications?
- (1) Less than 12 months , 12 months – 24 months
 - (2) Less than 6 months , 6 months – 12 months
 - (3) Less than 6 months , 6 months – 24 months
 - (4) None of the above
- (x). Nora Ltd., arrived at a net profit of ₹ 5,00,000 for the year ended March 31, 2023. Depreciation for the year was ₹ 2,00,000. There was a profit of ₹ 50,000 on assets sold which was transferred to Statement of Profit and Loss account. Trade Receivables increased during the year ₹ 40,000 and Trade Payables also increased by ₹ 60,000. Compute the cash flow from operating activities by indirect method.
- (1) ₹ 5,50,000
 - (2) ₹ 5,60,000
 - (3) ₹ 6,70,000
 - (4) ₹ 6,60,000

2. The following balances are extracted from the books of Traves Limited as on 31st March 2023:

| Particular | Amount ₹ | |
|---|-----------|-----------|
| | Debit | Credit |
| 7% Debentures | | 48,45,000 |
| Plant & Machinery (at cost) | 37,43,400 | |
| Trade Receivables | 35,70,000 | |
| Land | 97,37,000 | |
| Debenture Interest | 3,39,150 | |
| Bank Interest | 13,260 | |
| Sales | | 47,22,600 |
| Transfer Fees | | 38,250 |
| Discount received | | 66,300 |
| Purchases | 28,86,600 | |
| Inventories 1.04.2022 | 4,97,250 | |
| Factory Expenses | 2,58,060 | |
| Rates, Taxes and Insurance | 65,025 | |
| Repairs | 1,49,685 | |
| Sundry Expenses | 1,27,500 | |
| Selling Expenses | 26,520 | |
| Directors Fees | 38,250 | |
| Interest on Investment for the year 2022-2023 | | 55,000 |
| Provision for depreciation | | 5,96,700 |
| Miscellaneous receipts | | 1,42,800 |

Additional information:

- Closing inventory on 31.03.2023 is ₹ 4,76,850.
- Miscellaneous receipts represent cash received from the sale of the Plant on 01.04.2022. The cost of the Plant was ₹ 1,65,750 and the accumulated depreciation thereon is ₹ 24,865.
- The Land is re-valued at ₹ 1,08,63,000.
- Depreciation is to be provided on Plant & Machinery at 10% p.a. on cost.
- Make a provision for income tax @ 25%.
- The Board of Directors declared a dividend of 10% on Equity shares on 4th April, 2023.

You are required to prepare a Statement of Profit and Loss as per Schedule III of the Companies Act, 2013 for the year ended 31.03.2023. (Ignore previous year figures)

(10 Marks)

3(a). Prepare cash flow statement of Gama Limited for the year ended 31st March, 2021 in accordance with AS-3 from the following cash account summary:

Cash summary Account

| Inflows | ₹ ('000) | Outflows | ₹ ('000) |
|-------------------------------------|----------|--------------------------------------|----------|
| Opening Balance | 945 | Payment to suppliers | 54,918 |
| Receipts from Customers | 74,682 | Purchase of Investments | 351 |
| Sale of Investments (Cost 4,05,000) | 459 | Property, plant & equipment acquired | 6,210 |
| Issue of Shares | 8,100 | Wages and salaries | 1,863 |
| Sale of Property, Plant & equipment | 3,456 | Payment of Overheads | 3,105 |
| | | Taxation | 6,561 |

| | | | |
|--|---------------|---------------------------------|---------------|
| | | Dividends | 2,160 |
| | | Repayment of Bank Overdraft | 6,750 |
| | | Interest paid on Bank Overdraft | 1,350 |
| | | Closing Balance | 4,374 |
| | 87,642 | | 87,642 |

(5 Marks)

3(b). As at 1st April, 2019 a company had 6,00,000 equity shares of ₹ 10 each (₹ 5 paid up by all shareholders). On 1st September, 2019 the remaining ₹ 5 was called up and paid by all shareholders except one shareholder having 60,000 equity shares. The net profit for the year ended 31st March, 2020 was ₹ 21,96,000 after considering dividend on preference shares totalling to ₹ 3,40,000. Compute Basic EPS for the year ended 31st March, 2020 as per Accounting Standard 20 "Earnings Per Share"

(5 Marks)

4. P Ltd. had 8,000 equity shares of K Ltd., at a book value of ₹ 15 per share (face value of ₹ 10 each) on 1st April, 2021. On 1st September, 2021, P Ltd. acquired another 2,000 equity shares of K Ltd. at a premium of ₹ 4 per share. K Ltd. announced a bonus and right issue for existing shareholders.

The term of bonus and right issue were:

- (i) Bonus was declared at the rate of two equity shares for every five shares held on 30th September, 2021.
- (ii) Right shares are to be issued to the existing shareholders on 1st December, 2021. The Company had issued two right shares for every seven shares held at 25% premium on face value. No dividend was payable on these shares. The whole sum being payable by 31st December, 2021.
- (iii) Existing shareholders were entitled to transfer their rights to outsiders either wholly or in part.
- (iv) P Ltd. exercised its option under the issue for 50% of its entitlements and sold the remaining rights for ₹ 8 per share.
- (v) Dividend for the year ended 31st March, 2021 at the rate of 20% was declared by K Ltd. and received by P Ltd. on 20th January, 2022.
- (vi) On 1st February, 2022, P Ltd. sold half of its shareholdings at a premium of ₹ 4 per share.
- (vii) The market price of share on 31st March, 2022 was ₹ 13 per share.

You are required to prepare the Investment account of P Ltd. for the year ended 31st March, 2022 and determine the value of shares held on that date, assuming the investment as current investment. Consider average cost basis for ascertainment of cost for equity share sold.

(10 Marks)

5(a). Ridgeway Limited, a Non-Financial company has the following activities:

- a) Dividend paid for the year.
- b) TDS on interest income earned on investments made.
- c) Loans and advances given to suppliers and interest earned from them.
- d) Deposit with bank for a term of two years.
- e) Highly liquid Marketable Securities (without risk of change in value).
- f) Investments made and dividends earned on them.
- g) Insurance claims received against loss of stock or loss of profits.
- h) Loans and advances given to subsidiaries and interest earned from them.
- i) Issue of Bonus Shares.
- j) Term loan repaid.

You are required to classify the above activities in Cash Flow Statement as per 'AS-3'.

(5 Marks)

5(b). A specific government grant of ₹ 15 lakhs was received by USB Ltd. for acquiring the Hi-Tech Dairy plant of ₹ 95 lakhs during the year 2018-19. Plant has useful life of 10 years. The grant received was credited to deferred income in the balance sheet. During 2021-22, due to noncompliance of conditions laid down for the grant, the company had to refund the whole grant to the Government. Balance in the deferred income on that date was ₹ 10.50 lakhs and written down value of plant was ₹ 66.50 lakhs.

- What should be the treatment of the refund of the grant and the effect on cost of plant and the amount of depreciation to be charged during the year 2021-22 in P&L Account?
- What should be the treatment of the refund, if grant was deducted from cost of the plant during 2018-19 assuming plant account showed the balance of ₹ 56 lakhs as on 1.4.2021?

You are required to explain in the line with provisions of AS 12.

(4 Marks)

5(c). A company was classified as Non-SMC in 2021-22. In 2022-23 it has been classified as SMC. The management desires to avail the exemption or relaxations available for SMCs in 2022-23. However, the accountant of the company does not agree with the same. Comment

(1 Mark)

Attempt any two out of following three Questions.

6(a). State whether the following statements are 'True' or 'False'. Also give reason for your answer.

- Certain fundamental accounting assumptions underline the preparation and presentation of financial statements. They are usually specifically stated because their acceptance and use are not assumed.
- If fundamental accounting assumptions are not followed in presentation and preparation of financial statements, a specific disclosure is not required.
- All significant accounting policies adopted in the preparation & presentation of financial statements should form part of the financial statements.
- Any change in an accounting policy, which has a material effect should be disclosed. Where the amount by which any item in the financial statements is affected by such change is not ascertainable, wholly or in part, the facts need not to be indicated.
- There is no single list of accounting policies which are applicable to all circumstances

(5 Marks)

6(b). Wooden Plywood Limited has a normal wastage of 5% in the production process. During the year 2021-22, the Company used 16,000 MT of Raw material costing ₹ 190 per MT. At the end of the year, 950 MT of wastage was in stock. The accountant wants to know how this wastage is to be treated in the books. You are required to:

- Calculate the amount of abnormal loss.
- Explain the treatment of normal loss and abnormal loss. [In the context of AS-2 (Revised)]

(5 Marks)

6(c). “At the time calculating diluted earnings per share, effect is given to all dilutive potential equity shares that are outstanding during the period”. Comment and also calculate the basic and diluted earnings per share for the year 2020-21 from the following information

| | |
|---|-----------|
| Net profit after tax for the year | 64,12,500 |
| No. of equity shares outstanding | 15,00,000 |
| No. of 9% convertible debentures of ₹ 100 each issued on 1st July, 2020 | 75,000 |
| Each debenture is convertible into 8 equity shares | |
| Tax relating to interest expense | 35% |

(5 Marks)



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Master Test Series - 1

UDESHP REGULAR JAN 2025

Total Marks-50

Taxation

General Instructions to Candidates

Question No. 1 is compulsory Answer any two questions from the remaining three question.

Working Notes should form part of the answers.

Income Tax
Objective

1. Mr. Ramanad, engaged in the business of plying, hiring, or leasing of goods carriers as of 1st April 2023 was having 3 trucks of gross vehicles weight of fewer than 12,000 kgs. each. One truck out of these 3 trucks was sold by him on 23rd July 2023 and after its sale, 2 more trucks (1 of less than 12,000 kgs. and 1 of 16,900 kgs.) were purchased on 5th September 2023. He wants to declare the income of trucks as per provisions of section 44AE of the Act and be required to declare such income at ₹ in the return for A.Y. 2024-25 from plying of these vehicles during the previous year ended on 31st March 2023.

(2 Marks)

- (1) ₹ 3,54,500
(2) ₹ 3,81,500
(3) ₹ 3,15,000
(4) ₹ 3,74,000

2. Ranga & Co. had as of 1.4.2023 plant and machinery whose written down value was ₹ 12,00,000. It acquired 2 plants on 3.11.2023 for ₹ 6 lakhs. The applicable depreciation rate is 15%. The eligible depreciation including additional depreciation for the AY 2024-25 would be:

(2 Marks)

- (1) ₹ 2,70,000
(2) ₹ 2,55,000
(3) ₹ 2,85,000
(4) ₹ 2,25,000

3. For A.Y. 2024-25, Mr. Rajesh, a resident Indian, earns income of Rs. 12 lakhs from sale of coffee grown and cured in India. His friend, Mr. Ganesh, a resident Indian, earns income of Rs. 25 lakhs from sale of coffee grown, cured, roasted and grounded by him in India. What would be the business income chargeable to tax in India of Mr. Rajesh and Mr. Ganesh?

(2 Marks)

- (1) Rs. 3,00,000 and Rs. 6,25,000, respectively
(2) Rs. 3,00,000 and Rs. 10,00,000, respectively
(3) Rs. 4,80,000 and Rs. 10,00,000, respectively
(4) Rs.9,00,000 and Rs. 15,00,000 , respectively

4. Mr. Raj, aged 32 years, presents you the following data for A.Y. 2024-25 :

| Particulars | Rs. in lakhs |
|---|--------------|
| Gross receipts from business conducted entirely through banking channels (opted for section 44AD) | 70 |
| Capital gains under section 112A | 5 |
| Capital gains under section 111A | 3 |
| Winnings from horse races | 1 |

What would be the tax liability under optional tax regime as per the regular provisions of the Income-tax Act, 1961 of Mr. Raj for the A.Y. 2024-25 ?

(2 Marks)

- (1) Rs. 1,28,440
(2) Rs. 1,05,560
(3) Rs. 1,38,840
(4) Rs. 1,45,080

5. Ganesh and Rajesh are co-owners of a self occupied property. They own share 50% each. The interest paid by each co-owner during the previous year 2023-24 on loan (taken for acquisition of property during the year 2004) is Rs. 2,05,000. The amount of allowable deduction in respect of each co-owner, if they have exercised the option of shifting out of the default regime provided under section 115BAC(1A), is ?

(2 Marks)

- (1) Rs. 2,05,000
- (2) Rs. 1,02,500
- (3) Rs. 2,00,000
- (4) Rs. 1,00,000

6. Mr. Square, an Indian citizen, currently resides in Dubai. He came to India on a visit and his total stay in India during the F.Y. 2023-24 was 135 days. He is not liable to pay any tax in Dubai. Following is his details of stay in India in the preceding previous years :

| Financial Year | Days of Stay in India |
|----------------|-----------------------|
| 2022-23 | 100 |
| 2021-22 | 125 |
| 2020-21 | 106 |
| 2019-20 | 83 |
| 2018-19 | 78 |
| 2017-18 | 37 |
| 2016-17 | 40 |

What shall be his residential status for the P.Y. 2023-24 if his total income (other than income from foreign sources) is Rs. 10 lakhs ?

(2 Marks)

- (1) Resident but not ordinary resident
- (2) Resident and ordinary resident
- (3) Non-resident
- (4) Deemed resident but not ordinarily resident

7. Mr. Hari received voluntary retirement compensation of Rs. 8,00,000 after 30 years 2 months, he was drawing basic salary Rs. 15,000 p.m.; Dearness allowance (which forms part of pay) Rs. 3,000 p.m. Compute his taxable voluntary retirement compensation, assuming that he does not claim any relief under section 89-

(2 Mark)

- (1) Rs. 8,00,000
- (2) Rs. 5,00,000
- (3) Rs. 3,00,000
- (4) Nil

8. Income from a business in Australia, controlled from Australia is taxable in case of ?

(1 Mark)

- (1) Resident and ordinarily resident only
- (2) Resident and ordinarily resident and resident but not ordinarily resident
- (3) Non-resident
- (4) All the above

Income Tax Subjective

1a. Mr. X has income as given below:

| | |
|--------------------------------|---------------|
| Income under the head Salary | Rs.150,00,000 |
| LTCG 112A | Rs.21,00,000 |
| STCG 111A | Rs.10,00,000 |
| Dividend from domestic company | Rs.30,00,000 |

Suppose in the above details income under the head Salary Rs. 300,00,000

(5 Marks)

1b. Mr Prakash is in the business of operating goods vehicles. Compute his income u/s 44AE of the Income Tax Act, 1961 for AY 2024-25. As on 1st April 2023, he had the following vehicles:

| Vehicle | Gross Vehicle Weight (in kgs) | Date of Purchase | Put to use during FY 2023-24 |
|---------|-------------------------------|------------------|------------------------------|
| A | 8,500 | 2-4-2022 | Yes |
| B | 13,000 | 15-5-2022 | Yes |
| C | 12,000 | 4-8-2022 | No (as under repairs) |

During FY 2023-24, he purchased the following vehicles:

| Vehicle | Gross Vehicle Weight (in kgs) | Date of Purchase | Put to use during FY 2023-24 |
|---------|-------------------------------|------------------|------------------------------|
| D | 11,000 | 30-4-2023 | 10-5-2023 |
| E | 15,000 | 15-5-2023 | 18-5-2023 |

(5 Marks)

1c. Mr. Chauhan has the following salary structure :

| | |
|---|--------------------------------|
| a) Basic Salary | ₹ 5,000 p.m |
| b) Entertainment Allowance | ₹ 1,000 p.m. |
| c) Education Allowance | ₹ 500 p.m. (he has 3 children) |
| d) DA | ₹ 3,000 p.m. |
| e) Fees | ₹ 5,000 p.a. |
| f) Bonus | ₹ 10,000 p.a. |
| g) Professional tax of employee paid by employer ₹ 2,000 for the year | |
| h) He has been provided a rent-free accommodation in | |
| i) 60% of DA only forms part of retirement benefits | |

Compute taxable value of accommodation in the hands of Mr. Chauhan in the following cases :

- The employer owns such accommodation.
- The employer hires such accommodation at a monthly rent of ₹ 900

(5 Marks)

2a. Raj, a resident in India, owns two house property, one in Delhi and another in Kanpur. The property in Kanpur is self-occupied by Mr. Raj, however, the property in Delhi is let out throughout the year. The particulars of the Delhi house for the P.Y. 2023-24 are as under:

| | |
|---------------------------------|---------------------------|
| Standard rent | Rs 1,72,000 p.a. |
| Municipal valuation | Rs 2,05,000 p.a. |
| Fair rent | Rs 1,95,000 p. a |
| Rent received | Rs 15,000 p.m. |
| Municipal tax (Paid by Mr. Raj) | 5% of municipal valuation |

Municipal tax paid by Mr. Raj on 10.6.2023 for Kanpur house is Rs 3,500. Mr. Raj had taken a loan from SBI of Rs 35 lakhs@12 p.a. in April, 2021 for purchase of Delhi house. The stamp duty value of this house was Rs 40 lakhs. Mr. Raj purchased a plot in Kanpur in May, 2021 and the construction of the Kanpur house was began in June, 2021 and was completed on December, 2022. Mr. Raj took a loan of Rs 25,00,000@10% on 1-7-2021 for the construction of this house. No repayment has been done so far for both the loans.

During the P.Y. 2023-24, Mr. Raj has earned a salary income of Rs 18,00,000. Compute total income of Mr. Raj for the A.Y. 2024-25 under default tax regime.

(5 Marks)

- 2b.** Mr Dheeraj, aged 48 years, a resident Indian has furnished following particulars for the year ended 31.03.2024:
1. He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of Rs 3,34,000. He has paid municipal taxes of Rs 30,000 for the current financial year. Both these floors are of equal size.
 2. As per interest certificate from ICICI bank, he paid Rs 1,80,000 as interest and Rs 95,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2016
 3. He owns an industrial undertaking established in a SEZ and which had commenced operation during FY 2021-22. Total turnover of the undertaking was Rs 400 lakhs, which includes Rs 120 lakhs from export turnover. This industrial undertaking fulfills all the conditions of Section 10AA of the Income Tax Act, Profit from this industry is Rs 45 lakhs.
 4. He employed 20 new employees for the said industrial undertaking during PY 2023-24. Out of 20 employees, 12 were employed on 1st May 2023 on monthly emoluments of Rs 18,000 and remaining were employed on 1st August 2023 on monthly emoluments of Rs 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
 5. He earned Rs 30,000 and Rs 45,000 as interest on saving bank deposits and fixed deposits respectively.
 6. He paid insurance premium of Rs 49,000 towards life insurance policy of his son, who is not dependent on him. You are requested to compute his total income and tax liability of Mr Dheeraj for AY 2024-25.

(5 Marks)

- 3.** Rita, an Indian citizen and an MBA from Howard University, was employed in AFL LLP of Country A since June, 2016. She came to India on 15.11.2023 and joined as CEO of Autofit Ltd. Ms. Rita was in India before she left for overseas education in May, 2012 and was subsequently employed outside India and never visited India thereafter. There is no income tax in Country A. She has earned interest income of Rs 2,40,000 (net) in Country A and salary income from AFL LLP of Rs 15 lakhs up to the date of her return to India in the financial year 2023 -24. Salary income (computed) of Ms. Rita from Autofit Ltd. up to 31.03.2024 is Rs 13,50,000 and she earned dividend of Rs 3,00,000 from shares of an Indian company. What would be the residential status of Ms. Rita and her total income for the A.Y. 2024-25?

(10 Marks)

- 4a.** You are required to compute the income from salary of Mr. Raja under default tax regime from the following particulars for the year ended 31-03-2024:
- ♦ He retired on 31-12-2023 at the age of 60, after putting in 25 years and 9 months of service, from a private company at Delhi.
 - ♦ He was paid a salary of Rs 25,000 m. and house rent allowance of Rs 6,000 p.m. He paid rent of Rs 6,500 p.m., during his tenure of service.
 - ♦ On retirement, he was paid a gratuity of Rs 3,50,000. He was covered by the payment of Gratuity Act, 1972. He had not received any other gratuity at any point of time earlier, other than this gratuity.
 - ♦ He had accumulated leave of 15 days per annum during the period of his service; this was encashed by him at the time of his retirement. A sum of Rs 3,15,000 was received by him in this Employer allowed 30 days leave per annum.
 - ♦ He is receiving Rs 5,000 as pension. On 1.2.2024, he commuted 60% of his pension and received Rs 3,00,000 as commuted pension.
 - ♦ The company presented him with a gift voucher of ₹ 5,000 on his retirement. His colleagues also gifted him a mobile phone worth Rs 50,000 from their own contribution.

(5 Marks)

- 4b.** ABC Ltd is a domestic company. Compute the tax liability of company for AY 2024-25. The company has income under the head Business/Profession ₹ 10,02,00,000

(5 Marks)



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Master Test - 01
Mark : 50

CA Intermediate Udesh Regular Jan 2025 (Group-01)

07/09/2024
Time : 90 Mins

Corporate and Other Laws

Case Study 1

Mr. Harbjan Singh is a philanthropist apart from being the founder and director of Prabhas (P) Ltd. with paidup share capital of Rs 5 crore, engaged in business of renowned textile brand named, 'Prabhas'. He is running an old age home, a shelter-home for orphans apart from a chain of art and language schools. These philanthropic initiatives and educational institutions established by him are operating under the banner of a charitable trust, in which he himself is one of the trustees. The company is losing market share due to stiff competition from readymade brands resulting decline in turnover to Rs 180 lakhs during the immediately preceding financial year, out of which 45% consists of export sales.

His son, Jitendra, who is also a shareholder and director in Prabhas (P) Ltd., wishes to start a new business of e-learning platform and research-based technical education. He opted for a corporate form of doing business, because this may help in reaching out to leading global universities to sign MoUs' for student and faculty exchange programs, in order to establish a global brand, especially after the rollout of the new education policy. Jitendra wants to retain the entire control of educational activities. Jitendra met their family friend, Mr. Chopda, who is a renowned practicing Chartered Accountant. Mr. Chopda explains the various forms of companies, including One Person Company (OPC) with the procedural requirements for each, which could be considered by Jitendra for his education business. Jitendra decided to form OPC after considering the various pros and cons.

Jitendra appoints Mr. Adam as a nominee to his OPC. Mr. Adam who is in his 30s, is an academician and scholar, a graduate from MIT in CSE, and has done his masters with Jitendra. Mr. Adam is from Cambridge, Massachusetts, USA and is basically a US national. But, he has been staying in India only, for the last couple of years. Mr. Adam helps Jitendra in the promotion of OPC.

Mr. Chopda is an auditor of Moon Pharma Limited, the AGM of which was convened on 31st August 2021. At that AGM, based upon the board's recommendation, Moon Pharma Limited decided to issue fully paid up bonus share to its members out of its reserve and surplus available with it, which are as follows:

| Particulars | Amount Rs (crores) |
|---|--------------------|
| Free Reserves | 1.24 |
| Securities Premium Account | 0.82 |
| Capital Redemption Reserve Account | 1.07 |
| Reserves created by the revaluation of assets | 0.63 |

1. Considering the validity of nominating Mr. Adam to the One Person Company of Jitendra, out of the following, which statement holds truth?

(2 Marks)

- (1) Mr. Adam is a valid nominee because he is a natural person.
- (2) Mr. Adam is a valid nominee because he is a natural person and is resident in India.
- (3) Mr. Adam is a valid nominee because he attains the majority and is also engaged in the promotion of OPC.
- (4) Mr. Adam is not a valid nominee, because he is not a citizen of India.

2. What is the maximum amount, up-to which fully paid bonus shares can be issued by Moon Pharma Limited?

(2 Marks)

- (1) 2.06 crores
- (2) 3.13 crores
- (3) 3.76 crores
- (4) 2.69 crores



3. Mr. Harbjan wants to take the benefits of relaxation available to a small company. Does Prabhas (P) Ltd. meet the criteria to be classified as a small company? **(2 Marks)**
- (1) Yes, because turnover is less than prescribed limit.
 - (2) Yes, because both paid-up share capital and turnover are less than the prescribed limit.
 - (3) No, because paid-up share capital is more than the prescribed limit.
 - (4) No, because both paid-up share capital and turnover is more than the prescribed limit.
4. As per section 2(87) of the Companies Act, 2013 Subsidiary company or Subsidiary, in relation to any other company, means a company in which the holding company _____. **(2 Marks)**
- (1) Controls the composition of the Board of Directors;
 - (2) Exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary company.
 - (3) Either (1) or (2)
 - (4) None of the Above
5. Angel Infrastructures Pvt. Ltd. with a paid-up capital of ₹ 3.5 crores and annual turnover of ₹ 37.5 crores, is a wholly owned subsidiary of Almighty Infrastructure Development Ltd. a listed company. Can Angel Infrastructures be called a small company? **(2 Marks)**
- (1) Yes. The paid up capital and annual turnover of Angel Infrastructure Pvt. Ltd. is not exceeding the limit as specified under the definition of Small company.
 - (2) No. Because Angel Infrastructure Pvt. Ltd. is a wholly owned subsidiary company.
 - (3) No. Because Angel Infrastructure Pvt. Ltd. is not a subsidiary of a listed company.
 - (4) No. Because the paid-up capital is ₹ 3.5 crores is less than prescribed limit of ₹ 4 crores but its turnover is exceeding ₹20 crores.
6. Aliya incorporated a 'One Person Company (OPC) with his sister Pooja as the nominee and about three years have passed satisfactorily. Aliya does a number of charitable works and is associated with three NGOs. His business under his OPC has also flourished. Now he is planning to convert the OPC into a Section 8 company (i.e. a company formed with charitable objects). Choose the correct option. **(1 Mark)**
- (1) Since the company belongs to Aliya, he has full discretion to convert the OPC either as a Section 8 company or as a private or public company.
 - (2) Since the company was formed as a private company, the only option available with Aliya is to convert it into a public limited company.
 - (3) There is specific prohibition on converting OPC into a Section 8 company; otherwise it can be converted into a private or public company without any hindrance.
 - (4) Since Aliya does a lot of charitable works there is no prohibition on converting his OPC into a Section 8 company.



7. The subscribers to the Memorandum of Association-
- (1 Mark)**
- (1) become a member as soon as company is registered.
 - (2) are members irrespective of any formality as to registration etc.
 - (3) may become members only if there is a specific provision to that effect in the Company's Articles of Association.
 - (4) In a depository system, the following is considered to be a member of the company.
8. Namita Ceramic Goods Limited having 152 members was incorporated with the main objects of manufacture of ceramic goods, glazed, unglazed floor and wall tiles, etc. and to carry on trading in such products. After three years of successful operation, it wants to diversify its business by entering into the field of manufacturing electronic goods for which it is required to alter its objects clause. Advise the company in relation to alteration of Memorandum.
- (1 Mark)**
- (1) The company can alter its Memorandum of Association by passing an ordinary resolution and obtaining the confirmation of the Regional Director (RD).
 - (2) The company can alter its Memorandum of Association by passing a special resolution at the shareholders' meeting.
 - (3) The company can alter its Memorandum of Association in relation to the objects clause by passing a special resolution at the shareholders' meeting and obtaining the confirmation of the Regional Director (RD).
 - (4) The company can alter its Memorandum of Association in relation to the objects clause by passing a special resolution at the shareholders' meeting and simultaneously publishing the contents of special resolution in two newspapers (one in English and the other one in vernacular language) circulating in that area.
9. Where there is a change in the rights of one class of shareholders of a company that also affects the rights of another class therein, then:
- (1 Mark)**
- (1) A special resolution should be passed at a general meeting in this regard
 - (2) The company need not to do anything further
 - (3) the consent in writing of three-fourths of such other class of shareholders shall also be obtained
 - (4) A resolution at a joint meeting of both the classes should be passed
10. A Limited Company is accepting deposits of various tenures from its members from time to time. The current Register of Deposits, maintained at its registered office is complete. State the mandatory minimum period for which it should be preserved in good order.
- (1 Mark)**
- (1) Four years from the financial year in which the latest entry is made in the Register.
 - (2) Six years from the financial year in which the latest entry is made in the Register.
 - (3) Eight years from the financial year in which the latest entry is made in the Register.
 - (4) Ten years from the latest date of entry.



Descriptive Questions

Question No. 1 is compulsory.

Attempt any Two questions out of the remaining Three questions.

1(a). BATA Private Ltd. is a company registered under the Companies Act, 2013 with a paid-up share capital of Rs. 2 crore and turnover of Rs. 60 crore. Explain the meaning of the “Small Company” and examine the following in accordance with the provisions of the Companies Act, 2013:

- (i) Whether the BATA Private Ltd. can avail the status of small company?
- (ii) What will be your answer if the turnover of the company is Rs. 30 crore?

(5 Marks)

1(b). A group of individuals intend to form a club namely 'Budding Pilots Flying Club' as a limited liability company to impart classroom teaching and aircraft flight training to trainee pilots. It was decided to form a limited liability company for charitable purpose under Section 8 of the Companies Act, 2013 for a period of ten years and thereafter the club will be dissolved and the surplus of assets over the liabilities, if any, will be distributed amongst the members as a usual procedure allowed under the Companies Act, 2013. Examine the feasibility of the proposal and advise the promoters considering the provisions of the Companies Act, 2013.

(5 Marks)

1(c). Anand Limited wants to raise funds for its upcoming project. Accordingly, it has issued private placement offer letters for issuing equity shares to 55 persons, of which four are qualified institutional buyers and remaining are individuals. Before the completion of allotment of equity shares under this offer letter, company issued another private placement offer letter to another 155 persons in their individual names for issue of its debentures.

Being a public company is it possible for Anand Limited to issue securities under a private placement offer? By doing so, whether the company is in compliance with provisions relating to private placement or should these offers be treated as public offers? What if the offer for debentures is given after allotment of equity shares but within the same financial year?

(5 Marks)

2(a). ABC Ltd. has following balances in their Balance Sheet as on 31st March, 2018:

| | Particulars | Amount Rs |
|-----|--|------------|
| (1) | Equity shares capital (3.00 lakhs equity shares of Rs 10 each) | 30.00 lacs |
| (2) | Free reserves | 5.00 lacs |
| (3) | Securities Premium Account | 3.00 lacs |
| (4) | Capital redemption reserve account | 4.00 lacs |
| (5) | Revaluation Reserve | 3.00 lacs |

Directors of the company seeks your advice in following cases:

- (i) Whether company can give bonus shares in the ratio of 1:3?
- (ii) What if company decide to give bonus shares in the ratio of 1:2?

(5 Marks)

2(b). Explain the provisions for 'Appointment of Trustee for Depositors' under the Companies Act, 2013 read with the 'Acceptance of Deposits' Rules, 2014.

(5 Marks)



- 3(a).** The Articles of Association of XYZ Ltd. provides the Board of Directors authority to issue bonds provided such issue is authorized by the shareholders by a necessary resolution in the general meeting of the company. The company was in dire need of funds and therefore, it issued the bonds to Mr. Prasanna without passing any such resolution in general meeting. Can Mr. Prasanna recover the money from the company? Decide referring the relevant provisions of the Companies Act, 2013.
- (5 Marks)**
- 3(b).** Regal Ltd. issued a prospectus. All the statements contained therein were literally true. It also stated that company had paid dividends for a number of years but did not disclose the fact that the dividends were not paid out of trading profits but out of capital profits. An allottee of shares claims to avoid the contract on the ground that the prospectus was false in material particulars. Decide that the argument of shareholder, as per the provision of the Companies Act, 2013, is correct or not?
- (5 Marks)**
- 4(a).** The Authorised share capital of SSP Limited is Rs 5 crore divided into 50 Lakhs equity shares of Rs 10 each. The Company issued 30 Lakhs equity shares for subscription which was fully subscribed. The Company called so far Rs 8 per share and it was paid up. Later on the Company proposed to reduce the Nominal Value of equity share from Rs 10 each to Rs 8 each and to carry out the following proposals:
- (i) Reduction in Authorised Capital from Rs 5 crore divided into 50 Lakhs equity shares of Rs 10 each to Rs 4 crore divided into 50 Lakhs equity shares of Rs 8 each.
- (ii) Conversion of 30 Lakhs partly paid up equity shares of Rs 8 each to fully paid up equity shares of Rs 8 each there by relieving the shareholders from making further payment of Rs 2 per share.
- State the procedures to be followed by the Company to carry out the above proposals under the provisions of the Companies Act, 2013.
- (5 Marks)**
- 4(b)** ABC Limited having a net worth of Rs 120 crores wants to accept deposit from its members. The directors of the company have approached you to advise them as to what special care has to be taken while accepting such deposit from the members in case their company falls within the category of an 'eligible company'.
- (5 Marks)**



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UDESHP REGULAR JAN 2025 (GROUP-1)

22/09/2024

Marks : 50

Time : 90 Min

Master Test – 2

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

Wherever necessary suitable assumptions may be made and disclosed by way of a note.

Working Notes should form part of the answer

Question 1 (i to x)

(1 Mark × 10 = 10 Marks)

1(i). Which of the following statement is correct?

- (1) The amount of Goodwill or Capital Reserve is found out in the books of purchasing company only
- (2) The amount of Goodwill or Capital Reserve is found out in the books of vendor company only.
- (3) Goodwill = Net Assets – Purchase price
- (4) The face value of shares of purchasing company will be taken in to account while calculating purchase consideration.

(ii). Which of the following statement is false?

- (1) Buy back must be authorised by articles of company.
- (2) A special resolution must be passed for buy back.
- (3) Shares can be partly paid up.
- (4) The ratio of debt owed by the company is not more than twice the capital and its free reserves after such buy back.

(iii). For reduction of the share capital, the permission has to be sought from

- (1) Court.
- (2) Controller.
- (3) State government.
- (4) Shareholders.

(iv). Nature and amount of each extra-ordinary item is disclosed.....in notes to accounts.

- (1) Jointly
- (2) Separately
- (3) As per management's discretion
- (4) None of the above

(v). XY Ltd. agrees to construct a building on behalf of its client GH Ltd. on 1st April 2022.

The expected completion time is 3 years. XY Ltd. incurred a cost of ₹ 30 lakh up to 31st March 2023. It is expected that additional costs of ₹ 90 lakh. Total contract value is ₹ 112 lakh. As at 31st March 2023, XY Ltd. has billed GH Ltd. for ₹ 42 lakh as per the agreement.

Assume that the work is completed to the extent of 75% by the end of Year 2.

Revenue to be recognised for year 2 is

- (1) ₹ 84 lakh
- (2) ₹ 42 lakh
- (3) ₹ 56 lakh
- (4) ₹ 28 lakh

- (vi). The Accounting Club has 100 members who are required to pay an annual membership fee of ₹ 5,000 each. During the current year, all members have paid the fee.
However, 5 members have paid an amount of ₹ 10,000 each. Of these, 3 members paid the current year's fee and also the previous year's dues. Remaining 2 members have paid next years' fee of ₹ 5,000 in advance.
Revenue from membership fee for the current year to be recognised will be:
- (1) ₹ 5,25,000
 - (2) ₹ 5,10,000
 - (3) ₹ 5,00,000
 - (4) ₹ 5,15,000
- (vii). Which of the following statements is false?
- (1) At each balance sheet date, foreign currency monetary items should be reported using the closing rate.
 - (2) At each balance sheet date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency should be reported using the exchange rate at the date of the transaction.
 - (3) At each balance sheet date, non-monetary items, which are carried at fair value denominated in a foreign currency should be reported using the exchange rates that existed when the values were determined.
 - (4) At each balance sheet date, foreign currency monetary items should be reported using the average rate during the year.
- (viii). Which of the following statements is correct?
- (1) The overall test of 75% considers only external revenue to compute the threshold limit.
 - (2) The overall test of 75% considers only internal revenue to compute the threshold limit.
 - (3) The overall test of 75% considers both internal and external revenue to compute the threshold limit.
 - (4) It is management choice whether they want to include both external and internal revenue for computing threshold limit.
- (ix). After providing the disclosures as per AS 24 during initial disclosure event, in following year.....
- (1) updation for significant changes is required in notes to accounts.
 - (2) re-disclosure is required
 - (3) No formality is required
 - (4) None of the above
- (x). AB decided to dispose of its Clothing division as part of its long-term strategy.
- a. Date of Board approval - 1st March 2021;
 - b. Date of formal announcement made to affected parties - 15th March 2021.
 - c. Date of Binding Sale agreement – 1st July 2021;
 - d. Reporting date – 31st March 2021
- As per AS 24, The date of initial disclosure event would be:
- (1) 1st March 2021
 - (2) 15th March 2021
 - (3) 31st March 2021
 - (4) 31st July 2021

2. Following are the summarized Balance Sheet of VT Ltd. and MG Ltd. as on 31st March, 2020

| Particulars | VT Ltd. | MG Ltd. |
|--------------------------------|-----------|-----------|
| Equity & Liabilities | | |
| Equity share of ₹10 each | 12,00,000 | 6,00,000 |
| 10% Pref. Shares of ₹ 100 each | 4,00,000 | 2,00,000 |
| Reserves and Surplus | 6,00,000 | 4,00,000 |
| 12% Debentures | 4,00,000 | 3,00,000 |
| Trade Payables | 5,00,000 | 3,00,000 |
| | 31,00,000 | 18,00,000 |
| Assets | VT Ltd. | MG Ltd. |
| Property, Plant & Equipment | 14,00,000 | 5,00,000 |
| Investment | 1,60,000 | 1,60,000 |
| Inventory | 4,80,000 | 6,40,000 |
| Trade Receivables | 8,40,000 | 4,20,000 |
| Cash at Bank | 2,20,000 | 80,000 |
| | 31,00,000 | 18,00,000 |

Details of Trade receivables and trade payables are as under (10 Marks)

| | VT Ltd. | MG Ltd. |
|-------------------|-----------------|-----------------|
| Trade receivables | | |
| Debtors | 7,20,000 | 3,80,000 |
| Bills Receivable | 1,20,000 | 40,000 |
| | 8,40,000 | 4,20,000 |
| Trade payables | | |
| Sundry Creditors | 4,40,000 | 2,50,000 |
| Bills Payable | 60,000 | 50,000 |
| | 5,00,000 | 3,00,000 |

Property, Plant & Equipment of both companies are to be revalued at 15% above book value. Both companies are to pay 10% equity dividend, Preference dividend having been already paid.

After the above transactions are given effect to, VT Ltd. will absorb MG Ltd. on following terms:

- VT Ltd. will issue 16 Equity Shares of ₹ 10 each at par against 12 Shares of MG Ltd.
- 10% Preference Shareholders of MG Ltd. will be paid at 10% discount by issue of 10% Preference Shares of ₹ 100 each, at par, in VT. Ltd.
- 12% Debenture holders of MG Ltd. are to be paid at 8% premium, by 12% Debentures in VT Ltd., issued at a discount of 10%.
- Inventory in Trade and Debtors are taken over at 5% lesser than their book value.
- ₹ 60,000 is to be paid by VT Ltd. to MG Ltd. for Liquidation expenses.
- Sundry Debtors of MG Ltd. includes ₹ 20,000 due from VT Ltd.

You are required to prepare:

- Journal entries in the books of VT Ltd.
- Statement of consideration payable by VT Ltd.

(10 Marks)

3(a). Alpha Limited furnishes the following summarized Balance Sheet as at 31st March, 2021

| Liabilities | (In Lakhs) | Assets | (In Lakhs) |
|---|------------|-------------------|------------|
| Equity share capital (fully paid up shares of ₹ 10 each) | 2,400 | Machinery | 3,600 |
| Securities premium | 350 | Furniture | 450 |
| General reserve | 530 | Investment | 148 |
| Capital redemption reserve | 400 | Stock | 1,200 |
| Profit & loss A/c | 340 | Trade receivables | 500 |
| 12% Debentures | 1,500 | Cash at bank | 1,500 |
| Trade Payables | 1,400 | | |
| Other current liabilities | 478 | | |
| | 7,398 | | 7,398 |

On 1st April, 2021, the company announced the buy back of 25% of its equity shares @ ₹ 15 per share. For this purpose, it sold all of its investments for ₹ 150 lakhs.

On 5th April, 2021, the company achieved the target of buy back.

You are required to:

- (1) Pass necessary journal entries for the buyback.
- (2) Prepare Balance Sheet of Alpha Limited after buyback of the shares

(6 Marks)

3(b). Classify the following items into Monetary and Non-monetary:

- (i) Inventories;
- (ii) Trade Receivables;
- (iii) Investment in Equity Shares;
- (iv) Property, plant & equipment

(4 Marks)

4. The summarized Balance Sheet of SK Ltd. as on 31st March, 2023 is given below

| | Amount ('000) |
|--|---------------|
| Liabilities | |
| Equity Shares of ₹ 10 each | 35,000 |
| 8%, Cumulative Preference Shares of ₹ 100 each | 17,500 |
| 6% Debentures of ₹ 100 each | 14,000 |
| Sundry Creditors | 17,500 |
| Provision for taxation | 350 |
| Total | 84,350 |
| B. Assets | |
| Assets | |
| Property, Plant & Equipment | 43,750 |
| Investments (Market value ₹ 3325 thousand) | 3,500 |
| Current Assets (Including Bank Balance) | 35,000 |
| Profit and Loss Account | 2,100 |
| Total | 84,350 |

Following Scheme of Internal Reconstruction is approved & put into effect on 31st March, 2023

- (i) Investments are to be brought to their market value.
- (ii) The Taxation Liability is settled at ₹ 5,25,000 out of current Assets.
- (iii) The balance of Profit and Loss Account to be written off.

- (iv) All the existing equity shares are reduced to ₹ 4 each.
- (v) All preference shares are reduced to ₹ 60 each.
- (vi) The rate of interest on debentures is increased to 9%. The Debenture holders surrender their existing debentures of ₹ 100 each and exchange them for fresh debentures of ₹ 80 each. Each old debenture is exchanged for one new debenture.
- (vii) Balance of Current Assets left after settlement of taxation liability are revalued at ₹ 1,57,50,000.
- (viii) Property, Plant & Equipment are written down to 80%.
- (ix) One of the creditors of the Company for ₹ 70,00,000 gives up 50% of his claim. He is allotted 8,75,000 equity shares of ₹ 4 each in full and final settlement of his claim.

Pass journal entries for the above transactions.

(10 Marks)

5(a). Indicate in each case whether revenue can be recognized and when it will be recognized as per AS-9.

- (1) Trade discount and volume rebate received.
- (2) Where goods are sold to distributors or others for resale.
- (3) Where seller concurrently agrees to repurchase the same goods at a later date.
- (4) Insurance agency commission for rendering services.
- (5) On 11-03-2019 cloths worth ₹ 50,000 were sold to X mart, but due to refurbishing of their showroom being underway, on their request, clothes were delivered on 12-04-2019

(5 Marks)

5(b). Shyan Limited commenced a construction contract on 01-04-2018. The company expended ₹500 crores in 2018-19 for 40% work. The total estimated cost of the project is ₹ 1,250 crores.

Compute (i) Revenue, (ii) Expense, (iii) Provision for loss & (iv) Profit or loss to be recognized in the statement of Profit and Loss A/c as per AS-

7 for the year ending 31-03-2019 if:

- (1) It is fixed price contract of ₹ 1,200 crores.
- (2) It is cost plus contract of 20%.

(5 Marks)

Attempt any two out of following three Questions.

6(a). The Accountant of Mobile Limited has sought your opinion with relevant reasons, whether the following transactions will be treated as change in Accounting Policy or not for the year ended 31st March, 2020. Please advise him in the following situations in accordance with the provisions of relevant Accounting Standard;

- (a) Provision for doubtful debts was created @ 2% till 31st March, 2019. From the Financial year 2019-2020, the rate of provision has been changed to 3%.
- (b) During the year ended 31st March, 2020, the management has introduced a formal gratuity scheme in place of ad-hoc ex-gratia payments to employees on retirement.
- (c) Till the previous year the furniture was depreciated on straight line basis over a period of 5 years. From current year, the useful life of furniture has been changed to 3 years.
- (d) Management decided to pay pension to those employees who have retired after completing 5 years of service in the organization. Such employees will get pension of ₹ 20,000 per month. Earlier there was no such scheme of pension in the organization.
- (e) During the year ended 31st March, 2020, there was change in cost formula in measuring the cost of inventories.

(5 Marks)

6(b). M/s Nathan Limited has three segments namely P, Q and R. The assets of the company are ₹ 15 crores. Segment P has 4 crores, Segment Q has 6 crores and Segment R has 5 crores. Deferred tax assets included in the assets of each segment are P - ₹ 1 crore, Q - ₹ 0.90 crores and R - ₹ 0.80 crores. The accountant contends all these three segments are reportable segments. Comment

(5 Marks)

6(c). 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:

(5 Marks)



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Master Test Series - 2

UDESHP REGULAR JAN 2025 (Group -1)

Total Marks-50

Taxation

General Instructions to Candidates

Question No. 1 is compulsory Answer any two questions from the remaining three question.

Working Notes should form part of the answers.

Income Tax
Objective

1. Mr. P is a professional who is responsible for paying a sum of Rs. 2,00,000 as rent for use of building to Mr. Harshit, a resident, for the month of February, 2024. The gross receipts of Mr. P are as under: From 01.04.2022 to 31.03.2023: Rs. 55,00,000 From 01.04.2023 to 28.02.2024: Rs. 45,00,000 Whether Mr. P is responsible for deducting any tax at source from the rent of Rs. 2,00,000 payable to Mr. Harshit? (2 Marks)
- (1) Tax at source is required to be deducted u/s 194-1 at the rate of 10%.
(2) Tax at source is required to be deducted u/s 194-IB at the rate of 5%.
(3) Tax at source is required to be deducted u/s 194-1B at the rate of 10%.
(4) No tax is required to be deducted at source.
2. Mr. X has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tari Area (DTA). The unit in SEZ was set up and started manufacturing from 12.3.2016 and unit in DTA from 15.6.2017. Total turnover of Mr. X and Unit in DTA is Rs. 8,50,00,000 and Rs. 3,25,00,000, respectively. Export sales of unit in SEZ and DTA is Rs. 3,50,00,000 and Rs. 1,25,00,000, respectively and net profit of Unit in SEZ and DTA is Rs. 80,00,000 and Rs. 45,00,000, respectively. Proceeds from export sales in SEZ received in convertible foreign exchange by 30.9.2024 is Rs. 2,50,00,000. Assuming that Mr. X would file his return on or before 31.10.2024 exercising the option of shifting out of the default tax regime provided under section 115BAC(1A), he would be eligible for deduction under section 10AA for P.Y. 2023-24 of an amount equal to (2 Marks)
- (1) Rs. 38,09,524
(2) Rs. 19,04,762
(3) Rs. 23,52,941
(4) Rs. 11,76,471
3. Mr. X is a working partner and Mr. Y is a non working partner of XYZ partnership firm. XYZ Partnership firm is subject to tax audit under section 44AB for the P.Y. 2023-24. What is the due date for filing return of income for Mr. X and Mr. Y for the A.Y. 2024-25? (2 Marks)
- (1) 31st July, 2024 for both Mr. X and Mr. Y
(2) 31st October, 2024 for both Mr. X and Mr. Y
(3) 31st July, 2024 for Mr. X and 31st October, 2024 for Mr. Y
(4) 31st July, 2024 for Mr. Y and 31st October, 2024 for Mr. X
4. Mr. Suhaan (aged 35 years), a non-resident, earned dividend income of Rs. 12,50,000 from an Indian company which was declared on 30.09.2023 and credited directly to his bank account on 05.10.2023 in France and Rs. 15,000 as interest on savings A/c from State Bank of India for the P.Y. 2023-24. Assuming that he has no other income, what will be amount of income chargeable to tax in his hands in India for A.Y. 2024-25 if Mr. Suhaan has exercised the option of shifting out of the default regime provided under section 115BAC? (2 Marks)
- (1) Nil
(2) Rs. 12,65,000
(3) Rs. 12,50,000
(4) Rs. 12,55,000

5. Mr. Raj makes a gift of Rs. 25,000 to his wife, Mrs. Rama, on 27.03.2023. Mrs. Rama, on 1.4.2023, invests Rs. 75,000 (Rs. 25,000 out of gift and Rs. 50,000 of her own) in a partnership firm as capital which is her total capital contribution in the firm. During the year ended 31.03.2024 she earns an interest of Rs. 12,000 and salary of Rs. 1,20,000 from the firm, both of which are approved by the partnership deed. What amount shall form part of total income of Mr. Raj for the previous year 2023-24?

(2 Marks)

- (1) Rs. 3,000 as interest on capital from firm
- (2) Rs. 4,000 as interest on capital from firm
- (3) Rs. 3,000 as interest on capital from firm and Rs. 40,000 as salary from firm
- (4) Rs. 4,000 as interest on capital from firm and Rs. 40,000 as salary from firm

6. XYZ & Co, a partnership firm, owns a house property which is utilized by the partners for their residence. On 31.10.2023, the firm sells property at a LTCG of Rs 3,50,000. Can the firm or partners claim exemption u/s 54?

(2 Marks)

- (1) Yes, the firm can claim exemption u/s 54 as the firm has earned LTCG from the transfer of a residential
- (2) Yes, the partners can claim exemption u/s 54 as the property was used by them for residential purpose and the property has been indirectly transferred by the partners only in the capacity of a firm.
- (3) Neither the firm nor the partners can claim deduction u/s 54 as the said deduction is allowed only in case of a commercial
- (4) The firm cannot claim deduction u/s 54 as deduction u/s 54 is allowed only to an individual or HUF. Further, the partners cannot claim deduction u/s 54 as the transferor in the instant case is the firm

7. Mr. Ram acquired a house property at Chennai from Mr. Satyam, a resident, for a consideration of Rs. 85 lakhs, on 23.8.2023. On the same day, Mr. Ram made two separate transactions, thereby acquiring an urban plot in Gwalior from Mr. Vipun, a resident, for a sum of Rs. 50 lakhs and rural agricultural land from Mr. Danish, a resident, for a consideration of Rs. 75 lakhs. Which of the following statements are correct assuming that in the consideration amounts as aforementioned all the charges incidental to transfer of the immovable property are included and there is no difference between the stamp duty value and actual consideration?

(2 Mark)

- (1) No tax deduction at source is required in respect of any of the three payments.
- (2) TDS@1% is attracted on all the three payments.
- (3) TDS@1% on Rs. 85 lakhs and Rs. 50 lakhs are attracted. No TDS on payment of Rs. 75 lakhs for acquisition of rural agricultural land.
- (4) TDS@1% on Rs. 85 lakhs is attracted. No TDS on payments of Rs. 50 lakhs and Rs. 75 lakhs.

8. According to section 80, no loss which has not been determined in pursuance of a return filed in accordance with the provisions of section 139(3), shall be carried forward. The exceptions to this are-

(1 Mark)

- (1) Loss from specified business under section 73A
- (2) Loss under the head Capital Gains and unabsorbed depreciation carried forward under section 32(2)
- (3) Loss from house property and unabsorbed depreciation carried forward under section 32(2)
- (4) Loss from speculation business under section 73

SUBJECTIVE

1a. Mr. D has the following income for the P.Y.2023 24:

| Particulars | Rs |
|--|--------|
| Income from the activity of owning and maintaining the race horses | 75,000 |
| Income from textile business | 85,000 |
| Brought forward textile business loss (relating to A.Y. 2023-24) | 50,000 |
| Brought forward loss from the activity of owning and maintaining the race horses (relating to A.Y.2021-22) | 96,000 |

What is the total income in the hands of Mr. D for the A.Y. 2024-25?

(5 Marks)

1b. Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors.

1. Radha Limited is engaged for Shyam Limited only in the business of operation of call centre. On 18/03/2024, the total amount credited by Shyam Limited in the ledger account of Radha Limited is ₹ 70,000 regarding service charges of call centre. The amount is paid through cheque on 28/03/2024 by Shyam Ltd.
2. An insurance company paid ₹ 45,000 as insurance commission to its agent, Mr Abhijeet
3. Gupta & Co (firm), engaged in wholesale business, assigned a contract for construction of its godown building to Mr The firm paid an aggregate amount of ₹ 10,00,000 to Mr Ravi during the year.
4. Y & Co, engaged in real estate business, conducted a lucky dip and gave a Maruti Car worth ₹ 5,00,000 to the prize winner.
5. An advertisement company paid ₹ 5,00,000 to a cricketer, Mr Peter of England, for working in an advertisement film.

(5 Marks)

1c. Compute the gross total income of Mr. A & Mrs. A from the following information assuming both exercise the option of shifting out of the default tax regime provided under section 115BAC(1A)

| | Particulars | Rs |
|-----|--|----------|
| (a) | Salary income (computed) of Mrs A | 2,30,000 |
| (b) | Income from profession of Mr. A | 3,90,000 |
| (c) | Income of minor son B from company deposit | 15,000 |
| (d) | Income of minor daughter C from special talent | 32,000 |
| (e) | Interest from bank received by C on deposit made out of her special talent | 3,000 |
| (f) | Gift received by C on 30.09.2023 from friend of Mrs. A | 2,500 |

Brief working is sufficient. Detailed computation under various heads of income is not required

(5 Marks)

2a. On 10.10.2023, Mr. Gavin (a bank employee) received Rs. 5,00,000 towards interest on enhanced compensation from State Government in respect of compulsory acquisition of his land effected during the financial year 2014-15. Out of this interest, Rs. 1,50,000 relates to the financial year 2015-16; Rs. 1,65,000 to the financial year 2016-17; and Rs. 1,85,000 to the financial year 2017-18. He incurred Rs. 50,000 by way of legal expenses to receive the interest on such enhanced compensation. How much of interest on enhanced compensation would be chargeable to tax for the assessment year 2024-25?

(5 Marks)

2b. Who is authorized to verify the return of income of the following assesseees?

- HUF whose Karta is absent from India
- Company where the company is being wound up
- Local authority
- Individual who is mentally incapacitated from attending to his affairs

(5 Marks)

3. Mr Anay manufactures toys in a factory located in Noida. His profit from the manufacture of toys for AY 2024- 25 is ₹ 1.85 crore and total turnover is ₹ 18.70 crore. On 1 April 2023, there were 100 employees engaged in his factory. Due to increase in demand, he employed 140 additional employees during PY 2023-24 which comprises of:
- 15 casual employees employed on 15 April 2023 till 31 January 2024 on monthly emolument of ₹ 22,000 m.
 - 40 regular employees employed on 1 May 2023 on monthly emolument of ₹ 22,000 m.
 - 25 contractual employees employed on 1 July 2023 for 2 years on monthly emolument of ₹ 15,000 m.
 - 35 regular employees employed on 1 August 2023 on monthly emolument of ₹ 30,000 m.
 - 25 regular employees employed on 1 October 2023 on monthly emolument of ₹ 22,000 m
- Compute the deduction u/s 80JJAA, if available to Mr Anay for AY 2024-25, assuming that monthly emoluments were paid by use of ECS.
- The regular and contractual employees participate in the recognised provident fund while the casual employees do not.
- Would your answer be different if Mr Anay is engaged in the manufacture of apparel? Examine.
- (Note - Ignore the amount of deduction available u/s 80JJAA to Mr Anay, for the employees employed in preceding previous years, while computing the deduction u/s 80JJAA for AY 2024-25).

(10 Marks)

- 4a. Briefly discuss the provisions of tax deduction at source under the Income-tax Act, 1961 and determine the amount, if any, of TDS in respect of the following payments:
- Vikas received a sum of ₹ 10,20,000 on 28.02.2024 as pre- mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.
 - Indian Bank sanctioned and disbursed a loan of ₹ 12 crores to B Ltd. on 31-12-2023. B Ltd. paid a sum of ₹ 1,20,000 as service fee to Indian Bank for processing the loan application.

(4 Marks)

- 4b. Determine the capital gains/loss on transfer of listed equity shares (STT paid both at the time of acquisition and transfer of shares) and units of equity oriented mutual fund (STT paid at the time of transfer of units) for the Y.2024-25 and tax, if any, payable thereon, in the following cases, assuming that these are the only transactions covered under section 112A during the P.Y.2023-24 in respect of these assessees:

- (i) Shagun purchased 300 shares in A Ltd. on 20.5.2017 at a cost of ₹ 400 per share. He sold all the shares of A Ltd. on 31.5.2023 for ₹ 1200. The price at which these shares were traded in National Stock Exchange on 31.1.2018 is as follows

| Particulars | Amount in ₹ |
|-----------------------|-------------|
| Highest Trading Price | 700 |
| Average Trading Price | 680 |
| Lowest Trading Price | 660 |

- (ii) Raj purchased 200 units of equity oriented fund, Fund A on 1.2.2017 at a cost of ₹ 550 per unit. The units were not listed at the time of purchase. Subsequently, units of Fund A were listed on 1.1.2018 on the National Stock Exchange. Mr. Raj sold all the units on 3.4.2023 for ₹ 900 each. The details relating to quoted price on National Stock Exchange and net asset value of the units are given hereunder:

| Particulars | Fund A |
|------------------------------|--------------------|
| | Amount in ₹ |
| Highest Trading Price | 750 (on 31.1.2018) |
| Average Trading Price | 700 (on 31.1.2018) |
| Lowest Trading Price | 650 (on 31.1.2018) |
| Net Asset Value on 31.1.2018 | 800 |

(6 Marks)



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Master Test - 02
Mark : 50

CA Intermediate Udesh Regular Jan 2025 (Group-01)

28/09/2024
Time : 90 Mins

Corporate and Other Laws

Directions Read the following passage and answer the given questions.

The Board of Directors of LESCO Pharmaceuticals Limited (hereinafter referred to as “company”) were meeting again in the month of May 2021 for the discussion of two important agenda which had a direct relation to the ensuing Annual General Meeting scheduled on 30th September 2021. The first agenda was related to the authentication of financial statements and the second one was in connection with dividend. Although the first item in the agenda did not take much time and necessary Board resolution was passed, the second agenda was a matter of concern for the directors.

Ms. Sunita, one of the directors proposed that since the company had not made any profits during the year, it would not be appropriate to declare any dividend for the financial year 2020-21. However, all other directors felt that last year’s rate of dividend of 5% should be maintained and the same should at least be paid this year to keep the shareholders happy. Ms. Sunita again objected by saying that the legal provisions as envisaged under Section 123 of the Companies Act, 2013 clearly states that dividend by a company for any financial year should be paid or declared out of the profits of the company of that year and since there was no profit there was no requirement to pay SUCH dividend. She strongly contended that paying dividend was a matter of financial choice by the Board of Directors and accordingly, the board should take an informed decision. The priority for the Board is to ensure that cash flow is maintained first and then the “happiness” of the shareholders be considered.

Another director, Mr. Robinder suggested that the company had made a substantial gain on revaluation of assets and if that would be considered then there would be sufficient profits for declaration of dividends out of such gain.

Finally, the Chairman-cum-Managing Director, Mr. Ramesh interfered and suggested that perhaps there is a provision in the Companies Act, 2013 relating to payment of dividend in the absence of profits and that the Company Secretary, Ms. Ameeka should work out the possibilities and all legal aspects connected therewith and then call for another Board Meeting for finalising the payment of dividend. The meeting then ended with a vote of thanks to the Chair.

1. Which of the following is the correct statement relating to the source for payment of dividend by the company?
(2 Marks)
 - (1) Profits of the Company of that year only arrived at after providing for depreciation.
 - (2) Profits of the Company of that year arrived at after providing for depreciation or for any previous year or years arrived at after providing for depreciation or through any reserves available
 - (3) Profits of the Company of that year arrived at after providing for depreciation or for any previous year or years arrived at after providing for depreciation and remaining undistributed i.e. free reserves.
 - (4) Profits of the Company of that year or previous year(s) but not necessary to provide for depreciation.

2. With reference to claim made by Ms. Sunita relating to source of payment of dividend, whether you agree with such contention made by her?
(2 Marks)
 - (1) Completely agree with the contention of Ms. Sunita that only profits are the source for payment of Dividend.
 - (2) Partly agree with Ms. Sunita but apart from Profits, a company can pay dividend out of money provided by the Central or State Government in pursuance of the guarantee given by them.
 - (3) Partly agree with Ms. Sunita that apart from profits (either current year or previous year), even in the event of inadequacy or absence of profits, a company may declare dividend out of free reserves, subject to fulfilling certain conditions.
 - (4) Partly agree with Ms. Sunita that company can pay dividends not only out of profits but also out of money provided by Central Government or State Government in pursuance of the guarantee given by them or out of money available in free reserves, and in each case subject to fulfilment of conditions as prescribed.



3. Which of the option is correct with regard to the proposal made by Mr. Robinder? (2 Marks)
- (1) Gain made by a company in form of revaluation of assets is definitely available for payment of Dividend.
 - (2) Gain made by a company in form of revaluation of assets is available only upon satisfaction of terms and conditions prescribed.
 - (3) Gains made by a company in form of revaluation of assets in not available for computing profits for declaration of dividends.
 - (4) Gains made by a company in form of revaluation of assets which are only buildings are not available and in all other assets they are available.
4. Which of the following is correct with respect to the situation as referred by Mr. Ramesh to Ms. Ameeka assuming other conditions, if any, for the same would also be satisfied? (2 Marks)
- (1) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year.
 - (2) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the two years immediately preceding that year.
 - (3) The rate of dividend declared shall be the average of the rates at which dividend was declared by it in the five years immediately preceding that year.
 - (4) The rate of dividend declared shall not exceed the rate at which dividend was declared by it in any of the three years immediately preceding that year.
5. Which of the following is correct with respect to the situation as referred by Mr. Ramesh to Ms. Ameeka assuming other conditions, if any, for the same would also be satisfied? (2 Marks)
- (1) The amount that can be drawn from such accumulated profits shall not exceed one fifth of the sum of its paidup share capital and free reserves as appearing in the latest audited financial statement.
 - (2) The amount that can be drawn from such accumulated profits shall not exceed one tenth of the sum of its paidup share capital and free reserves as appearing in the latest audited financial statement.
 - (3) The amount that can be drawn from such accumulated profits shall not exceed one tenth of its paid-up share capital as appearing in the latest audited financial statement.
 - (4) The amount that can be drawn from such accumulated profits shall not exceed one tenth of the average of its paid-up share capital and free reserves as appearing in the latest three years audited financial statement.
6. Any person acquiring property, on which charge is registered under section 77, shall be deemed to have notice of the charge from: (1 Mark)
- (1) the expiry of thirty days of such charge
 - (2) the date of application for registration of the charge
 - (3) the date of acquiring the property
 - (4) the date of such registration



7. Every listed company shall file with the Registrar a copy of the report on each annual general meeting within ____ of the conclusion of the annual general meeting. (1 Mark)
- (1) 7 days
 - (2) 30 days
 - (3) 60 days
 - (4) 90 days
8. Which of the following amount need not be credited to Investor Education and Protection Fund Account (IEPF)? (1 Mark)
- (1) Amount in unpaid dividend account (UDA) of company
 - (2) Amount of matured deposits with the company
 - (3) Profit on sale of asset
 - (4) Amount of matured debentures with the company.
9. Ganesh Company Ltd, a public company incorporated under the Companies Act, 2013 has Mr. Jay- Director, Mr. Sagar – Independent Director, Mr. Abhishek – Nominee Director and Mr. Yash – Whole time director. Mr. Abhishek wants to inspect the books of account of Shankar Company Limited, the subsidiary of Ganesh Company Limited. You are required to state whether Mr. Abhishek is eligible to inspect the books of accounts of Ganesh Company Limited? (1 Mark)
- (1) Yes, Mr. Abhishek can inspect the books of account of Shankar Company limited only on authorization of the public financial institution on whose behalf he has been so appointed in the board of the Ganesh Company Ltd.
 - (2) No. Mr. Abhishek being a nominee director can only inspect the books of account of Ganesh Company Ltd and not its subsidiary company.
 - (3) Yes, Mr. Abhishek can inspect the books of account of Shankar Company limited only on authorization by way of resolution of the board of directors.
 - (4) Yes, Mr. Abhishek can inspect the books of account of Shankar Company limited only on authorization by way of resolution of the members holding not less than 25% of the paid up share capital of the company.
10. CSR Committee of the Board of shall consist of: (1 Mark)
- (1) Directors forming 1/3rd of the total no of directors.
 - (2) At least 2 directors out of which one shall be independent director.
 - (3) 3 or more directors out of which one shall be managing director.
 - (4) 3 or more directors, out of which at least 1 director shall be an independent director



Descriptive Questions

Question No. 1 is compulsory.

Attempt any Two questions out of the remaining Three questions.

- 1(a).** Vikrant Limited created a charge on its assets on 2nd February, 2024. However, the company did not register the charge with the Registrar of companies till 15th March, 2024.
- (a) What procedure should the company follow to get the charge registered?
- (b) Suppose the company realises its mistake of not registering the charge on 27th May, 2024 (instead of 15th March, 2024), can it still register the charge?
- Advise with reference to the relevant provisions of the Companies Act, 2013.
- (5 Marks)**
- 1(b).** Rahul and his wife Rani has joint Demat Account in Mahindra Limited. The company's Annual General Meeting is to be held on 28.08.2023. In such a case, who will cast the vote in the Annual General Meeting? Give your answer as per the provisions of the Companies Act, 2013.
- (5 Marks)**
- 1(c).** Infosys Limited was incorporated on 22nd January 2021 with the objects of providing software services. The Company adopted its first financial year as from 22nd January 2021 to 31st March 2022. The financial statement for the said period, after providing for depreciation in accordance with Schedule II of the Companies Act, 2013 revealed net profit. The Board of Directors declared 20% interim dividend at their meeting held on 7th July 2022, before holding its first Annual General Meeting. In the light of the provisions of the Companies Act, 2013 and Rules made thereunder: Whether the Company has complied due diligence in declaring interim dividend?
- (5 Marks)**
- 2(a).** The Companies Act, 2013 has prescribed an additional duty on the Board of Directors to include in the Board's Report a 'Directors' Responsibility Statement'. Explain briefly the details to be furnished in the said statement.
- (5 Marks)**
- 2(b).** Reliance Limited created a charge in favour of HDFC Bank. The charge was duly registered. Later, the Bank enhanced the facility by another Rs 20 crores. Due to inadvertence, this modification in the original charge was not registered. Advise the company as to the course of action to be pursued in this regard.
- (5 Marks)**
- 3(a).** Amul Ltd. held its Annual General Meeting on September 15, 2023. The meeting was presided over by Mr. Mohan Yadav, the Chairman of the Company's Board of Directors. On September 17, 2023, Mr. Mohan Yadav, the Chairman, without signing the minutes of the meeting, left India to look after his father who fell sick in London. Referring to the provisions of the Companies Act, 2013, state the manner in which the minutes of the above meeting are to be signed in the absence of Mr. Mohan Yadav and by whom?
- (5 Marks)**



3(b). Star Computers Limited declared and paid dividend in time to all its equity holders for the financial year 2018-19, except in the following two cases:

1. Sheela Bhatt, holding 250 shares had mandated the company to directly deposit the dividend amount in her bank account. The company, accordingly remitted the dividend but the bank returned the payment on the ground that there was difference in surname of the payee in the bank records. The company, however, did not inform Mrs. Sheela Bhatt about this discrepancy.
2. Dividend amount of Rs 50,000 was not paid to the successor of Late Mr. Mohan, in view of the court order restraining the payment due to family dispute about succession.

You are required to analyse these cases with reference to provisions of the Companies Act, 2013 regarding failure to distribute dividends.

(5 Marks)

4(a). Kim Private Limited was incorporated on 30th September 2016. It has a paid up share capital of Rs 45 crore. The company had a turnover of Rs 250 crore for the financial year 2019-20. The accounts manager of the company has intimated to the company that they are not required to appoint internal auditor for the financial year 2020-21. The management of the company have approached you to advise them about the appointment of internal auditor. Advise them as per the provisions of the Companies Act, 2013

(5 Marks)

4(b) TATA Limited is a company engaged in the business of manufacturing papers. The company has approached you to explain them the following as per the provisions of the Companies Act, 2013:

- (a) Quorum for the general meeting if the company has 800 members.
- (b) Quorum for the general meeting if the company has 6500 members.
- (c) Quorum for the general meeting if the company has 5500 members.

The Articles of Association has prescribed the quorum for the meeting to be 50.

(5 Marks)



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UDESHER REGULAR JAN 2025 (GROUP-1)

20/10/2024

Marks : 50

Time : 90 Min

Master Test – 3

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

Wherever necessary suitable assumptions may be made and disclosed by way of a note.

Working Notes should form part of the answer

Question 1 (i to x)

(1 Mark × 10 = 10 Marks)

- 1(i). Under AS 10, which of the following costs should be included in the initial measurement of property, plant, and equipment?
- (1) Selling Costs
 - (2) General and Administrative Expenses
 - (3) Borrowing Costs
 - (4) Future Maintenance Costs
- (ii). An onerous contract is a contract in which _____ of meeting the obligations under the contract _____ the economic benefits expected to be received under it.
- (1) Unavoidable costs; are less than
 - (2) Unavoidable costs; exceed
 - (3) Avoidable costs; exceed
 - (4) Avoidable costs; are less than
- (iii). Following will not be considered as borrowing cost
- (1) amortisation of discounts or premiums relating to borrowings
 - (2) finance charges in respect of assets acquired under finance leases or under other similar arrangements
 - (3) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs
 - (4) Interest and commitment charges on bank borrowings on non-qualifying assets
- (iv). Which of the following may be treated as Related party as per AS 18?
- (1) A Limited & B Limited only because Mr. X is a common director in both the company.
 - (2) A Limited & B Limited are totally independent company, however, majority of the Board of Directors of both the companies are same.
 - (3) Mr. S & A Limited only because Mr. S purchases majority of the products of A Limited.
 - (4) ABC Bank & N Limited because all borrowings of N Limited is financed by ABC Bank.
- (v). N Limited has entered into lease agreement for machinery from S Limited for 10 years for ₹ 1 lakh per year. Guaranteed scrap value of machinery after 10 years is ₹ 0.5 lakh unguaranteed scrap value is ₹ 0.2 lakh. Present Value of ₹ 1 lakh for 10 years is ₹ 7 lakh, Present value of ₹ 0.5 lakh after 10th year is 0.18 lakh & of ₹ 0.2 lakh is ₹ 0.07 lakh. Calculate Unearned Finance Income for S Limited.
- (1) ₹ 3.45 lakh
 - (2) ₹ 3 lakh
 - (3) ₹ 3.32 lakh
 - (4) ₹ 3.13 lakh

- (vi). A Ltd. sold its building for ₹ 50 lakhs to B Ltd. and has also given the possession to B Ltd. The book value of the building is ₹ 30 lakhs. As on 31st March, 2023, the documentation and legal formalities are pending. For the financial year ended 31st March, 2023
- (1) The company should record the sale.
 - (2) The company should recognise profit of ₹ 20 lakhs in its profit & loss account.
 - (3) Both (1) and (2).
 - (4) The company should disclose the profit of ₹ 20 lakhs in notes to accounts.
- (vii). Under Stock and Debtors System general income is credited to _____ account.
- (1) Balance sheet
 - (2) Branch stock account
 - (3) Debtor account
 - (4) Branch profit and loss
- (viii). H Ltd. acquires 70% of the equity shares of S Ltd. on 1.1.2023. On that date, paid-up capital of S Ltd. was 10,000 equity shares of ₹ 10 each; accumulated reserve balance was ₹ 1,00,000. H Ltd. paid ₹ 1,60,000 to acquire 70% interest in the S Ltd. Assets of S Ltd. were revalued on 1.1.2023 and a revaluation loss of ₹ 20,000 was ascertained. Which of the following is correct in relation to cost of control of group consolidated financial statement.
- (1) Capital Reserve — ₹ 34,000
 - (2) Goodwill — ₹ 34,000
 - (3) Capital Reserve — ₹ 1,26,000
 - (4) Goodwill — ₹ 1,26,000
- (ix). Two principal qualitative characteristics of financial statements are?
- (1) Understandability and materiality
 - (2) Relevance and Reliability
 - (3) Relevance and materiality
 - (4) Comparability and materiality
- (x). What are intangible assets?
- (1) Monetary assets with physical substance
 - (2) Non-monetary assets without physical substance
 - (3) Non-monetary assets with physical substance
 - (4) Monetary assets without physical substance

2. Ayan Ltd. invoices goods to its branch at cost plus 33 1/3%. From the following particulars prepare Branch Stock Account, Branch Stock Adjustment Account and Branch Profit and Loss Account as they would appear in the books of head office.

| | |
|---|-----------|
| Stock at commencement at Branch at invoice Price | 3,60,000 |
| Stock at close at Branch at Invoice Price | 2,88,000 |
| Goods sent to Branch during the year at invoice price (including goods invoiced at ₹48,000 to Branch on 31.03.2021 but not received by Branch before close of the year). | 24,00,000 |
| Return of goods to head office (invoice Price) | 1,20,000 |
| Credit Sales at Branch | 1,20,000 |
| Invoice value of goods pilfered | 24,000 |
| Normal loss at Branch due to wastage and deterioration of stock (at invoice price) | 36,000 |
| Cash Sales at Branch | 21,60,000 |

Ayan closes its books on 31st March, 2021

(10 Marks)

3. Consider the following summarized Balance Sheets of subsidiary MNT Ltd

| Liabilities | 2018-19 Amount in ₹ | 2019-20 Amount in ₹ |
|--|--------------------------------|--------------------------------|
| Share Capital | | |
| Issued and subscribed 7500 Equity Shares of ₹100 each | 7,50,000 | 7,50,000 |
| Reserve and Surplus | | |
| Revenue Reserve | 2,14,000 | 5,05,000 |
| Securities Premium | 72,000 | 2,07,000 |
| Current Liabilities and Provisions | | |
| Trade Payables | 2,90,000 | 2,46,000 |
| Bank Overdraft | - | 1,70,000 |
| Provision for Taxation | 2,62,000 | 4,30,000 |
| | 15,88,000 | 23,08,000 |
| Assets | | |
| Property, Plant & Equipment (Cost) | 9,20,000 | 9,20,000 |
| Less: Accumulated Depreciation | (1,70,000) | (2,82,500) |
| | 7,50,000 | 6,37,500 |
| Investment at Cost | - | 5,30,000 |
| Current Assets | | |
| Inventory | 4,12,300 | 6,90,000 |
| Trade Receivable | 2,95,000 | 3,43,000 |
| Prepaid expenses | 78,000 | 65,000 |
| Cash at Bank | 52,700 | 42,500 |
| | 15,88,000 | 23,08,000 |

Other Information:

- MNT Ltd. is a subsidiary of LTC Ltd.
- LTC Ltd. values inventory on FIFO basis, while MNT Ltd. used LIFO basis. To bring MNT Ltd.'s inventories values in line with those of LTC Ltd., its value of inventory is required to be reduced by ₹ 5,000 at the end of

2018-2019 and increased by ₹ 12,000 at the end of 2019-2020. (Inventory of 2018- 19 has been sold out during the year 2019-20)

- 3) MNT Ltd. deducts 2% from Trade Receivables as a general provision against doubtful debts.
- 4) Prepaid expenses in MNT Ltd. include Sales Promotion expenditure carried forward of ₹ 25,000 in 2018-19 and ₹ 12,500 in 2019-20 being part of initial Sales Promotion expenditure of ₹37,500 in 2018-19, which is being written off over three years. Similar nature of Sales Promotion expenditure of LTC Ltd. has been fully written off in 2018-19.

Restate the balance sheet of MNT Ltd. as on 31st March, 2020 after considering the above information for the purpose of consolidation. Such restatement is necessary to make the accounting policies adopted by LTC Ltd. and MNT Ltd. uniform

(10 Marks)

4(a). Mrs. A is showing the consolidated aggregate opening balance of equity, liabilities and assets of ₹ 6 lakh, 4 lakh and 10 lakh respectively. During the current year Mrs. A has the following transactions:

1. Received 20% dividend on 10,000 equity shares of ₹ 10 each held as investment.
2. The amount of ₹ 70,000 is paid to creditors for settlement of ₹ 90,000.
3. Salary is pending by ₹ 20,000.
4. Mrs. A's drawing ₹ 20,000 for her personal use.

You are required to prepare the statement of the effect of aforesaid each transaction on closing balance sheet in the form of Assets – Liabilities = Equity after each transaction.

(5 Marks)

4(b). EXOX Ltd. is in the process of finalizing its accounts for the year ended 31st March, 2020. The company seeks your advice on the following: The Company's sales tax assessment for assessment year 2017-18 has been completed on 14th February, 2020 with a demand of ₹ 2.76 crore. The company paid the entire due under protest without prejudice to its right of appeal. The Company files its appeal before the appellate authority wherein the grounds of appeal cover tax on additions made in the assessment order for a sum of 2.10 crore.

(2 Marks)

4(c). A company is showing an intangible asset at ₹ 88 lakhs as on 01.04.2020. This asset was acquired for ₹ 120 lakhs on 01.04.2016 and the same was available for use from that date. The company has been following the policy of amortization of the intangible assets over a period of 15 years on straight line basis. Comment on accounting treatment of the above with reference to relevant Accounting Standard.

(3 Marks)

5(a). A company has filed a legal suit against the debtor from whom ₹ 15 lakh is recoverable as on 31.3.2020. The chances of recovery by way of legal suit are not good as per legal opinion given by the counsel in April, 2020. Can the company provide for full amount of ₹ 15 lakhs as provision for doubtful debts?

(2 Marks)

5(b). Alloy Fabrication Limited is engaged in manufacturing of iron and steel rods. The company is in the process of finalization of the accounts for the year ended 31st March,2022 and needs your advice on the following issues in line with the provisions of AS- 29:

- (i) On 1st April,2019, the company installed a huge furnace in their plant. The furnace has a lining that needs to be replaced every five years for technical reasons. At the Balance Sheet date 31st March,2022, the company does not provide any provision for replacement of lining of the furnace.
- (ii) A case has been filed against the company in the consumer court and a notice for levy of a penalty of ₹ 50 Lakhs has been received. The company has appointed a lawyer to defend the case for a fee of ₹ 5 Lakhs. 60% of the fees have been paid in advance and rest 40% will be paid after finalization of the case. There are 70% chances that the penalty may not be levied.

(5 Marks)

5(c). Consider a scenario wherein:

- UK Bank holds 23% equity shares with voting rights in P Ltd.
- The bank has provided a loan of Rs. 20 million to P Ltd. at market interest rate
- As per the terms and conditions of the loan agreement, the bank has appointed one person as its nominee to the board of directors of P Ltd. and any major transaction to be entered into by P Ltd. will require the consent of the Bank.

Determine: Whether under AS-18 - UK Bank is a related party to P Ltd. (the reporting enterprise)?

(3 Marks)

Attempt any two out of following three Questions.

6(a). Classify the following into either operating lease or finance lease with reason:

- (1) Economic life of asset is 10 years, lease term is 9 years, but asset is not acquired at end of lease term.
- (2) Lessee has option to purchase the asset at lower than fair value at the end of lease term.
- (3) Lease payments should be recognized as an expense in the statement of Profit & Loss of a lessee.
- (4) Present Value (PV) of Minimum Lease Payment (MLP) = "X". Fair value of the asset is "Y". $X = Y$.
- (5) Economic life of the asset is 5 years, lease term is 2 years, but the asset is of special nature and has been procured only for use of the lessee

(5 Marks)

6(b). On 1st April, 2021, Amazing Construction Ltd. obtained a loan of ₹32 crores to be utilized as:-

| S. No. | Particulars | Amount (in ₹) |
|--------|--|---------------|
| 1. | Construction of sealink across two cities: (work was held up totally for a month during the year due to high water levels) | 25 crores |
| 2. | Purchase of equipments and machineries | 3 crores |
| 3. | Working capital | 2 crores |
| 4. | Purchase of vehicles | 50 Lakhs |
| 5. | Advance for tools/cranes etc | 50 Lakhs |
| 6. | Purchase of technical know-how | 1 crore |
| 7. | Total interest charged by bank for year ending 31st March, 2022 | 80 Lakhs |

Show the treatment of interest by Amazing Construction Ltd.

(5 Marks)

6(c). A Ltd. had following assets. Calculate depreciation for the year ended 31st March, 2022 for each asset as per AS 10 (Revised):

- a) Machinery purchased for ₹ 10 lakhs on 1st April, 2017 and residual value after useful life of 5 years, based on 2017 prices is ₹ 10 lakhs.
- b) Land for ₹ 50 lakhs.
- c) Machinery is constructed for ₹5,00,000 for its own use (useful life is 10 years). Construction is completed on 1st April, 2021, but the company does not begin using the machine until 31st March, 2022.
- d) Machinery purchased on 1st April, 2019 for ₹ 50,000 with useful life of 5 years & residual value is Nil. On 1st April, 2021, management decided to use this asset for further 2 years only

(5 Marks)



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Taxation

General Instructions to Candidates

Question No. 1 is compulsory Answer any two questions from the remaining three question.

Working Notes should form part of the answers.

Income Tax Objective

ABC Ltd. has its manufacturing unit in the State of Rajasthan. Further, it has ancillary units in the State of Madhya Pradesh and Gujarat and is registered in each of these States. Moreover, ABC Ltd. owns and operates a hotel in Udaipur, Rajasthan. In addition to the aforesaid, ABC Ltd. owns a commercial space which is rented out to a registered person at the monthly rent of Rs 50,000. The maintenance of the premises is the responsibility of ABC Ltd. In pursuance of the same, during the month of April, ABC Ltd. incurred certain expenses on the purchase of maintenance related materials. The said expenses are recoverable from the tenant along with the invoice issued for rent. The rate of tax applicable on the material used for maintenance was 5%. During the year, ABC Ltd. agreed to provide the hotel to Mr. X for a business conference to be held at Udaipur. Mr. X is an unregistered person residing in Maharashtra. ABC Ltd. made a supply of machinery in the month of June, details of which are as follows-

- Basic price of the machinery before TCS under Income Tax Act, 1961 Rs 45,000
- Tax collected at source under Income-tax Act, 1961 – Rs 2,500
- It received a subsidy of Rs 3,500 from Green Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of energy saved and not aforesaid machinery.

In addition to the aforesaid transactions, ABC Ltd. spent an amount of ₹ 5 lakh on the procurement of certain goods which were distributed as part of the corporate social responsibility [CSR] expenditure required under the provisions of the Companies Act, 2013.

During the scrutiny proceedings in the State of Gujarat, jurisdictional GST officer asked ABC Ltd to submit the copy of audited financial statements for Gujarat and was of the view that ABC Ltd. is required to get his accounts audited by a Chartered Accountant separately under GST Law for filing annual return and reconciliation statement in each State. All above amounts are exclusive of GST, wherever applicable. The rate of GST on all inward and outward supplies is 18%, unless otherwise mentioned.

Assume that there is no other outward or inward transaction apart from aforesaid transactions.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 5 below:-

1. For the transaction related to renting of commercial space, what should be the rate of tax charged by ABC Ltd.?

(2 Marks)

- (1) The rate of GST on rent and maintenance material related recovery shall be 18%.
- (2) The rate of GST on rent shall be 18% and, on the material, shall be 5%.
- (3) No GST shall be charged on the recovery related to material used in maintenance. Rate of GST on rent shall be 18%.
- (4) The rate of GST on rent and maintenance material related recovery shall be 5%.

2. Compute the value of supply under section 15 of the CGST Act, 2017 made by ABC Ltd. in the month of June?

(2 Marks)

- (1) Rs 47,500
- (2) Rs 45,000
- (3) Rs 48,500
- (4) Rs 51,000

3. With respect to the hotel accommodation service provided to Mr. X, GST payable by ABC Ltd. is _____.
(2 Marks)
- (1) nil, GST on accommodation service is payable by the recipient, Mr. X, under reverse charge
 - (2) nil, GST on accommodation services provided to an unregistered person is exempt from GS
 - (3) in the nature of CGST and SGST
 - (4) in the nature of IGST
4. Which of the following options is correct with regard to the availability of ITC to ABC Ltd. in respect of GST paid on the procurement of goods meant for the purpose of corporate social responsibility activity?
(2 Marks)
- (1) The amount of ITC shall be available to the registered person to whom such goods are distributed under CSR activity.
 - (2) The amount of ITC only to the extent of 50% of amount of such procurement of goods is available to ABC Ltd.
 - (3) The amount of ITC related to such procurement of goods is available to ABC Ltd.
 - (4) The amount of ITC related to such procurement of goods is not available to ABC Ltd.
5. Which of the following options is correct with regard to the advice given by GST officer in respect of auditing of accounts?
(2 Marks)
- (1) There is no requirement of separate audit of the financial statements from the perspective of GST provisions.
 - (2) Only reconciliation statement shall be audited by a Chartered Accountant.
 - (3) The annual return as well as the reconciliation statement shall be audited by a Chartered Accountant.
 - (4) Separate audit of financial statements at each State level is required by ABC Ltd. under the GST law.
6. Suvidha Enterprises issued invoices pertaining to two independent outward supplies, where in one invoice value of supply was understated by Rs 75,000 and in another invoice, value was overstated by Rs 45,000. Which of the following is correct in respect of document to be issued by the firm for understatement and overstatement of invoice value?
(2 Marks)
- (i) Debit note is to be issued for Rs 75,000.
 - (ii) Credit note is to be issued for Rs 75,000.
 - (iii) Debit note is to be issued for Rs 45,000.
 - (iv) Credit note is to be issued for Rs 45,000.
- (1) (i) & (iii)
 - (2) (ii) & (iii)
 - (3) (ii) & (iv)
 - (4) (i) & (iv)
7. Riya & Co., a partnership firm, is engaged in retail trade since 1st April. The firm became liable for registration on 1st October. However, it applied for registration on 10th October and was granted certificate of registration on 5th November. Determine the effective date of registration of Riya & Co.?
(2 Mark)
- (1) 1st April
 - (2) 1st October
 - (3) 10th October
 - (4) 5th November
8. An exempt supply includes
(i) Supply of goods or services or both which attracts Nil rate of tax
(ii) Non-taxable supply
(iii) Supply of goods or services or both
Which are wholly exempt from tax under section 11 of the CGST Act or under section 6 of IGST Act
(1 Mark)
- (1) (i)
 - (2) (i) and (ii)
 - (3) (ii) and (iii)
 - (4) (i), (ii) and (iii)

SUBJECTIVE

1a. Evershine Pvt. Ltd., a GST registered supplier located in Jaipur, Rajasthan is engaged in taxable supply of packaging goods and consultancy services. It provides following details of various activities undertaken during the month of September, 2023:

(A) Details of Outward Supplies:

- (1) Supply of goods of Rs 18,00,000 to Vaidehi Enterprises, a registered person of Udaipur, Rajasthan. Further, received Rs 50,000 from Vaidehi Enterprises towards freight charges (as agreed to deliver the goods at Vaidehi Enterprises' premises) which was not included in above value of supply.
- (2) Supply of goods worth Rs 35,00,000 to Calc. Exim, a registered person of Prayagraj, Uttar Pradesh. Further, the amount of Rs 60,000 charged separately (not included above) from Calc. Exim on account of municipal taxes levied in relation to such outward supply.
- (3) Supply of services to Sunshine Ltd., a registered person in Jodhpur, Rajasthan before discount worth Rs 6,00,000. Further, discount of Rs 30,000 which has been given at the time of supply of service and duly recorded in the invoice.
- (4) It delivered the goods worth Rs 2,00,000 to Jeevan Solutions, a registered person located at Bikaner, Rajasthan on the direction of Raghu Enterprise, a registered person of Mumbai, Maharashtra and tax invoice was issued by Evershine Pvt. Ltd. to Raghu Enterprise of Mumbai, Maharashtra.

(B) Details of Inward Supplies:

- (1) Purchased raw material goods worth Rs 20,00,000 from PQR Ltd; a GST registered dealer, located at Kanpur, Uttar Pradesh. Goods worth Rs 1,00,000 out of total purchases were not received during the month.
 - (2) Purchased machinery for manufacturing process worth Rs 2,00,000 from MPQ Pvt. Ltd., a GST registered dealer, located at Bengaluru, Karnataka. Company has claimed depreciation under Income Tax Act 1961 on full value of the machine, including the GST component.
 - (3) Purchased truck worth Rs 15,00,000 from GST registered dealer, located at Ajmer, Rajasthan for transportation of its goods. GST rate on truck is: CGST 14%, SGST 14%, IGST 28%.
 - (4) Purchased car (having seating capacity of 7 persons) costing to Rs 10,00,000 excluding GST from Mihir Automobiles Pvt. Ltd., a GST registered dealer, located at Ajmer, Rajasthan for use of its director for official purpose. GST rate on car: CGST 14%, SGST 14%, IGST 28%
 - (5) Purchased goods worth Rs 5,00,000 from DEF Buildwell Pvt. Ltd., a registered person of Jaipur, Rajasthan for construction of an additional floor of factory building, of Evershine Pvt. Ltd.
- Opening balance of Input tax credit as on the beginning of September 2023-CGST Rs 20,000, SGST Rs 50,000 and IGST Rs 75,000.

Rate of GST applicable on both inward and outward supply of goods & services: CGST 9%, SGST 9% and IGST @18%, except where otherwise provided.

Notes:

- (i) All the figures mentioned above are exclusive of taxes.
- (ii) Subject to the information given above, conditions necessary for claiming ITC were complied with.
- (iii) All inward supplies are used for taxable goods only.
- (iv) Brief and suitable notes should form part of your answer.

Calculate the amount of net minimum GST payable in cash by Evershine Pvt. Ltd. for the month of September, 2023.

(10 Marks)

1b. X is of the view that records are to be mandatorily maintained manually only. You are required to examine the view taken by Mr. X?

(5 Marks)

2a. Examine the following cases and explain with reasons whether the supplier of goods is liable to get registered in GST:

- (a) Krishna of Himachal Pradesh is exclusively engaged in intra-State taxable supply of readymade suits. His turnover in the current financial year from Himachal Pradesh showroom is ₹25 lakh. He has two more showrooms one in Manipur & another in Sikkim with a turnover of ₹15 lakh and ₹18 lakh respectively in the current financial year.
- (b) Ankit of Telangana is exclusively engaged in intra-State taxable supply of footwears. His aggregate turnover in the current financial year is ₹25 lakh:
- (c) Aakash of Uttar Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹30 lakh.

(5 Marks)

- 2b.** Designed product limited Trading Company, a registered supplier, is liable to pay GST under forward It has furnished the following information:
- Goods were supplied on 3 October
 - Invoice was issued on 5 October
 - Payment received on 9 October
- Determine the time of supply of goods for the purpose of payment of tax.

(5 Marks)

- 3a.** What would be the place of supply of services provided by an event management company for organizing an event which is held in multiple States?

(5 Marks)

- 3b.** Ravindra, a registered person in Bhopal, Madhya Pradesh has provided the following information regarding outward transactions made during the month of January, 2024:

- He was appointed by recognized sports body as a chief selector of hockey team and received ₹ 5,00,000 as
- Services of pure labour contract was provided for construction of independent residential unit for ₹ 1,80,000
- He rented out his warehouse for warehousing of sugarcane and received rental income of ₹ 75,000.
- Provided services to Municipal Corporation of Bhopal for slum improvement and upgradation for ₹ 6,50,000
- He has charged consideration of ₹ 1,25,000 against western music dance performance in an event.

You are required to compute the taxable value of supply on which GST is to be paid by Mr Ravindra for the month of January, 2024. All the amount stated above are exclusive of GST, wherever applicable.

Suitable Notes should form part of answer

(5 Marks)

- 4a.** Services provided by an entity registered under section 12AB of the Income-tax Act, 1961 are exempt from GST if such services are provided by way of charitable activities. Elaborate the term 'charitable activities'.

(5 Marks)

- 4b.** Veda Ltd. procured the following goods in the month of January, 2024.

| Particulars | Amount in ₹ |
|---|-------------|
| (1) Goods used in constructing an additional floor of office building. The cost of construction of additional floor has been capitalized. | 96,200 |
| (2) Trucks used for transportation of inputs in the factory | 11,000 |
| (3) Inputs used in trial runs | 8,350 |
| (4) Confectionery items for consumption of employees working in the factory | 4,325 |
| (5) Cement used for making foundation and structural support to plant and machinery | 9,550 |

Note: Depreciation has not been claimed on tax component in case of trucks.

Compute the amount of ITC available with Veda Ltd. for the month of January, 2024 by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled.

(5 Marks)



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Master Test - 03
Mark : 50

CA Intermediate Udesh Regular Jan 2025 (Group-01)

26/10/2024
Time : 90 Mins

Corporate and Other Laws

Directions Read the following passage and answer the given questions.

Satguru Investments Ltd was incorporated on 25th April, 2021. The first Board meeting of company was held on 30th April, 2021, to discuss the business issues along with the appointment of first auditor of the company. The Company Secretary put a panel of 5 auditors before the Board, however no consensus was arrived at, for the appointment of any of the auditor. The time prescribed under the Companies Act, 2013, for appointment of the first auditor lapsed and accordingly the company informed its members that first auditor for the company could not be appointed and called an Extraordinary General Meeting of the members for making appointment of the first auditor. The name of Bharat, a practicing CA, was proposed and the same was appointed by the members.

The first Annual General Meeting of the company was held on 15th December, 2021 in which, Bharat was appointed as an auditor of the company till the conclusion of the 6th Annual General Meeting.

In the month of January 2022, a news was published in the local newspaper that Bharat was sentenced for imprisonment of 2 years by a court of law for the offence of fraud for which he was going to appeal before the higher court against the decision of the lower court.

The company treated it as a casual vacancy of the auditor and the Board appointed another auditor named Gaurav, till the conclusion of the next AGM. The next AGM held on 20th August 2022, however in this AGM no appointment of auditor was made.

1. The first auditor should be appointed by the Board of Directors within _____ days from the date of registration of the company, failing which the members of the company shall within _____ days at _____ appoint such auditor and such auditor shall hold office till the conclusion of the _____.

(2 Marks)

- (1) 30 days / 30 days / an EGM / 6th AGM
- (2) 30 days / 60 days / an EGM / 6th AGM
- (3) 30 days / 90 days / an EGM / First AGM.
- (4) 30 days / 90 days / an EGM / 6th AGM

2. How, the company shall treat the situation of conviction of Bharat by the court of law?

(2 Marks)

- (1) The company shall continue with the appointment of such auditor.
- (2) The company shall wait till the appeal and its final decision comes out.
- (3) The company shall wait till the date when the execution of Bharat is accomplished i.e., he is actually put behind bars.
- (4) The company shall treat this as a casual vacancy.

3. In the given case the Board treating it as casual vacancy, appointed Gaurav. Such casual vacancy of auditor should be filled up by the Board of Directors _____ days and Gaurav shall continue as an auditor of the company till the conclusion of the next AGM.

(2 Marks)

- (1) Within 30 days
- (2) Within 45 days
- (3) Within 60 days
- (4) Within 90 days



4. Gaurav was appointed by the Board as an auditor till the conclusion of the next AGM. However, in the next AGM, no appointment of auditor was made. Now what shall be the status: **(2 Marks)**
- (1) The present auditor Gaurav, shall continue to be the auditor of the company.
 - (2) The present auditor Gaurav's term was only upto the conclusion of the next AGM so he should vacate the office as an auditor.
 - (3) The Board can appoint another person as auditor in place of Gaurav, treating it as casual vacancy.
 - (4) When no appointment is made by the members in the AGM, an EGM shall be called upon to make the appointment of auditor within 90 days.
5. If the Board intends to remove Gaurav as an auditor before the expiry of his term, what procedure needs to be followed? **(2 Marks)**
- (1) The auditor can be removed before expiry of his term by moving an ordinary resolution in the shareholder's meeting.
 - (2) The auditor can be removed before expiry of his term by moving an ordinary resolution in the shareholder's meeting, after obtaining the previous approval of the Central Govt.
 - (3) The auditor can be removed before expiry of his term by moving a special resolution in the shareholder's meeting.
 - (4) The auditor can be removed before expiry of his term by moving a special resolution in the shareholder's meeting, after obtaining the previous approval of the Central Government.
6. Which of the following documents, which an LLP filed with the Registrar, are not available for inspection by an outsider? **(1 Mark)**
- (1) Incorporation documents
 - (2) Books of accounts
 - (3) Statement of Account and Insolvency
 - (4) Annual Return
7. Mannat Company LLC, a company incorporated outside India, proposes to establish a place of business in India through electronic mode. Mannat Company LLC issued prospectus to the citizens of India for subscription of Mannat Company's securities. Mannat Company LLC has been into business for more than 2 years since the company received the commencement of business certificate. The prospectus was duly dated and signed but did not contain the particulars relating to the enactments under which Mannat Company was incorporated and does not provided with any details relating to any establishment in India. You as a pursuing Chartered Accountant are required to examine the validity of the prospectus issued by Mannat Company LLC? **(1 Mark)**
- (1) Yes, the prospectus issued is valid in law as it is duly dated and signed.
 - (2) No, the prospectus issued is invalid in law as it does not contain the particulars relating to the enactments under which the Mannat Company was incorporated.
 - (3) No, the prospectus issued is invalid in law as Mannat Company LLC does not have a place of business in India.
 - (4) No, the prospectus issued is invalid in law as it does not contain the particulars with respect to any establishment of a place of business in India.



8. Which of the following is not an Immovable Property? **(1 Mark)**
- (1) Land
 - (2) Building
 - (3) Timber
 - (4) Machinery permanently attached to the land
9. HSBC is a company incorporated in Hong Kong. The company has recently opened a branch office in Mumbai, India. Choose the correct statement considering the provisions of FEMA, 1999. **(1 Mark)**
- (1) The Company and its Branch, both are Persons Resident in India.
 - (2) The Company and its Branch, both are Persons Resident outside India.
 - (3) The company is a Person Resident in India while the Branch is a Person Resident Outside India.
 - (4) The company is a Person Resident Outside India while the Branch is a Person Resident in India.
10. The Rule in Heydon's case is also known as— **(1 Mark)**
- (1) Purposive construction
 - (2) Mischief Rule
 - (3) Golden Rule
 - (4) Exceptional Construction



Descriptive Questions

Question No. 1 is compulsory.

Attempt any Two questions out of the remaining Three questions.

1(a). Mr. Rahul, a Chartered Accountant, was appointed by the Board of Directors of AB Limited as the First Auditor, The company in General Meeting removed Mr. Rahul without seeking the approval of the Central Government and appointed Mr. Gupta as Auditor in his place?

(5 Marks)

1(b). (i) Elegant Educations Ltd. is a UK based company, engaged in the business of providing online education. It has introduced some certificate courses having duration of 4 to 6 months and any person can enrol in the courses. The education is provided through on-line classes, webinars and study materials are supplied through e-mails to the registered candidates. The company is not having any place of business in India. It is mentioned that all the candidates who have enrolled in the course are the Indian Citizens residing in India. Based on the above facts of procuring 100% business from India, whether the company will be treated as foreign company or an Indian company.

(ii) What will be your answer if in the above question, more that 55% of that foreign company's paid-up share capital is held by Indian Companies or Indian Citizens.

(5 Marks)

1(c). How will you interpret the definitions in a statute, if the following words are used in a statute?

(i) Means

(ii) Includes

Give one illustration for each of the above from statutes you are familiar with.

(5 Marks)

2(a). As per the provisions of the Companies Act, 2013, a whole time Key Managerial Personnel (KMP) shall not hold office in more than one company except its subsidiary company at the same time. Referring to the Section 13 of the General Clauses Act, 1897, examine whether a whole time KMP can be appointed in more than one subsidiary company?

(5 Marks)

2(b). Zoom Limited appointed an individual firm, Prasad & Company, Chartered Accountants, as Auditors of the company at the Annual General Meeting held on 30th September 2019. Mrs. Anita, wife of Mr. Prasad, invested in the equity shares face value of Rs 1 lakh of Zoom Limited on 15th October But Prasad & Company continues to function as statutory auditors of the company. Advice, Prasad & Company on the continuation of such appointment, as per provisions of the Companies Act, 2013.

(5 Marks)

3(a). There is an LLP by the name Ram Infra Development LLP which has 4 partners namely Mr. Rahul, Mr. Raheem, Mr. Kartar and Mr. Albert. Mr. Rahul and Mr. Albert are non – resident while other two are resident. LLP wants to take Mr. Rahul and Mr. Raheem as Designated Partner. Explain in the light of Limited Liability Partnership Act, 2008 whether LLP can do so?

(5 Marks)



3(b). RFC Limited has been incorporated in Singapore and has a business place in Mumbai. The company has issued 5,00,000 shares of USD 100 each, consisting of 4,00,000 equity shares and 1,00,000 preference shares. The issued share capital is fully paid up except 5,000 preference shares where USD 50 per share is unpaid.

RJW, an Indian citizen is holding 26,000 preference shares which include 1100 partly paid- up shares and Ronte Limited incorporated in New-Delhi (India) is holding 2,23,500 equity shares in RFC Limited. The Registrar of Companies issued notice under Section 379 of the Companies Act, 2013 addressed to the person whose name and address has been delivered to the Registrar by RFC Limited for compliance under the Companies Act, 2013 for foreign companies.

The above notice was Delivered at the address which was given by RFC Limited to the Registrar of Companies.

Answer the following, referring to the provisions of the Companies Act, 2013:

(i) Whether RFC Limited is a foreign company?

(ii) Whether service of notice by the Registrar of companies is valid?

(5 Marks)

4(a). Design Textile Company Limited has entered into a contract with a Company. You are invited to read and interpret the document of contract. What rules of interpretation of deeds and documents would you apply while doing so?

(5 Marks)

4(b) Narendra, an Indian National desires to obtain Foreign Exchange for the following purposes:

1. US\$ 140,000 for studies abroad on the basis of estimates given by the foreign University

2. US\$ 10,000 for remittance towards hiring charges of transponders.

Advise him whether he can get Foreign Exchange, as per the provisions of the Foreign Exchange Management Act, 1999.

(5 Marks)



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UDESHP REGULAR JAN 2025 (GROUP-1)

Marks : 100

13/11/2024
Time : 180 Min

Master Test – 4

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

Wherever necessary suitable assumptions may be made and disclosed by way of a note.

Working Notes should form part of the answer

Question 1[A] (i to xx)

(1 Mark × 20 = 20 Marks)

1[A](i). IASB stands for

- (1) International Accounting Standards Bureau
- (2) International Advisory Standards Board
- (3) International Accounting Standard Board.
- (4) International Accounting System Board

(ii). A machine was acquired in exchange of an old machine and Rs. 20,000 paid in cash. The carrying amount of old machine was Rs. 2,00,000 whereas its fair value was Rs. 1,50,000 on the date of exchange. The historical cost of the new machine will be taken as

- (1) Rs. 2,00,000
- (2) Rs. 1,70,000
- (3) Rs. 2,20,000
- (4) Rs. 1,80,000

(iii). All non-corporate entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees two crores but does not exceed rupees ten crores at any time during the immediately preceding accounting year.

- (1) Level II entities
- (2) Level IV entities
- (3) Level III entities
- (4) Level I entities

(iv). Which of the following is included in the consideration for selection of accounting policies

- (1) Going concern
- (2) Consistency
- (3) Prudence
- (4) Accrual

(v). All significant Accounting Policies are disclosed

- (1) In Auditors Report
- (2) In notes to Accounts of the financial statements
- (3) Board of Directors Report
- (4) Audit Committee Report

(vi). The major considerations governing the selection and application of accounting policies are

- (1) Prudence
- (2) Substance over form
- (3) Materiality.
- (4) All of the three

(vii). Following is not part of Minimum component of an Interim Financial Report:

- (1) Condensed Cashflow statement
- (2) Condensed Director's Report
- (3) Condensed profit & loss statement
- (4) Selected Explanatory Notes

(viii). Which of the following expense can be capitalized as per AS 26?

- (1) Expenditure on major advertising
- (2) Expenditure on an intangible item that was initially recognised as an expense in the previous Financial year
- (3) expenditure on training activities of new license acquired
- (4) Subsequent expenditure on Intangible asset which will enhance future benefit expenditure that can be measured reliably

(ix). Capitalisation rate considers

- (1) Borrowing costs on general borrowings only.
- (2) Borrowing costs on general and specific borrowings both
- (3) Borrowing costs on general and specific borrowings both
- (4) None of the above

(x). FlixNet International offers a subscription fee model to allow the paid subscribers an annual viewing of movies, sports events and other content. It allows users to register for free and have access to limited content for one month without any charges. The customer has a right to cancel the subscription within a months time but is required to pay for 1 year subscription fee after the free period. XY has subscribed for free viewing on 1st March 20X1. After 1 month, he has agreed to pay the annual membership and has paid 1,200 on 31st March 20X1 for the subscription that is valid up to 31st of March 20X2. Revenue that can be recognized by FlixNet for the year ended 31st March 20X2 is

- (1) 100
- (2) 1200
- (3) Nil
- (4) 1100

(xi). N Limited has taken a lease of land from S Limited for 15 years. Following are the terms of lease agreement: - N Limited to make payment of Rs. 1 lakh for 15 years. - N Limited to reimburse Rs. 10,000 tax to S limited every year. If N Limited makes petrol pump on the land, then it has to pay Rs. 50,000 extra every year. N Limited is not sure about the receipt of approval for making petrol pump.- N Limited has option to purchase land for extra Rs. 10 lakh after end of lease. It is beneficial for N Limited to purchase land. Present Value of Rs. 1 lakh for 15 years is Rs. 12 lakh, Present value of Rs. 10 lakh after 15th year is 5.5 lakh. Calculate Minimum Lease Payment for N Limited.

- (1) Rs. 25 Lakh
- (2) Rs. 17.5 Lakh
- (3) Rs. 34 Lakh
- (4) Rs. 24.7 Lakh

(xii). X Co is a business that sells second hand cars. If a car develops a fault within 30 days of the sale, X Co will repair it free of charge. At 1st March 20X1, X Co had made a provision for repairs of 25,000. At 31st March 20X1, X Co calculated that the provision should be 20,000. What entry should be made for the provision in X Co's income statement for the month 31st March 20X1?

- (1) A charge of 5,000
- (2) A credit of 5,000
- (3) A charge of 20,000
- (4) A credit of 25,000

- (xiii).** Which of the following is a Prior Period item?
- (1) Arrears payable to workers as a result of revision of wages with retrospective effect during the current period
 - (2) Change in the useful life of the asset in current year based on 3 years old technical estimate.
 - (3) Income or expense recognised on the outcome of a contingency which previously could not be estimated reliably
 - (4) Change in the estimate of the amount of bad debts based on court order in current year
- (xiv).** Which of the following does not form a part of contract costs as defined in AS 7 (Revised)?
- (1) Estimated warranty costs under the construction contract
 - (2) Comprehensive insurance policy premium for all open construction contracts
 - (3) Research and development costs incurred at the instance of the contractee and billed to his account.
 - (4) General administration costs for which reimbursement is not specified in the contract
- (xv).** At what value government grant is recorded in books in case a non-monetary asset is given free of cost?
- (1) Fair value
 - (2) Nominal Value
 - (3) Concessional rate
 - (4) Should not be recorded
- (xvi).** Dividend paid by subsidiary to its parent, out of capital profits, should be credited by the parent company in its
- (1) Profit and loss account.
 - (2) Dividend account
 - (3) Shares invested in subsidiary account
 - (4) Capital reserve
- (xvii).** A Ltd. acquired 10% stake of B Ltd. on April 01 and further 15% on October 01 during the same year. Other information is as follow: Cost of Investment for 10% 1,00,000 and for 15% 1,45,000 Net asset on April 01` 8,50,000 and on October 01, ₹10,00,000. What is the amount of goodwill or capital reserve arising on significant influence?
- (1) Goodwill = 10,000
 - (2) Goodwill 20,000
 - (3) Capital Reserve = 10,000
 - (4) Capital Reserve = 20,000.
- (xviii).** State which of the following statements is true?
- (1) Buy-back is for more than twenty-five per cent of the total paid-up capital and free reserves of the company
 - (2) Partly paid shares cannot be bought back by a company.
 - (3) Buy-back of equity shares in any financial year shall exceed twenty-five per cent of its total paid-up equity capital in that financial year.
 - (4) Partly paid shares can be bought back by a company.
- (xix).** If the purchase consideration is more than net assets (at agreed values) of the transferor company, difference shall be recorded as _____ in the books of the transferee company
- (1) Goodwill.
 - (2) Capital Reserve
 - (3) Profit
 - (4) Loss
- (xx).** When the object of reconstruction is usually to re-organise capital or to compound with creditors or to effect economies then such type of reconstruction is called
- (1) Internal reconstruction with liquidation
 - (2) Internal reconstruction without liquidation of the company
 - (3) External reconstruction
 - (4) None of the above

1[B]. Mars Ltd. is a manufacturing enterprise which is starting a new manufacturing plant at X Village. It has commenced construction of the plant on April 1, 2023 and has incurred following expenses:

It has acquired land for installing Plant for 50,00,000

It incurred 35,00,000 for material and direct labour cost for developing the Plant.

The Company incurred 10,00,000 for head office expenses at New Delhi which included rent, employee cost and maintenance expenditure.

The Company borrowed 25,00,000 for construction work of Plant @12% per annum on April 1, 2023. Director finance of the Company incurred travel and meeting expenses amounting to 5,00,000 during the year for arranging this loan.

On November 1, 2023, the construction activities of the plant were interrupted as the local people along with the activists have raised issues relating to environmental impact of plant being constructed. Due to agitation the construction activities came to standstill for 3 months.

With the help of Government and NGOs, the agitation was over by February 28, 2024 and the work resumed. However, to balance the impact on environment, government ordered the company to install certain devices for which the Company had to incur 6,00,000 in March 2024.

The rate of depreciation on Plant is 10%. Based on the above information, answer the following questions.

(i) Which of the following expenses cannot be included in the cost of plant:

- (1) Cost of Land
- (2) Construction material and labour cost.
- (3) Head office expenses
- (4) Borrowing cost

(2 Marks)

(ii) How much amount of borrowing cost can be capitalised with the plant:

- (1) ₹ 300,000
- (2) ₹ 2,00,000
- (3) ₹ 7,00,000
- (4) ₹ 6,00,000

(2 Marks)

(iii) The total cost of plant as on march 31, 2024 will be:

- (1) ₹ 85,00,000
- (2) ₹ 98,00,000
- (3) ₹ 93,00,000
- (4) ₹ 95,00,000

(2 Marks)

(iv) The amount of depreciation to be charged for the year end March 31, 2024

- (1) ₹ 4,30,000
- (2) ₹ 9,30,000
- (3) ₹ 9,80,000
- (4) Nil

(2 Marks)

(v) Which accounting standard deals with capitalisation of borrowing cost?

- (1) AS 16
- (2) AS 11
- (3) AS 12
- (4) AS 10

(2 Marks)

2(a). From the following particulars furnished by the Prashant Ltd., prepare the Balance Sheet as at 31st March, 2022 as required by Schedule III of the Companies Act, 2013.

| Particulars | Debit (₹) | Credit (₹) |
|---|------------------|------------------|
| Equity share capital (face value of ₹10 each) | | 15,00,000 |
| Calls-in-arrears | 5,000 | |
| Land | 5,50,000 | |
| Building | 4,85,000 | |
| Plant & machinery | 5,60,000 | |
| General reserve | | 2,70,000 |
| Loan from State Financial Corporation | | 2,10,000 |
| Inventories | 3,15,000 | |
| Provision for taxation | | 72,000 |
| Trade receivables | 2,95,000 | |
| Short-term loans & advances | 58,500 | |
| Profit & loss account | | 1,06,800 |
| Cash in hand | 37,300 | |
| Cash at bank | 2,85,000 | |
| Unsecured loans | | 1,65,000 |
| Trade payables | | 2,67,000 |
| Total | 25,90,800 | 25,90,800 |

The following additional information is also provided:

- 1) 10,000 equity shares were issued for consideration other than cash.
- 2) Trade receivables of ₹55,000 are due for more than six months.
- 3) The cost of building and plant & machinery is ₹5,50,000 and ₹6,25,000 respectively.
- 4) Loan from State Financial Corporation is secured by hypothecation of plant & machinery. Balance of 2,10,000 in this account is inclusive of 10,000 for interest accrued but not due.
- 5) Balance at Bank included ₹15,000 with Aakash Bank Ltd., which is not a scheduled bank.

(10 Marks)

2(b). The financial statements of PQ Ltd. for the year 2019-20 approved by the Board of Directors on 15th July, 2020.

The following information was provided:

- (a) A suit against the company's advertisement was filed by a party on 20th April, 2020, claiming damages of ₹ 25 lakhs.
- (b) The terms and conditions for acquisition of business of another company have been decided by March, 2020. But the financial resources were arranged in April, 2020 and amount invested was ₹ 50 lakhs.
- (c) Theft of cash of ₹ 5 lakhs by the cashier on 31st March, 2020 but was detected on 16th July, 2020.
- (d) Company sent a proposal to sell an immovable property for ₹ 40 lakhs in March, 2020. The book value of the property was ₹ 30 lakhs on 31st March, 2020. However, the deed was registered on 15th April, 2020.

With reference to AS-4 "Contingencies and events occurring after the balance sheet date", state whether the above mentioned events will be treated as contingencies, adjusting events or non-adjusting events occurring after the balance sheet date.

(4 Marks)

3(a). AXE Limited purchased fixed assets costing \$ 5,00,000 on 1st Jan. 2021 from an American company M/s M&M Limited. The amount was payable after 6 months. The company entered into a forward contract on 1st January 2021 for five months @ ₹ 62.50 per dollar. The exchange rate per dollar was as follows:

On 1st January, 2021 ₹ 60.75 per dollar

On 31st March, 2021 ₹ 63.00 per dollar

You are required to state how the profit or loss on forward contract would be recognized in the books of AXE Limited for the year ending 2020-21, as per the provisions of AS 11.

(4 Marks)

3(b). The summarized Balance Sheet of SK Ltd. as on 31st March, 2023 is given below

| | Amount ('000) |
|--|---------------|
| Liabilities | |
| Equity Shares of ₹10 each | 35,000 |
| 8%, Cumulative Preference Shares of ₹ 100 each | 17,500 |
| 6% Debentures of ₹ 100 each | 14,000 |
| Sundry Creditors | 17,500 |
| Provision for taxation | 350 |
| Total | 84,350 |
| B. Assets | |
| Assets | |
| Property, Plant & Equipment | 43,750 |
| Investments (Market value ₹3325 thousand) | 3,500 |
| Current Assets (Including Bank Balance) | 35,000 |
| Profit and Loss Account | 2,100 |
| Total | 84,350 |

Following Scheme of Internal Reconstruction is approved & put into effect on 31st March, 2023

- (i) Investments are to be brought to their market value.
- (ii) The Taxation Liability is settled at ₹ 5,25,000 out of current Assets.
- (iii) The balance of Profit and Loss Account to be written off.
- (iv) All the existing equity shares are reduced to ₹ 4 each.
- (v) All preference shares are reduced to ₹ 60 each.
- (vi) The rate of interest on debentures is increased to 9%. The Debenture holders surrender their existing debentures of ₹ 100 each and exchange them for fresh debentures of ₹ 80 each. Each old debenture is exchanged for one new debenture.
- (vii) Balance of Current Assets left after settlement of taxation liability are revalued at ₹ 1,57,50,000.
- (viii) Property, Plant & Equipment are written down to 80%.
- (ix) One of the creditors of the Company for ₹ 70,00,000 gives up 50% of his claim. He is allotted 8,75,000 equity shares of ₹ 4 each in full and final settlement of his claim.

Pass journal entries for the above transactions.

(10 Marks)

4(a). On 1st April, 2021 Mr. H had 30,000 equity shares of ABC Ltd. at a book value of ₹ 18 per share (Nominal value 10 per share). On 10th June, 2021, H purchased another 10,000 equity shares of the ABC Ltd. at ₹ 16 per share through a broker who charged 1.5% brokerage.

The directors of ABC Ltd. announced a bonus and a right issue. The terms of the issues were as follows:

- (i) Bonus shares were declared at the rate of one equity share for every four shares held on 15th July, 2021.
- (ii) Right shares were to be issued to the existing equity shareholders on 31st August, 2021. The company decides to issue one right share for every five equity share held at 20% premium and the due date for payment will be 30th September, 2021. Shareholders were entitled to transfer their rights in full or in part.

(iii) No dividend was payable on these issues. Mr. H subscribed 60% of the rights entitlements and sold the remaining rights for consideration of ₹ 5 per share.

Dividends for the year ending 31st March, 2021 was declared by ABC Ltd. at the rate of 20% and received by Mr. H on 31st October, 2021. On 15th January, 2022 Mr. H sold half of his shareholdings at ₹ 17.50 per share and brokerage was charged @1%.

You are required to prepare Investment account in the books of Mr. H for the year ending 31st March, 2022, assuming the shares are valued at average cost.

(10 Marks)

4(b). Following information is supplied by K Ltd.:

Number of shares outstanding prior to right issue - 2,50,000 shares.

Right issue - two new share for each 5 outstanding shares (i.e. 1,00,000 new shares)

Right issue price – ₹ 98

Last date of exercising rights - 30-06-2019.

Fair value of one equity share immediately prior to exercise of right on 30-06-2019 is ₹ 102.

Net Profit to equity shareholders:

2018-2019 – ₹ 50,00,000

2019-2020 ₹ 75,00,000

You are required to calculate the basic earnings per share as per AS-20 Earnings per Share

(4 Marks)

5(a). The Directors of Umang Ltd. passed a resolution to buyback 5,00,000 of its fully paid equity shares of ₹ 10 each at ₹ 15 per share. This buyback is in compliance with the provisions of the Companies Act, 2013. For this purpose, the company

(i) Sold its investments of ₹ 30,00,000 for ₹ 25,00,000.

(ii) Issued 20,000, 12% preference shares of ₹ 100 each at par, the entire amount being payable with application.

(iii) Used ₹ 15,00,000 of its Securities Premium Account apart from its adequate balance in General Reserve to fulfill the legal requirements regarding buy-back.

(iv) The company has necessary cash balance for the payment to shareholders.

You are required to pass necessary Journal Entries (including narration) regarding buyback of shares in the books of Umang Ltd.

(6 Marks)

5(b). Following are the summarized Balance Sheet of VT Ltd. and MG Ltd. as on 31st March, 2020:

| Particulars | VT Ltd. | MG Ltd. |
|---------------------------------|------------------|------------------|
| Equity & Liabilities | | |
| Equity share of ₹10 each | 12,00,000 | 6,00,000 |
| 10% Pref. Shares of ₹ 100 each | 4,00,000 | 2,00,000 |
| Reserves and Surplus | 6,00,000 | 4,00,000 |
| 12% Debentures | 4,00,000 | 3,00,000 |
| Trade Payables | 5,00,000 | 3,00,000 |
| | 31,00,000 | 18,00,000 |
| Assets | | |
| | VT Ltd. | MG Ltd. |
| Property, Plant & Equipment | 14,00,000 | 5,00,000 |
| Investment | 1,60,000 | 1,60,000 |
| Inventory | 4,80,000 | 6,40,000 |
| Trade Receivables | 8,40,000 | 4,20,000 |
| Cash at Bank | 2,20,000 | 80,000 |
| | 31,00,000 | 18,00,000 |

Details of Trade receivables and trade payables are as under:

| | VT Ltd. | MG Ltd. |
|-------------------|----------------|----------------|
| Trade receivables | | |
| Debtors | 7,20,000 | 3,80,000 |
| Bills Receivable | 1,20,000 | 40,000 |
| | 8,40,000 | 4,20,000 |
| Trade payables | | |
| Sundry Creditors | 4,40,000 | 2,50,000 |
| Bills Payable | 60,000 | 50,000 |
| | 5,00,000 | 3,00,000 |

Property, Plant & Equipment of both companies are to be revalued at 15% above book value.

Both companies are to pay 10% equity dividend, Preference dividend having been already paid.

After the above transactions are given effect to, VT Ltd. will absorb MG Ltd. on following terms:

- (i) V T Ltd. will issue 16 Equity Shares of 10 each at par against 12 Shares of MG Ltd.
- (ii) 10% Preference Shareholders of MG Ltd. will be paid at 10% discount by issue of 10% Preference Shares of 100 each, at par, in VT. Ltd.
- (iii) 12% Debenture holders of MG Ltd. are to be paid at 8% premium, by 12% Debentures in VT Ltd., issued at a discount of 10%.
- (iv) Inventory in Trade and Debtors are taken over at 5% lesser than their book value.
- (v) ₹60,000 is to be paid by VT Ltd. to MG Ltd. for Liquidation expenses
- (vi) Sundry Debtors of MG Ltd. includes 20,000 due from VT Ltd.

You are required to prepare:

- (1) Journal entries in the books of VT Ltd.
- (2) Statement of consideration payable by VT Ltd.

(8 Marks)

Attempt any two out of following three Questions.

6[a](i). State whether the following statements are 'True' or 'False'. Also give reason for your answer.

- (1) As per the provisions of AS-5, extraordinary items should not be disclosed in the statement of profit and loss as a part of net profit or loss for the period.
- (2) As per the provisions of AS-4, a contingency is a condition or situation, the ultimate outcome of which (gain or loss) will be known or determined only on the occurrence of one or more uncertain future events

(2 Marks)

- (ii).**
- (i) AP Ltd., a construction contractor, undertakes the construction of commercial complex for Kay Ltd. AP Ltd. submitted separate proposals for each of 3 units of commercial complex. A single agreement is entered into between the two parties. The agreement lays down the value of each of the 3 units, i.e. ₹ 50 Lakh ₹ 60 Lakh and ₹ 75 Lakh respectively. Agreement also lays down the completion time for each unit. Comment, with reference to AS- 7, whether AP Ltd., should treat it as a single contract or three separate contracts.
 - (ii) On 1st December, 2019, GR Construction Co. Ltd. undertook a contract to construct a building for ₹ 45 lakhs. On 31st March, 2020, the company found that it had already spent ₹ 32.50 lakhs on the construction. Additional cost of completion is estimated at ₹ 15.10 lakhs. What amount should be charged to revenue in the final accounts for the year ended 31st March, 2020 as per provisions of AS-7?

(5 Marks)

6[b](i). A Ltd. has an item of plant with an initial cost of ₹ 1,00,000. At the date of revaluation, accumulated depreciation amounted to ₹ 55,000. The fair value of the asset, by reference to transactions in similar assets, is assessed to be ₹ 65,000.

Pass Journal Entries with regard to Revaluation?

(2 Marks)

- (ii). Accountants of Poornima Ltd. showed a net profit of ₹ 7,20,000 for the third quarter of 2021 after incorporating the following:
- (i) Bad debts of ₹ 40,000 incurred during the quarter. 50% of the bad debts have been deferred to the next quarter.
 - (ii) Extra ordinary loss of ₹ 35,000 incurred during the quarter has been fully recognized in this quarter.
 - (iii) Additional depreciation of ₹ 45,000 resulting from the change in the method of charge of depreciation assuming that ₹ 45,000 is the charge for the 3rd quarter only.

Ascertain the correct quarterly income.

(5 Marks)

- 6[c](i). Venus Ltd. has a fixed asset, which is carried in the Balance Sheet on 31.3.2021 at ₹ 500 lakhs. As at that date the value in use is ₹ 400 lakhs and the net selling price is ₹ 375 lakhs. From the above data:

- a. Calculate impairment loss.
- b. Prepare journal entries for adjustment of impairment loss.
- c. Show, how impairment loss will be shown in the Balance Sheet

(4 Marks)

- (ii). Hello Limited purchased goods at the cost of ₹ 20 lakhs in October. Till the end of financial year, 75% of the stocks were sold. The company wants to disclose closing stock at ₹ 5 lakhs. The expected sale value is ₹ 5.5 lakhs and a commission at 10% on sale is payable to the agent. What is the correct value of closing stock?

(3 Marks)



PW Web/App - <https://smart.link/7wwosivoicgd4>

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Taxation

General Instructions to Candidates**Question No. 1 is compulsory Answer any two questions from the remaining three question.****Working Notes should form part of the answers.****Section – A
Income Tax
Objective**

Mr. Arvind, an Indian citizen, wants to file his return of income for the previous year 2023-24. He required assistance for which he has approached you. He has shared the following details relevant to the P.Y. 2023-24.

Mr. Arvind owned a house property in Bangalore and the same was rented out for ₹ 65,000 p.m. to Mr. Arjun, a salaried employee. He claims that this was the only income which he earned during the P.Y. 2023-24. However, when you had sought for his bank statement, you observed the following information additionally.

There is a credit for ₹ 23,975 towards income-tax refund which includes ₹ 5,775 towards interest on income-tax refund. On 15th August, 2023, the bank statement showed a credit of ₹ 55,000 which he claimed to have received as a gift from his grandchildren on his 60th birthday. On further assessment you were able to understand that Mr. Arvind and his wife had travelled to Mauritius during the P.Y. 2023-24 to spend some time with their son, who is staying in Mauritius. On scrutiny of their passport and relevant documents you conclude that they had left India on 27th September, 2023 and returned on 31st March, 2024. During the 4 years preceding previous year 2023-24, both had stayed in India for 320 days. Prior to that, they had been staying only in India.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

1. What is the residential status of Mr. Arvind for the P.Y. 2023-24? (2 Marks)
 - (1) Resident and ordinarily resident
 - (2) Resident but not ordinarily resident
 - (3) Non-resident
 - (4) Deemed resident but not ordinarily resident

2. Is there any requirement to deduct tax at source under section 194-IB on such rent by Mr. Arjun? If yes, what would be the amount of TDS to be deducted? (2 Marks)
 - (1) No, there is no requirement to deduct tax at source under section 194-IB, since Mr. Arjun is a salaried employee
 - (2) Yes, Mr. Arjun is required to deduct tax at source of 39,000 under section 194-IB
 - (3) Yes, Mr. Arjun is required to deduct tax at source of 78,000 under section 194-IB
 - (4) No, there is no requirement to deduct tax at source under section 194-IB, since Mr. Arvind is a non-resident

3. Which of the following statements is correct with respect to advance tax liability of Mr. Arvind for P.Y. 2023-24? (2 Marks)
 - (1) Advance tax liability shall not arise to Mr. Arvind since he is a non-resident
 - (2) Advance tax liability shall not arise, since Mr. Arvind is a resident senior citizen and he has no income chargeable under the head "Profits and gains of business or profession"
 - (3) Advance tax liability shall arise, since he is a non-resident
 - (4) Advance tax liability shall arise, since his tax liability is not less than 10,000

4. Mr. A (aged 52 years), is a CEO of XYZ Enterprise Limited. During the previous year 2023-24, he earned salary of Rs. 1,65,00,000 and long-term capital gain on sale of listed equity shares (STT paid) amounting to Rs. 1,06,500. He earned interest of Rs. 4,82,778 on saving bank account. Further, he has provided the following other information for filing his return of income:

He does not receive house rent allowance from his employer. Mr. A took a loan from State Bank of India on 27th October 2021 for repairing his house (self-occupied) at Delhi and paid interest on such borrowings of Rs. 80,000 and Rs. 1,50,000 towards principal amount during the previous year 2023-24.

Mr. A has made the following payments towards medical insurance premium for health policies taken for his family members:

Medical premium for his brother: Rs. 13,500 (by cheque)

Medical premium for his parents: Rs. 17,670 (by cheque)

Medical premium for self and his wife: Rs. 21,000 (by cheque).

He also incurred Rs. 6,400 towards preventive health check-up of his wife in cash. He deposited Rs. 1,00,000 towards PPF. He also deposited Rs. 50,000 and Rs. 2,50,000 towards Tier I and Tier II NPS A/c, respectively.

He has paid Rs. 5,30,000 as advance tax. His employer has deducted tax at source of Rs. 51,89,000. He is of the opinion that the balance amount of tax, if any, he will pay on 27th July 2024 (i.e. before the due date for filing of return of income). Mr. A has opted out of the default tax regime under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:- what would be the amount of deduction available to Mr. A under chapter VI-A for the assessment year 2024-25?

(2 Marks)

- (1) Rs 2,04,070
- (2) Rs 2,42,670
- (3) Rs 2,52,670
- (4) Rs 2,02,670

5. Assume that, for the purpose of answering this question alone, that Mr. A pays rent of Rs. 65,000 per month for his rented house at Mumbai to Mr. C, a resident individual, is Mr. A liable to deduct TDS on such rent. If so, what would be the rate and amount of TDS?

(2 Marks)

- (1) Yes, Mr. A is liable to deduct TDS @ 3.75% amounting to Rs. 2,438 every month i.e., at the time of payment of such rent
- (2) Yes, Mr. A is liable to deduct TDS @5% amounting to Rs. 3,250 every month i.e., at the time of payment of such rent
- (3) Yes, Mr. A is liable to deduct TDS @5% amounting to Rs. 39,000 in the month of March 2024
- (4) No, Mr. A is not liable to deduct TDS, since he is a salaried person

6. What would be the amount of interest chargeable under section 234B on the account of short payment of advance tax?

(2 Marks)

- (1) Rs 1980
- (2) Nil
- (3) Rs 3130
- (4) Rs 2410

7. Virat has a house property in Chennai which he let out to Mr. Sumit. For acquisition of this house, Mr. Virat has taken a loan of ₹30,00,000 @10% p.a. on 1-4-2016. He has further taken a loan of ₹5 lakhs @12% p.a. on 1.7.2022 towards repairs of the house. He has not repaid any amount of loan so far. The amount of interest deduction u/s 24(b) to Mr. Virat for P.Y. 2023-24 if he opted for the provisions of section 115BAC is:

(2 Marks)

- (1) 2,00,000
- (2) 2,30,000
- (3) 3,45,000
- (4) 3,60,000

8. What would be the tax liability of Ms. Savita, a resident, who attained the age of 60 years on 01.04.2024 on the total income of ₹ 7,25,000, comprising of salary income and interest on fixed deposits under default tax regime under section 115BAC?

(1 Mark)

- (A) ₹ 28,600
- (B) ₹ 26,000
- (C) ₹ 3,600
- (D) ₹ 2,600

Income Tax

Subjective

- 1a.** Mr. Sunil, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2024:
- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,95,000. He has paid municipal taxes of ₹ 25,000 for the current financial year. Both these floors are of equal size.
 - (ii) As per interest certificate from HDFC bank, he paid ₹ 1,50,000 as interest and ₹ 80,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2018.
 - (iii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 150 lakhs from export turnover. Out of ₹ 150 lakhs, only ₹ 120 lakhs have been received in India in convertible foreign exchange on or before 30.9.2024. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 40 lakhs.
 - (iv) He employed 20 new employees for the said industrial undertaking during the previous year 2023-24. Out of 20 employees, 12 were employed on 1st May 2023 for monthly emoluments of ₹ 18,000 and remaining were employed on 1st September 2023 on monthly emoluments of ₹ 12,000. All these employee participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
 - (v) He earned ₹ 30,000 and ₹ 40,000 as interest on saving bank deposits and fixed deposits, respectively.
 - (vi) He also sold his vacant land on 01.12.2023 for ₹ 15 lakhs. The stamp duty value of land at the time of transfer was ₹ 16 lakhs. This land was acquired by him on 15.10.1998 for ₹ 2.80 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. He had incurred registration expenses of ₹ 12,000 at that time. The cost of inflation index for the financial year 2023-24 and 2001-02 are 348 and 100, respectively.
 - (vii) He paid insurance premium of ₹ 40,000 towards life insurance policy of his son, who is not dependent on him. You are requested to compute total income and tax liability of Mr. Sunil for the Assessment Year 2024-25, in the manner so that he can make maximum tax savings.

(15 Marks)

- 2a.** Mr. Raman is a co-owner of a house property along with his brother holding equal share in the property.

| Particulars | Amount |
|--|------------|
| Municipal value of the property | 1,60,000 |
| Fair rent | 1,50,000 |
| Standard rent under the Rent Control Act | 1,70,000 |
| Rent received | 15,000 p.m |

The loan for the construction of this property is jointly taken and the interest charged by the bank is ₹ 25,000, out of which ₹ 21,000 has been paid. Interest on the unpaid interest is ₹ 450. To repay this loan, Raman and his brother have taken a fresh loan and interest charged on this loan is ₹ 5,000.

The municipal taxes of ₹ 5,100 have been paid by the tenant. Compute the income from this property chargeable in the hands of Mr. Raman for the A.Y. 2024-25.

(5 Marks)

- 2b.** Miss Charlie, an American national, got married to Mr. Radhey of India in USA on 2.03.2023 and came to India for the first time on 16.03.2023. She left for USA on 19.9.2023. She returned to India again on 27.03.2024. While in India, she had purchased a show room in Mumbai on 30.04.2023, which was leased out to a company on a rent of ₹ 25,000 p.m. from 1.05.2023. She had taken loan from a bank for purchase of this show room on which bank had charged interest of ₹ 97,500 upto 31.03.2024. She had received the following cash gifts from her relatives and friends during 1.4.2023 to 31.3.2024:
- From parents of husband ₹ 51,000
 - From married sister of husband ₹ 11,000
 - From two very close friends of her husband (₹1,51,000 and ₹ 21,000) ₹ 1,72,000

- (a) Determine her residential status and compute the total income chargeable to tax along with the amount of tax liability on such income for the Assessment Year 2024-25 if she opts out of the default tax regime u/s 115BAC.
- (b) Would her residential status undergo any change, assuming that she is a person of Indian origin and her total income from Indian sources is ₹18,00,000 and she is not liable to tax in USA?

(5 Marks)

3a. Briefly discuss the provisions of tax deduction/collection at source under the Income-tax Act, 1961 and determine the amount, if any, of TDS and TCS in respect of the following payments:

- (i) Mr. Harish bought an overseas tour programme package for Switzerland for himself and his family of ₹ 10 lakhs on 01-11-2023 from an agent who is engaged in organising foreign tours in course of his business. He made the payment by an account payee cheque and provided the permanent account number to the seller.
- (ii) Mr. Aditya pays ₹ 55,00,000 during F.Y. 2023- 24 to Mr. Naresh, for supply of labour, for carrying out the construction work of his factory. During the P.Y. 2022-23, Mr. Aditya's turnover was ₹ 95 lakhs.

(5 Marks)

3b. You are required to compute the income from salary of Mr. Raja under default tax regime from the following particulars for the year ended 31-03-2024:

- He retired on 31-12-2023 at the age of 60, after putting in 25 years and 9 months of service, from a private company at Delhi.
- He was paid a salary of Rs 25,000 m. and house rent allowance of Rs 6,000 p.m. He paid rent of Rs 6,500 p.m., during his tenure of service.
- On retirement, he was paid a gratuity of Rs. 3,50,000. He was covered by the payment of Gratuity Act, 1972. He had not received any other gratuity at any point of time earlier, other than this gratuity.
- He had accumulated leave of 15 days per annum during the period of his service; this was encashed by him at the time of his retirement. A sum of Rs 3,15,000 was received by him in this Employer allowed 30 days leave per annum.
- He is receiving Rs 5,000 as pension. On 1.2.2024, he commuted 60% of his pension and received Rs 3,00,000 as commuted pension.
- The company presented him with a gift voucher of ₹ 5,000 on his retirement. His colleagues also gifted him a mobile phone worth Rs 50,000 from their own contribution.

(5 Marks)

4a. In the following cases relating to P.Y.2023-24, the total income of the assessee or the total income of any other person in respect of which he/she is assessable under Income-tax Act does not exceed the basic exemption limit. You are required to state with reasons, whether the assessee is still required to file the return of income or loss for A.Y.2024-25 in each of the following independent situations:

- (i) Manish & Sons (HUF) sold a residential house on which there arose a long term capital gain of ₹ 12 lakhs which was invested in Capital Gain Bonds u/s 54EC so that no long term capital gain was taxable.
- (ii) Samarth has incurred an expenditure of ₹1,20,000 towards consumption of electricity, the entire payment of which was made through banking channels.

(4 Marks)

4b. Mr. Gyaanchand purchased 1200 shares of "A" limited at Rs 130 per share on 26.02.1979. "A" limited issued him 600 bonus shares on 20.02.2002. The fair market value of these shares at Mumbai Stock Exchange as on 1.04.2001 was Rs 900 per share and Rs 2,000 per share as on 31.01.2018. On 07.07.2023 Mr. Gyaanchand sold all 1800 shares @ ₹ 2,400 per share at Mumbai Stock Exchange and securities transaction tax was paid. Compute capital gain chargeable to tax in the hands of Mr. Gyaanchand for the A.Y.2023-24.

(6 Marks)

Section - B

GST

Objective

General Instructions to Candidates

Question No. 1 is compulsory Answer any two questions from the remaining three question.

Working Notes should form part of the answers.

1. Ecotech Solutions Private Limited is engaged in manufacturing and supply of energy products and solutions across multiple States in India. The Company manufactures solar panels and also imports certain category of solar panels as per the customer orders. The company also provides installation services and annual maintenance contracts for its products.

The Company received an advance payment for a bulk order of goods in March 2024, but the delivery was completed in May 2024. The amount of advance received by the Company was ₹ 1 crore. During the month of March 2024, the Company sold goods worth ₹ 5 crores and provided services amounting to ₹ 1 crore to its customers across India. The goods worth ₹ 1 crore sold under multiple invoices were returned by a customer due to defective quality in the month of March, 2024 which were originally sold by the Company in December, 2023. The Company issued a GST credit note against the returned goods in March, 2024. The Company incurred an amount of ₹ 5 lakh on the repair of the returned goods to make them resalable in the market to customers other than a related party. Further, the customers who returned the goods issued an invoice to Gujarat unit of the Company of ₹ 1 lakh for the expense related to return of goods. The goods were initially sold from the Gujarat unit of the Company but the same were returned to Maharashtra unit of the Company and subsequently moved by the Company from Maharashtra unit to Gujarat Unit i.e. the original place of supply. The Company is registered under GST in both the States i.e. Gujarat and Maharashtra. Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 5 below:-

(2 Marks)

At what point of time, tax will be payable in relation to the advance received by the Company of ₹1 crore?

- (A) The tax is payable at the time of receipt of advance.
(B) The tax is payable at the time of supply of goods.
(C) 50% of tax is payable at the time of receipt of advance.
(D) Tax is payable at the time of issuance of receipt voucher.
2. The total amount of supply during the month of March, 2024 to be reported in GSTR -1 by the Company is-----
-----.

(2 Marks)

- (1) Rs 1 crore
(2) Rs 5 crore
(3) Rs 6 crore
(4) Rs 7 crore

3. Which of the following options is correct in relation to the returned goods of value Rs 1 crore ?

(2 Marks)

- (1) Company has an option to issue single credit note against multiple invoices.
(2) Company has to mandatorily issue credit note against each invoice.
(3) The Company cannot issue credit note in any subsequent period after the supply is made.
(4) The Company can only issue a commercial credit note and GST adjustment cannot be made.

4. In case returned goods are sold by the Company to customers other than the related parties, the value of supply of such goods under GST shall be _____.
- (2 Marks)**
- (1) Equivalent to original value of supply only.
 - (2) Equivalent to original value of supply plus the cost incurred on making the goods reusable.
 - (3) 110% of original value of supply plus the cost incurred on making the goods reusable.
 - (4) Transaction value subject to the conditions mentioned in Section 15(2) of the CGST Act, 2017.
5. Which of the following option(s) is correct in relation to the invoice of 1 lakh issued by the customer for the expenses relating to returned goods?
- (2 Marks)**
- (1) The Company shall be eligible to avail full input tax credit.
 - (2) The Company shall not be allowed to avail input tax credit.
 - (3) The Company shall not be allowed to avail input tax credit in excess of 50% of the tax amount charged on such invoice.
 - (4) The Company shall be allowed to claim input tax credit only if it has not issued any credit note to the customer against such returned goods.
6. Where the _____ considers that any class of taxable persons is not in a position to keep and maintain accounts in accordance with the provisions of this section, he may, for reasons to be recorded in writing, permit such class of taxable persons to maintain accounts in such manner as may be prescribed.
- (2 Marks)**
- (1) GST Council
 - (2) Commissioner
 - (3) Central Government
 - (4) Proper officer
7. RR Stationers, dealers of wholesale and retail stationary items, are registered under QRMP scheme in GST for the Financial year 2023-24.
- It has opted for Fixed sum method of tax payment in the previous quarter (April-June) and tax paid in cash was Rs.10,000 in April under GST PMT-06, Rs. 12,000 in May under GST PMT-06 and Rs. 7,000 in GSTR-3B of the quarter filed on 24th July 2023.
- Now RR Stationers want to deposit tax for the month of July 2023 under QRMP Scheme (Fixed Sum payment method). Determine the amount of tax to be deposited for the month of October 2023 under this scheme?
- (2 Marks)**
- (1) Rs. 2,450
 - (2) Rs. 7,700
 - (3) Rs. 10,150
 - (4) Rs. 4,200
8. Mr. Radhey Shyam, a Chartered Accountant registered in Delhi, wish to purchase an office in Bengaluru. Mr. Radhey Shyam took financial services from ICIDI Bank registered in Gurugram in which he is an account holder, to procure loan for an office property situated in Bengaluru. Corporate office of the ICIDI Bank is Mumbai. He paid Rs. 20,000/- as processing fee for this loan to the bank. What will be the place of supply for the bank in this situation?
- (1 Mark)**
- (1) Delhi
 - (2) Bangalore
 - (3) Chandigarh
 - (4) Mumbai

GST Subjective

- 1a.** Nandan lal, registered under GST, is engaged in supplying services (as discussed in the table below) in Hyderabad. He has furnished the following information with respect to the services provided/ received by him, during the month of February:

| S. No. | Particulars | Amount (₹) |
|--------|--|------------|
| (i) | Carnatic music performance given by Mr. Nandan lal to promote a brand of readymade garments | 1,40,000 |
| (ii) | Outdoor catering service availed for a marketing even organised for his prospective customers | 50,000 |
| (iii) | Services of transportation on students provided to HSMG College providing education as part of a curriculum for obtaining a recognised qualification | 1,00,000 |
| (iv) | Legal services availed for official purpose from an advocate located in Chennai (Inter- State transaction) | 1,75,000 |
| (v) | Services provided to IFMP Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area | 2,00,000 |
| (vi) | Recovery agent's services provided to a car dealer | 15,000 |
| (vii) | General insurance taken on a car (seating capacity 5) used for official purposes | 40,000 |

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
 - (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
 - (iii) All the conditions necessary for availing the ITC have been fulfilled.
 - (iv) The turnover of Mr. Nandan lal was Rs 2.5 crore in the previous financial year.
 - (v) All the transactions mentioned above are intra-State unless otherwise specified.
- Compute the net GST payable in cash, by Mr. Nandan lal for the month of February

(10 Marks)

- 1b.** State the person liable to pay GST in the following independent services provided:

- (i) Sapna Builders, registered in Haryana, rented out 20 residential units owned by it in Jain Society to Anant Technologies, an IT based company registered in the State of Haryana, for accommodation of its employees.
- (ii) M/s. Verma Consultants, a partnership firm registered in Delhi as a regular tax payer, paid sponsorship fees of ₹ 1,50,000 at a seminar organized by a private NGO (a partnership firm) in Delhi.

(5 Marks)

- 2a.** NexusTech Ltd. provides you the following particulars relating to goods supplied by it to Agni Ltd.

| Particulars | Amount (₹) |
|---|------------|
| List price of the goods (exclusive of Taxes and discounts). | 76,000 |
| Special packing at the request of customer to be charged to the customer | 5,000 |
| Duty levied by local authority on the sale of such goods | 4,000 |
| CGST and SGST charged in invoice | 14,400 |
| Subsidy received from an NGO (The price of Rs 76000 given above is after considering the subsidy) | 5,000 |

NexusTech Ltd. offers 3% discount of the list price of the goods which is recorded in the invoice for the goods. Determine the value of taxable supplies made by NexusTech Ltd.

(5 Marks)

- 2b.** C Ltd., a registered firm, received services from a Raman & Co., an Advocate firm., an unregistered person. The firm issued invoice to C Ltd. on 1st July 2017. Determine the time of supply of services in the following independent cases:
- C Ltd. made the payments to the firm on 15 August 2017.
 - C Ltd. made the payments to the firm on 11th September 2017.
- Note: C Ltd turnover in the preceding financial year was Rs 2 crore

(5 Marks)

- 3a.** Jai, a registered supplier, runs a general store in Ludhiana, Punjab. Some of the goods sold by him are exempt whereas some are taxable. You are required to advise him on the following issues:
- Whether Jai is required to issue tax invoices in all cases, even if he is selling the goods to the end consumers?
 - Jai sells some exempted as well as taxable goods valuing Rs. 5000 to a school student. Is he mandatorily required to issue two separate GST documents?
 - Jai wishes to know whether it's necessary to show tax amount separately in the tax invoices issued to the customers. You are required to advise him.

(5 Marks)

- 3b.** Determine the effective date of registration in following cases:

- The aggregate turnover of Mr. A, a service provider in Delhi has exceeded Rs. 20 lakhs on 1st September. It submits the application for registration on 20th September. Registration certificate is granted to it on 25th September.
- Mr. Ram is a service provider in Lucknow. Its aggregate turnover exceeds Rs.20 lakhs on 25th October. It submits the application for registration on 27th November. Registration certificate is granted to it on 5th December.

(5 Marks)

- 4a.** "Little Smiles", a photography firm, has commenced providing photoshoot services in Delhi from the beginning of current financial year 2023-2024. It has provided the following details of turnover for the various quarters till December, 2023 :-

| S.No | Quarter | Amount (₹) |
|------|------------------------------|------------|
| 1. | April, 2023-June, 2023 | 20 |
| 2. | July, 2023-September, 2023 | 30 |
| 3. | October, 2023-December, 2023 | 40 |

You may assume the applicable tax rate as 18%. Little Smiles wishes to pay tax at a lower rate and opts for the composition scheme. You are required to advise whether it can do so and calculate the amount of tax payable for each quarter?

(6 Marks)

- 4b.** Discuss briefly the place of supply of goods purchased over the counter in one State and transported to another State by the buyer.

(4 Marks)



PW Web/App - <https://smart.link/7wwosivoicgd4>

Library- <https://smart.link/sdfez8ejd80if>

Content Feedback - <https://forms.gle/tZpnxPhzQof2s4pn8>



Master Test - 04
Mark : 100

CA Intermediate Udesb Regular Jan 2025 (Group-01)

01/12/2024
Time : 180 Mins

Corporate and Other Laws

Case Scenario 1

XYZ Ltd. was incorporated on April 1, 2023. The Board of Directors, within the required timeframe, appointed Mr. A as the first auditor of the company on April 20, 2023. Mr. A was tasked with auditing the company's financial statements for the financial year 2022-23, and he held office until the conclusion of the first Annual General Meeting (AGM), which was held on September 30, 2023.

During the AGM, the shareholders decided to appoint Mr. B, a partner in the audit firm MNO LLP, as the new auditor. MNO LLP is a limited liability partnership incorporated under the LLP Act, 2008. Mr. B and his firm were appointed to hold office from the conclusion of the 1st AGM until the conclusion of the 6th AGM in 2028.

Five years later, in 2028, the company is considering whether to reappoint Mr. B and MNO LLP for another term. The shareholders are discussing the provisions of the Companies Act, 2013, and the implications of reappointing the same auditor or audit firm for multiple terms.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5, of 2 marks each) given herein under: -

1. Who was responsible for appointing the first auditor of XYZ Ltd., and within what timeframe should the appointment have been made?

(2 Marks)

 - (1) Shareholders, within 60 days of registration of company
 - (2) Board of Directors, within 30 days of registration of company
 - (3) Board of Directors, within 60 days of registration of company
 - (4) Shareholders, within 30 days of registration of company

2. How long can MNO LLP, as an audit firm, hold office as the auditor of XYZ Ltd. according to the Companies Act, 2013?

(2 Marks)

 - (1) One term of five consecutive years
 - (2) Two terms of five consecutive years
 - (3) One term of six consecutive years
 - (4) Three terms of five consecutive years

3. If XYZ Ltd. wants to reappoint MNO LLP for another term after 2028, what does the Companies Act, 2013, mandate?

(2 Marks)

 - (1) MNO LLP can be reappointed for another term of five years.
 - (2) MNO LLP cannot be reappointed, as they have already served one term.
 - (3) MNO LLP cannot be reappointed, as they have already served two terms.
 - (4) MNO LLP can be reappointed, but the tenure must be reduced to three years.



4. What is the maximum tenure for which Mr. A as the first auditor of XYZ Pvt. Ltd., can hold office? (2 Marks)
- (1) From the date of appointment until the conclusion of the first AGM i.e. 30th September 2023
 - (2) From the date of appointment until the conclusion of the second AGM (in 2024)
 - (3) From the date of appointment until the conclusion of the third AGM (in 2025)
 - (4) From the date of registration of company until the conclusion of the first AGM i.e. 30th September 2023
5. By what date the copy of the annual return is to be filed with the Registrar of companies in case of first AGM of XYZ Ltd.? (2 Marks)
- (1) 29th November 2023
 - (2) 30th December 2023
 - (3) 31st January 2024
 - (4) 29th February 2024

Case Scenario 2

In 2023, Tech Innovations LLP was established as a Limited Liability Partnership under the Limited Liability Partnership Act, 2008. The LLP was formed with two partners: Alex and Jordan, who contributed equally to the capital. Alex contributed 5,00,000, while Jordan also contributed 5,00,000. The firm was registered with the Registrar of Companies on April 1, 2023.

Tech Innovations LLP's operations focused on software development and technology consulting. As per the LLP agreement, both partners shared profits and losses equally. The LLP agreement also stipulated that any changes in the partnership, such as the addition of a new partner or transfer of interest, required the consent of both existing partners.

In June 2024, Tech Innovations LLP decided to admit a new partner, Priya, who brought in ` 2,00,000 as her capital contribution. This change was duly recorded and filed with the Registrar of Companies. Furthermore, the LLP decided to hold an annual general meeting within six months from the end of the financial year to approve financial statements and discuss business matters.

On the basis of above facts and by applying applicable provisions of the Limited liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 6-7 of 2 marks each) given herein under:

6. As per the LLP Act, 2008, what is required for admitting a new partner into the LLP? (2 Marks)
- (1) The consent of one existing partner- Only Alex
 - (2) A majority vote of existing partners- Either Alex or Jordan
 - (3) The consent of all existing partners- Both Alex and Jordan
 - (4) Approval from the Registrar of Companies
7. When is Tech Innovations LLP required to hold its annual general meeting? (2 Marks)
- (1) By 30th April, 2024
 - (2) By 30th June, 2024
 - (3) By 31st July, 2024
 - (4) By 30th September, 2024



Case Scenario 3

In 2024, Global Enterprises Ltd., a company specializing in international trade, needed to send an important notice to one of its clients, Mr. Rajiv Patel, regarding a contractual amendment. According to the company's internal regulations and the contract terms, the notice had to be served by post.

On April 15, 2024, the company's legal department prepared the notice and addressed it to Mr. Patel at his registered address. The notice was properly addressed, prepaid, and sent via registered post with acknowledgment due to ensure the highest level of confirmation for delivery.

A few days later, on April 20, 2024, the notice was returned with a stamp indicating that it was "not claimed" by Mr. Patel. The legal department recorded the return of the notice and noted the endorsement.

The company's legal advisor referred to past case laws for similar scenarios to ensure that the notice was considered legally served under Section 27 of the General Clauses Act, 1897. They reviewed the following precedents:

United Commercial Bank v. Bhim Sain Makhija: It was noted that merely sending a notice by registered post without the acknowledgment due did not provide sufficient legal protection for proving service.

Jagdish Singh v. Natthu Singh: This case demonstrated that if a notice sent by registered post was returned with a refusal endorsement, it was considered served.

Smt. Vandana Gulati v. Gurmeet Singh alias Mangal Singh: It was established that if a notice sent by registered post to a proper address was returned with an endorsement like "not claimed", it was deemed served unless proven otherwise.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 8-10 of 2 marks each) given herein under:

8. According to Section 27 of the General Clauses Act, 1897, what three conditions must be fulfilled for a service by post to be deemed effective? (2 Marks)
- (1) Properly addressed, Pre-paid, and Posting by ordinary post
 - (2) Properly addressed, Pre-paid, and Posting by registered post
 - (3) Properly addressed, Pre-paid, and Sending by courier
 - (4) Properly addressed, Pre-paid, and Hand delivery
9. In the case of United Commercial Bank v. Bhim Sain Makhija, why was the presumption of service under registered post found to be insufficient? (2 Marks)
- (1) Because the notice was sent by ordinary post
 - (2) Because the notice was sent by registered post but not with acknowledgment due
 - (3) Because the address was incorrect
 - (4) Because the recipient did not respond
10. What does the case of Jagdish Singh v. Natthu Singh demonstrate about the service of notice? (2 Marks)
- (1) Notice sent by registered post without return endorsement is invalid
 - (2) Notice sent by registered post and returned with refusal endorsement is deemed served
 - (3) Notice sent by ordinary post is deemed served if not returned
 - (4) Notice served by hand delivery is always valid



Independent case scenarios

- 11.** XYZ Ltd., a manufacturing company, had taken a loan from ABC Bank and registered a charge on its assets on January 1, 2022. On April 1, 2024, XYZ Ltd. paid off the entire loan to ABC Bank. According to Section 82 of the Companies Act, 2013, XYZ Ltd. was required to file an intimation with the Registrar of Companies (ROC) regarding the satisfaction of the charge within 30 days from the date of the payment. However, due to an oversight, the company did not submit the intimation until July 15, 2024. To rectify this, the company decided to take advantage of the extended period for intimation provided under the proviso to Section 82 (1), which allows for an extension up to 300 days with the payment of additional fees. The additional fee for late intimation was ₹5,000, and the company's compliance officer needed to calculate the total fee to be paid for the delayed filing. As per the given facts, examine by how many days XYZ Ltd. was late in submitting the intimation of satisfaction of charge? What additional fee should the company pay for this delay? **(2 Marks)**
- (1) 90 days , Fee = 1,000
 - (2) 76 days , Fee = 5,000
 - (3) 90 days , Fee = 5,000
 - (4) 300 days , Fee = 10,000
- 12.** Athlete Rajiv Sharma, a professional tennis player from India, achieved remarkable success by winning a prestigious international tennis tournament held in Paris, France. As a result of his victory, he received a prize money of \$150,000 from the event organizers. Rajiv was excited about his winnings and planned to use a portion of the prize money to fund his training and future tournaments abroad. Rajiv decided to remit \$150,000 to his personal account in France to manage his finances and cover his training expenses. However, before proceeding, he needed to ensure that the remittance complied with the Foreign Exchange Management Act (FEMA), 1999, specifically concerning the remittance of prize money or sponsorship of sports activities abroad. Under FEMA regulations, individuals other than international, national, or state-level sports bodies are subject to specific guidelines when remitting amounts exceeding \$100,000. Rajiv was aware that the amount involved in his case exceeded this threshold and sought advice on the necessary steps and compliance. Enumerate in the given instance, according to FEMA regulations, what must Rajiv Sharma do if he wishes to remit prize money exceeding US \$100,000 abroad? **(2 Marks)**
- (1) Remit the amount directly without any additional requirements.
 - (2) Obtain approval from Paris Government before remitting the amount
 - (3) Only provide proof of winning the prize
 - (4) Require prior approval of Ministry of Human Resource Development (Department of Youth Affairs and Sports)
- 13.** Kite Sports Academy, a private coaching club, provides coaching for cricket, football and other similar sports. It coaches sports aspirants pan India. It also conducts various sports events and campaigns, across the country. In 2022, to mark the 25th year of its operation, a cricket tournament (akin to the format of T-20) is being organized by Kite Sports Academy in Lancashire, England, in the first half of April. The prize money for the 'winning team' is fixed at USD 40,000 whereas in case of 'runner-up', it is pegged at USD 11,000. You are required to choose the correct option from the four given below which signifies the steps to be taken by Kite Sports Academy for remittance of the prize money of USD 51,000 (i.e. USD 40,000+USD 11,000) to England keeping in view the relevant provisions of Foreign Exchange Management Act, 1999: **(2 Marks)**
- (1) For remittance of the prize money of USD 51,000, Kite Sports Academy is required to obtain prior permission from the Ministry of Human Resource Development (Department of Youth Affairs and Sports).
 - (2) For remittance of the prize money of USD 51,000, Kite Sports Academy is required to obtain prior permission from the Reserve Bank of India.
 - (3) For remittance of the prize money of USD 51,000, Kite Sports Academy is not required to obtain any prior permission from any authority, whatsoever, and it can proceed to make the remittance.
 - (4) For remittance of the prize money of USD 51,000, Kite Sports Academy is required to obtain prior permission from the Ministry of Finance (Department of Economic Affairs)



14. A Ltd. is incorporated on 3rd January, 2023. As per the Companies Act, 2013, what will be the financial year for the company:

(2 Marks)

- (1) 31st March, 2023
- (2) 31st December, 2023
- (3) 31st March, 2024
- (4) 30th September, 2024

15. A charge was created by Cyprus Limited on its office premises to secure a term loan of ` 1 crore availed from ABM Bank Limited through an instrument of charge executed by both the parties on 16th February, 2023. Inadvertently, the company could not get the charge registered with the concerned Registrar of Companies (ROC) within the first statutory period permitted by law and the default was made known to it by the lending banker with a stern warning to take immediate steps for rectification. The latest date within which the company must register the charge with the ROC so as to avoid paying ad valorem fees for registration of the charge is:

(2 Marks)

- (1) 27th April, 2023
- (2) 17th April, 2023
- (3) 2nd May, 2023
- (4) 16th June 2023



Descriptive Questions

Question No. 1 is compulsory.

Attempt any four questions out of the remaining five questions.

1(a). New Ltd. is a company in which Old Ltd. is holding 65% of its paid up share capital. One of the shareholder of Old Ltd. made a charitable trust and donated his 10% shares in Old Ltd. and `50 crore to the trust. He appoints New Ltd. as the trustee. All the assets of the trust are held in the name of New Ltd. Can a subsidiary hold shares in its holding company in this way?

(5 Marks)

1(b). The Government of India is holding 51% of the paid-up equity share capital of Surya Ltd. The Audited financial statements of Surya Ltd. for the financial year 2023-24 were placed at its annual general meeting held on 1st August, 2024. However, pending the comments of the Comptroller and Auditor General of India (CAG) on the said accounts the meeting was adjourned without adoption of the accounts. On receipt of CAG comments on the accounts, the adjourned annual general meeting was held on 29th September, 2024 whereat the accounts were adopted. Thereafter, Surya Ltd. filed its financial statements relevant to the financial year 2023-24 with the Registrar of Companies on 20th October, 2024. Examine, with reference to the applicable provisions of the Companies Act, 2013, whether Surya Ltd. has complied with the statutory requirement regarding filing of accounts (unadopted and adopted) with the Registrar?

(5 Marks)

1(c). Mr. A, an Indian National desires to obtain Foreign Exchange for the following purposes:

- (i) Remittance of US Dollar 50,000 out of winnings on a lottery ticket.
- (ii) US Dollar 100,000 for sending a cultural troupe on a tour of U.S.A.

Advise him whether he can get Foreign Exchange and if so, under what conditions?

(4 Marks)

2(a). What are the powers of Registrar to make entries of satisfaction and release of charges in the absence of any intimation from the company. Discuss this matter in the light of provisions of the Companies Act, 2013.

(5 Marks)

2(b). What is the mode of service of documents to Registrar or members, as per the provisions of the Companies Act, 2013.

(5 Marks)

2(c). Explain various provisions applicable to rules or bye-laws being made after previous publications as enumerated in Section-23 of the General Clauses Act, 1897.

(4 Marks)

3(a). Navni Ltd. has accumulated a significant amount in its securities premium account. The company is considering different ways to utilize these funds. Advise the directors of the company on the application of the securities premium account as per the provisions of the Companies Act, 2013.

(5 Marks)



3(b). KMN Ltd. scheduled its annual general meeting to be held on 11th March, 2024 at 11:00 A.M. The company has 900 members. On 11th March, 2024 following persons were present by 11:30 A.M.

- (1) P1, P2 & P3 shareholders
- (2) P4 representing ABC Ltd.
- (3) P5 representing DEF Ltd.
- (4) P6 & P7 as proxies of the shareholders
 - (i) Examine with reference to relevant provisions of the Companies Act, 2013, whether quorum was present in the meeting.
 - (ii) What will be your answer if P4 representing ABC Ltd., reached in the meeting after 11:30 A.M.?
 - (iii) In case lack of Quorum, discuss the provisions as applicable for an adjourned meeting in terms of date, time & place.
 - (iv) What happens if there is no Quorum in the Adjourned meeting?

(5 Marks)

3(c) Write short note on:

- (i) Provisio
- (ii) Explanation,
with reference to interpretation of Statutes, Deeds and Documents.

(4 Marks)

4(a) The Board of Directors of Avni Ltd. requested its Statutory Auditor to accept the assignment of designing and implementation of suitable financial information system to strengthen the internal control mechanism of the Company. How will you approach to this proposal, asa Statutory Auditor of Avni Ltd., taking into account the consequences,if any, of accepting this proposal?

(5 Marks)

4(b) Define the term ‘Body Corporate’ as per the provisions of the Limited Liability Partnership Act, 2008.

(5 Marks)

4(c) Differentiate Mandatory Provision from a Directory Provision. What factors decide whether a provision is directory or mandatory?

(4 Marks)

5(a) M/s Sulbha LLP was incorporated on 01.09.2022. On 01.01.2023, one partner of a partnership firm named M/s Sulbha which is registered with Indian Partnership Act, 1932 since 01.01.2000 requested ROC that as the name of LLP nearly resembles with the name of already registered partnership firm, the name of LLP should be changed. Explain whether M/s Sulbha LLP is liable to change its name under the provisions of Limited Liability Act, 2008?

(5 Marks)

5(b) CA. Mudit is a partner in SM & Company (Chartered Accountants) and ML & Company (Chartered Accountants). SM & Company are statutory auditors of Liberal Ltd. (a listed company) for past ten years as on 31st March, 2027. Advice under relevant provisions of the Companies Act, 2013, whether ML & Company be appointed as statutory auditor of Liberal Ltd. during cooling off period (after 31st March, 2027) for SM & Company?

(5 Marks)



- 5(c) A Ltd. declares a dividend for its shareholders in its AGM held on 27th September, 2024. Referring to provisions of the General Clauses Act, 1897 and Companies Act, 2013, advise, the dates during which A Ltd. is required to pay the dividend?
(4 Marks)
- 6(a) Zorab Garments Limited served a notice of General Meeting upon its members. The notice stated that a resolution to increase the share capital of the company would be considered at such meeting. Roshni, a shareholder of the company complained that the amount of the proposed increase was not specified in the notice. Is the notice valid?
(5 Marks)
- 6(b) Shaltom Ltd., an international corporation headquartered outside Japan, is interested in expanding its investor base and thus is planning to issue a prospectus for the subscription of its securities to potential investors in India. However, the company has not yet established a physical place of business within India. As a consultant for Shaltom Ltd., you have been asked to provide guidance on the legal procedures and compliance requirements that the company must follow to issue this prospectus in India.
(5 Marks)
- 6(c) Explain the meaning of term 'Foreign Exchange' as per the provisions of the Foreign Exchange Management Act, 1999.
(4 Marks)



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UDESHP REGULAR JAN 2025 (GROUP-1)

09/12/2024

Max. Marks: 100

Time: 180 Min

Master Test – 5

GENERAL INSTRUCTIONS TO CANDIDATES

The question paper comprises two parts, Part I and Part II.

Wherever necessary suitable assumptions may be made and disclosed by way of a note.

Working Notes should form part of the answer.

Part I

Part I comprises Multiple Choice Questions (MCQs). This question is compulsory.

Part II

Part II comprises questions which require descriptive answers. Question 1 of Part II is compulsory.

Answer any 4 out of the remaining 5 questions

Question 1[a] (i to x)

Part - I

(1 Mark × 10 = 10 Marks)

1[a](i). All non-corporate entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees two crores but does not exceed rupees ten crores at any time during the immediately preceding accounting year are classified as

- (1) Level II entities
- (2) Level IV entities
- (3) Level III entities
- (4) Level I entities

(ii). Which of the following may be treated as Related party as per AS 18?

- (1) A Limited & B Limited only because Mr. X is a common director in both the company
- (2) Limited & B Limited are totally independent company, however, majority of the Board of Directors of both the company are same
- (3) Mr. S & A limited only because Mr. S purchases majority of the products of A Limited
- (4) ABC Bank & N Limited because all borrowings of N Limited is financed by ABC Bank

(iii). Interim period as per AS 25 means

- (1) A Quarter
- (2) Half year
- (3) A Calendar year
- (4) Any period shorter than a full financial year

(iv). Which of the following statements is true?

- (1) Right issue always contains a bonus element
- (2) Right issue may or may not contain a bonus element.
- (3) Right issue does not contain a bonus element
- (4) Right issue may or may not be considered to contain a bonus element depending on the accounting policy of the company

(v). Partly paid up equity shares are

- (1) Always considered as a part of Basic EPS
- (2) Always considered as a part of Diluted EPS
- (3) Depending upon the entitlement of dividend to the shareholder, it will be considered as a part of Basic or Diluted EPS as the case may be
- (4) Considered as part of Basic/ Diluted EPS depending on the accounting policy of the company.

- (vi). Which of the following would not lead to lease being classified as Finance lease?
- (1) Title of the asset is not transferred but the lease term is for the major part of the economic life of the asset.
 - (2) The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.
 - (3) The lease does not transfer substantially all the risks and rewards incident to ownership
 - (4) At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- (vii). Which of the following does not form a part of contract costs as defined in AS7 (Revised)?
- (1) Estimated warranty costs under the construction contract
 - (2) Comprehensive insurance policy premium for all open construction contracts
 - (3) Research and development costs incurred at the instance of the contractee and billed to his account.
 - (4) General administration costs for which reimbursement is not specified in the contract
- (viii). X Limited had taken borrowing construction of building A and building B. The loan for both building was taken on 01.07.2019. Construction of both building commenced on 05.07.2019. Construction of building A was completed on 01.06.2022 & building B on 01.10.2022. Both buildings were inaugurated on 15.11.2022. The loan is to be repaid on 31.03.2028. When should capitalization of borrowing cost cease for Building A?
- (1) 01.06.2022
 - (2) 01.10.2022
 - (3) 15.11.2022
 - (4) Capitalization should continue till 31.03.2028
- (ix). Non-accumulating compensating absence is commonly referred to as
- (1) Earned Leave
 - (2) Sick Leave
 - (3) Casual leave
 - (4) All of the above
- (x). AS 29 is applicable in making provision from which of the following case
- (1) Onerous Contract
 - (2) Executory Contract
 - (3) Provision for employee benefit
 - (4) Income tax provision
- 1[b]. Venus Limited received a parcel of land at no cost from the government for the purpose of developing a factory in an outlying area. The land is valued at ₹ 75 lakhs, while the nominal value is ₹ 10 lakhs. Additionally, the company received a government grant of ₹ 30 lakhs, which represents 25% of the total investment needed for the factory development. Furthermore, the company received ₹ 15 lakhs with the stipulation that it be used to purchase machinery. There is no expectation from the government for the repayment of these grants.
Answer the following questions based on the above information:
- (i) The land received from Government, free of cost should be presented at:
- (1) ₹ 75 Lakhs
 - (2) ₹ 30 Lakhs
 - (3) ₹ 10 Lakhs
 - (4) ₹ 45 Lakhs

(2 Marks)

- (ii) How the Government Grant of ₹ 30 Lakhs should be presented?
- (1) It should be recognised in the profit and loss statement as per the related cost.
 - (2) It will be treated as capital reserve.
 - (3) It will be treated as deferred income.
 - (4) It will not be recognised in the financial statements.
- (2 Marks)**
- (iii) How the Government Grant of ₹ 15 Lakhs with a condition to purchase machinery may be presented as:
- (1) Capital Reserve
 - (2) Shareholders Fund
 - (3) Deferred Income
 - (4) Income in statement of profit and loss as received.
- (2 Marks)**
- (iv) Which of the above grants are required to be recognised in the statement of profit and loss on a systematic and rational basis over the useful life of the asset:
- (1) Land received as Grant
 - (2) Government Grant of ₹ 30 Lakhs
 - (3) Government Grant of ₹ 15 Lakhs with a condition to purchase machinery
 - (4) None of the above
- (2 Marks)**
- (v) Which AS deals with the accounting for Government Grant?
- (1) AS 11
 - (2) AS 12
 - (3) AS 13
 - (4) AS 16
- (2 Marks)**
- 1[c].** Axis limited is a manufacturing company. It purchased a machinery costing ₹ 10 Lakhs in April 2023. It paid ₹ 4 lakhs upfront and paid the remaining ₹ 6,00,000 as deferred payment by paying instalment of ₹ 1,05,000 for the next 6 months. During the year, the Company sold a land which was classified as its 'property, plant and equipment' for ₹ 25,00,000 and paid ₹ 1,00,000 as income tax as long term capital gain on such sale. During the year, the Company also received income tax refund along with interest.
- (i) How the amount for purchase of machinery should be presented:
- (1) ₹ 10 lakhs as 'Cash flows from Investing Activities' and ₹ 30,000 will simply be booked in profit and loss with no presentation if Cash Flow Statement.
 - (2) ₹ 10.30 lakhs as 'Cash flows from Investing Activities' as entire amount is spend on purchase of machinery.
 - (3) ₹ 10 lakhs as 'Cash flows from Investing Activities' and ₹ 30,000 as 'Cash flows from Financing Activities'.
 - (4) ₹ 10.30 lakhs as 'Cash flows from Financing Activities' as the machinery has been purchased on finance.
- (2 Marks)**
- (ii) At what amount, the machinery should be recognised in the financial statements:
- (1) ₹ 400,000
 - (2) ₹ 10,30,000
 - (3) ₹ 600,000
 - (4) ₹ 10,00,000
- (2 Marks)**
- (iii) How should the income tax paid on sale of land should be disclosed in the Cash Flows Statement:
- (1) Cash flows from Operating Activities
 - (2) Cash flows from Investing Activities
 - (3) Cash flows from Financing Activities
 - (4) No disclosure in Cash Flow Statement
- (2 Marks)**

(iv) How should the interest on income tax refunds should be disclosed in the Cash Flows Statement:

- (1) Cash flows from Operating Activities
- (2) Cash flows from Investing Activities
- (3) Cash flows from Financing Activities
- (4) No disclosure in Cash Flow Statement

(2 Marks)

(v) Which accounting standard deals with the preparation of Cash ow statement?

- (1) AS 13
- (2) AS 3
- (3) AS 11
- (4) AS 2

(2 Marks)

Part – II

1. Sun and Neptune had been carrying on business independently. They agreed to amalgamate and form a new company Jupiter Ltd. with an authorised share capital of ₹ 4,00,000 divided into 80,000 equity shares of ₹ 5 each. On 31st December, 2019, summarized Balance Sheets of Sun and Neptune were as follows:

| | Sun (₹) | Neptune (₹) |
|-----------------------------|----------|-------------|
| Share Capital | 3,65,000 | 3,52,500 |
| Current Liabilities | 5,97,000 | 1,80,250 |
| Property, Plant & Equipment | 6,35,000 | 3,65,000 |
| Current Assets | 3,27,000 | 1,67,750 |

Additional Information:

- (a) Revalued figures of Property, Plant & Equipment and Current Assets were as follows.

| | Sun (₹) | Neptune (₹) |
|-----------------------------|----------|-------------|
| Property, Plant & Equipment | 7,10,000 | 3,90,500 |
| Current Assets | 2,99,500 | 1,57,750 |

The purchase consideration is satisfied by issue of the following shares and debentures:

- (i) 60,000 equity shares of Jupiter Ltd., to Sun and Neptune in the proportion to the profitability of their respective business based on the average net profit during the last three years which were as follows.

| | | Sun (₹) | Neptune (₹) |
|------|---------------|----------|-------------|
| 2017 | Profit | 4,49,576 | 2,73,900 |
| 2018 | (Loss)/Profit | (2,500) | 3,42,100 |
| 2019 | Profit | 3,77,924 | 3,59,000 |

- (ii) 15% debentures in Jupiter Ltd., at par to provide an income equivalent to 8% return on capital employed in their respective business as on 31st December, 2019 after revaluation of assets.

You are requested to:

- (1) Compute the amount of debentures and shares to be issued to Sun and Neptune.
- (2) A Balance Sheet of Jupiter Ltd., showing the position immediately after amalgamation.

(14 Marks)

- 2(a). Following information was extracted from books of S Ltd. for the year ended 31st March, 2022:

- (1) Net profit before taking into account income tax and after talking into account the following items was ₹ 30 lakhs;
 - (i) Depreciation on Property, Plant & Equipment ₹ 7,00,000
 - (ii) Discount on issue of debentures written o ₹ 45,000.
 - (iii) Interest on debentures paid ₹ 4,35,000
 - (iv) Investment of Book value ₹ 3,50,000 sold for ₹ 3,75,000.
 - (v) Interest received on Investments ₹ 70,000
- (2) Income tax paid during the year ₹ 12,80,000.
- (3) Company issued 60,000 Equity Shares of ₹ 10 each at premium of 20% on 10th April, 2021.
- (4) 20,000, 9% Preference Shares of ₹ 100 each were redeemed on 31st March, 2022 at a premium of 5%.
- (5) Dividend paid during the year amounted to ₹ 11 Lakhs.
- (6) A new Plant costing ₹ 7 Lakhs was purchased in part exchange of an old plant on 1st January, 2022. The book value of the old plant was ₹ 8 Lakhs but the vendor took over the old plant at a value of ₹ 6 Lakhs only. The balance amount was paid to vendor through cheque on 30th March, 2022.
- (7) Company decided to value inventory at cost, whereas previously the practice was to value inventory at cost less 10%. The inventory according to books on 31.03.2022 was ₹ 14,76,000. The inventory on 31.03.2021 was correctly valued at ₹ 13,50,000.

(8) Current Assets & Current Liabilities in the beginning & at the end of year 21-22 were as:

| | As on 01.04.2021 | As on 31.03.2022 |
|----------------------|------------------|------------------|
| Inventory | 13,50,000 | 14,76,000 |
| Trade receivables | 3,27,000 | 3,13,200 |
| Cash & Bank | 2,40,700 | 3,70,500 |
| Trade payables | 2,84,700 | 2,87,300 |
| Outstanding expenses | 97,000 | 1,01,400 |

You are required to prepare a Cash Flow Statement for the year ended 31st March, 2022 as per AS 3 using the indirect method.

(12 Marks)

2(b). An organization whose objects are charitable or religious, believes that the Accounting Standards are not applicable to it since only a very small proportion of its activities are business in nature. Comment.

(2 Marks)

3(a). XYZ is having its Branch at Kolkata. Goods are invoiced to the branch at 20% profit on sale. Branch has been instructed to send all cash daily to head office. All expenses are paid by head office except petty expenses which are met by the Branch Manager. From the following particulars prepare branch account in the books of Head Office.

| | ₹ | | ₹ |
|---|----------|---|--------|
| Stock on 1 st April 2020 (invoice price) | 30,000 | Expenses paid by head office: | 1,800 |
| Sundry Debtors on 1 st April, 2020 | 18,000 | Rent | 3,200 |
| Cash in hand as on 1 st April, 2020 | 800 | Salary | 800 |
| Office furniture on 1 st April, 2020 | 3,000 | Stationery & Printing | |
| Goods invoiced from the head office (invoice price) | 1,60,000 | Petty expenses paid by the branch | 600 |
| Goods return to Head Office | 2,000 | Discount allowed to debtors | 160 |
| Goods return by debtors | 960 | Credit sales | 60,000 |
| Cash received from debtors | 60,000 | Depreciation to be provided on branch furniture at 10% p.a. | |
| Cash Sales | 1,00,000 | Stock on 31 st March, 2021 (at invoice price) | 28,000 |

(10 Marks)

3(b). Explain how financial capital is maintained at historical cost?

Kishore started a business on 1st April, 2021 with ₹ 15,00,000 represented by 75,000 units of ₹ 20 each. During the financial year ending on 31st March, 2022, he sold the entire stock for ₹ 30 each. In order to maintain the capital intact, calculate the maximum amount, which can be withdrawn by Kishore in the year 2021-22 if Financial Capital is maintained at historical cost.

(4 Marks)

4(a). Pratham Ltd. (a non-listed company) has following Capital structure as on 31st March, 2021:

| Particulars | ₹ | ₹ |
|---|-----------|-----------|
| Equity Share Capital (shares of ₹ 10 each fully paid) | | 30,00,000 |
| Reserves & Surplus | | |
| General Reserve | 32,50,000 | |
| Security Premium Account | 6,00,000 | |
| Profit & Loss Account | 4,30,000 | |
| Revaluation Reserve | 6,20,000 | 49,00,000 |
| Loan Funds | | 42,00,000 |

You are required to compute by Debt Equity Ratio Test, the maximum number of shares that can be bought back in the light of above information, when the offer price for buy back is ₹ 30 per share.

(8 Marks)

4(b). A Ltd. provides after sales warranty for two years to its customers. Based on past experience, the company has the following policy for making provision for warranties on the invoice amount, on the remaining balance warranty period.

Less than 1 year: 2% provision

More than 1 year: 3% provision

The company has raised invoices as under:

| Invoice Date | Amount (₹) |
|---------------------------------|------------|
| 11 th February, 2018 | 60,000 |
| 25 th December, 2018 | 40,000 |
| 4 th October, 2019 | 1,35,000 |

Calculate the provision to be made for warranty under AS-29 as at 31st March, 2019 and 31st March, 2020. Also compute amount to be debited to P & L account for the year ended 31st March, 2020.

(5 Marks)

4(c). In view of the provisions of Accounting Standard 25 on Interim Financial Reporting, on what basis will you calculate, for an interim period, the provision in respect of defined benefit schemes like pension, gratuity etc. for the employees?

(1 Mark)

5(a). The summarized balance sheet of Z Limited as on 31st March, 2023 is as under

| | Amount (₹ 000) |
|--|------------------|
| A. Equity and Liabilities | |
| 1. Share holders' Fund | |
| (a) Share Capital | |
| 5,00,000 equity shares of ₹10 each fully paid | 50,00,000 |
| 20,000, 9% preference shares of ₹100 each fully paid | 20,00,000 |
| (b) Reserves and Surplus | |
| Profit and Loss Account | (14,60,000) |
| 2. Non-current Liabilities | |
| (a) Long Term Borrowings 10% Secured Debentures | 16,00,000 |
| 3. Current Liabilities | |
| Trade Payables | 5,00,000 |
| Loan From Director | 1,00,000 |
| Bank Overdraft | 1,00,000 |
| Provision for Tax | 1,00,000 |
| Interest due on Debentures | 1,60,000 |
| Total | 81,00,000 |
| B. Assets | |
| 1. Non-current assets | |
| Property, Plant and Equipment and Intangible Assets | |
| (a) Property, Plant and Equipment | |
| Land and Building | 30,00,000 |
| Plant and Machinery | 12,50,000 |
| Furniture and Fixtures | 2,50,000 |
| (b) Intangible Assets | |
| Goodwill | 10,00,000 |
| Patents | 5,00,000 |
| 2. Current Assets | |
| (a) Trade Investments | 5,00,000 |
| (b) Trade Receivables | 5,00,000 |
| (c) Inventories | 10,00,000 |
| (d) Discount on issue of debentures | 1,00,000 |
| Total | 81,00,000 |

Note: Preference dividend is in arrears for last 2 years.

Mr. Y holds 60% of debentures and Mr. Z holds 40% of debentures. Moreover ₹ 1,00,000 and ₹ 60,000 were also payable to Mr. Y and Mr. Z respectively as trade payable.

The following scheme of reconstruction has been agreed upon and duly approved.

1. All the equity shares to be converted into fully paid equity shares of ₹ 5.00 each.
2. The Preference shares be reduced to ₹ 50 each and the preference shareholders agreed to forego their arrears of preference dividends, in consideration of which 9% preference shares are to be converted into 10% preference shares.
3. Mr. Y and Mr. Z agreed to cancel 50% each of their respective total debt including interest on debentures. Mr. Y and Mr. Z also agreed to pay ₹ 1,00,000 and ₹ 60,000 respectively in cash and to receive new 12% debentures for the balance amount.
4. Trade payables, other than Mr. Y and Mr. Z also agreed to forgo their 50% claims.
5. Directors also waived 60% of their loans and accepted equity shares for the balance.
6. Capital commitments of ₹ 3.00 lacs were cancelled on payment of ₹ 15,000 as penalty.
7. Directors refunded ₹ 1,00,000 of the fees previously received by them.
8. Reconstruction expenses paid ₹ 15,000.
9. The taxation liability of the company was settled for ₹ 75,000 and was paid immediately.
10. The Assets were revalued as under:

| | |
|------------------------|-----------|
| Land and Building | 32,00,000 |
| Plant and Machinery | 6,00,000 |
| Inventory | 7,50,000 |
| Trade Receivables | 4,00,000 |
| Furniture and Fixtures | 1,50,000 |
| Trade Investments | 4,50,000 |

You are required to pass journal entries for all the above mentioned transactions including amounts to be written off of Goodwill, Patents. Loss in Profit and Loss account and Discount on issue of debentures. And also prepare Bank Account.

(10 Marks)

- 5(b).** A company has filed a legal suit against the debtor from whom ₹ 15 lakh is recoverable as on 31.3.2020. The chances of recovery by way of legal suit are not good as per legal opinion given by the counsel in April, 2020. Can the company provide for full amount of ₹ 15 lakhs as provision for doubtful debts?

(2 Marks)

- 5(c).** Bela Ltd. has a vacant land measuring 20,000 sq. mts, which it had no intention to use in the future. The Company decided to sell the land to tide over its liquidity problems and made a profit of ₹ 10 Lakhs by selling the said land. There was a fire in the factory and a part of the unused factory shed valued at ₹ 8 Lakhs was destroyed. The loss from fire was set off against the profit from sale of land and profit of ₹ 2 lakhs was disclosed as net profit from sale of assets. Do you agree with the treatment and disclosure? If not, state your views.

(2 Marks)

Attempt any two out of following three Questions.

- 6[a](i).** B Ltd. undertook a construction contract for ₹ 50 crores in April, 2019. The cost of construction was initially estimated at ₹ 35 crores. The contract is to be completed in 3 years. While executing the contract, the company estimated the cost of completion of the contract at ₹ 53 crores. Can the company provide for the expected loss in the book of account for the year ended 31st March, 2020?

(3 Marks)

- (ii).** When revenue will be recognized in the following situation:

- (1) Where the purchaser makes a series of instalment payments to the seller and the seller deliver the goods only when the final payment is received.
- (2) Where seller concurrently agrees to repurchase the same goods at a later date.
- (3) Where goods are sold to distributors, dealers or others for resale.
- (4) Commissions on service rendered as agent on insurance business

(4 Marks)

6[b](i). A Ltd. has incurred the following costs. Determine if the following costs can be added to the invoiced purchase price and included in the initial recognition of the cost of the item of property, plant and equipment:

1. Import duties paid
2. Shipping costs and cost of road transport for taking the machinery to factory
3. Insurance for the shipping
4. Inauguration costs for the factory
5. Professional fees charged by consulting engineer for the installation process
6. Costs of advertising and promotional activities
7. Administration and other general overhead costs
8. Cost of site preparation.

(4 Marks)

(ii). Classify the following items into Monetary and Non-monetary:

- (i) Inventories;
- (ii) Trade Receivables;
- (iii) Investment in Equity Shares;
- (iv) Property, plant & equipment.

(3 Marks)

6(c)(i). On 01.04.2018, XYZ Ltd. received Government grant of ₹ 100 Lakhs for an acquisition of new machinery costing ₹ 500 lakhs. The grant was received and credited to the cost of the assets. The life span of the machinery is 5 years. The machinery is depreciated at 20% on WDV method. The company had to refund the entire grant on 2nd April, 2021 due to non-fulfillment of certain conditions which was imposed by the government at the time of approval of grant. How do you deal with the refund of grant to the Government in the books of XYZ Ltd., as per AS 12?

(5 Marks)

(ii). H Ltd. incurs borrowing costs for the purpose of construction of a qualifying asset for its own use. The construction gets completed on May 31, 2023. However, decoration work is under process which is expected to be completed by November 2023 after which H Ltd. will be able to start using the said asset for its own use. H Ltd. wants to capitalize the eligible borrowing costs incurred up to November 2023.

(2 Marks)



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Taxation

General Instructions to Candidates**Question No. 1 is compulsory Answer any two questions from the remaining three question.****Working Notes should form part of the answers.****Section – A
Income Tax
Objective**

Mukund (aged 40 years) a share broker, sold a building to his friend Anay, who is a dealer in automobile spare parts, for Rs 120 lakh on 10.11.2022, when the stamp duty value was Rs 150 lakh. The agreement was, however, entered into on 1.9.2022 when the stamp duty value was Rs 140 lakh. Mr. Mukund had received a down payment of Rs 15 lakh by a crossed cheque from Anay on the date of agreement. Mr. Mukund purchased the building for Rs 95 lakh on 10.5.2018. Further, Mr. Mukund also sold an agricultural land (situated in a village which has a population of 5,800) for Rs 60 lakhs to Mr. Vivek on 01.03.2023, which he acquired on 15.06.2015 for Rs 45 lakhs. Stamp duty value of agricultural land as on 1.3.2023 is Rs 65 lakhs.

CII for F.Y. 2015-16; 254; F.Y. 2018-19: 280; F.Y. 2023-24: 348.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

1. What is the amount of tax to be deducted by Anay and Mr. Vivek, if any, on consideration paid or payable for transfer of building and agricultural land?
(2 Marks)
 - (1) Rs 1,20,000 by Anay and Nil by Mr. Vivek.
 - (2) Rs 1,50,000 by Anay and Nil by Mr. Vivek
 - (3) Rs 1,50,000 by Anay and Rs 65,000 by Mr. Vivek
 - (4) Rs 1,20,000 by Anay and Rs 60,000 by Mr. Vivek
2. What amount of capital gains is chargeable to tax in the hands of Mukund in respect of transfer of building?
(2 Marks)
 - (1) Long-term capital gains of Rs 31,92,857
 - (2) Long-term capital gains of Rs 27,69,643
 - (3) Long-term capital gains of Rs 7,69,643
 - (4) Short-term capital gains of Rs 55,00,000
3. Assuming that Mukund has other income exceeding basic exemption limit, the tax liability (excluding surcharge and health and education cess) on transfer of building and agricultural land, would be -
(2 Marks)
 - (1) Rs 5,53,930
 - (2) Rs 1,53,930
 - (3) Rs 6,38,571
 - (4) Rs 6,38,571
4. What amount of income is chargeable to tax in the hands of Anay in respect of transfer of building?
(2 Marks)
 - (1) Rs 20 lakhs
 - (2) Rs 15 lakhs
 - (3) Rs 30 lakh
 - (4) NIL

5. The maximum amount of investment in bonds during the financial year or years for claim exemption u/s 54EC is—
(2 Marks)
- (1) ₹ 10 lakhs
 - (2) No limit
 - (3) ₹ 25 lakhs
 - (4) ₹ 50 lakhs

6. Mr. Sarthak, an individual and Indian citizen living abroad (Dubai), a tax haven (Tax haven is a place where no tax or very less tax is levied), since year 2007 and never came to India for a single day since then, earned the following incomes during previous year 2023-24:

| Particulars | Amount (in ₹) |
|---|---------------|
| (i) Income accrued and arisen in Dubai not taxable in Dubai (being tax haven) | 20,00,000 |
| (ii) Income accrued and arisen in India | 5,00,000 |
| (iii) Income deemed to accrue and arise in India | 8,00,000 |
| (iv) Income arising in Dubai from a profession set up in India | 10,00,000 |

Determine the residential status of Sarthak and taxable income for the previous year 2023-24 (assuming no other income arise during the previous year).

(2 Marks)

- (1) Deemed resident, Rs 23,00,000
 - (2) Resident, Rs 22,00,000
 - (3) Non-Resident, Rs 21,00,000
 - (4) Can't determine residential status, Rs 20,00,000
7. Mr. Manas owns two house properties one at Bombay, wherein his family resides and the other at Delhi, which is unoccupied. He lives in Chandigarh for his employment purposes in a rented house. For acquisition of house property at Bombay, he has taken a loan of Rs. 30 lakh @ 10% p.a. on 1.4.2022. He has not repaid any amount so far. In respect of house property at Delhi, he has taken a loan of Rs. 5 lakh @ 11% p.a. on 1.10.2022 towards repairs. Compute the deduction which would be available to him under section 24(b) for A.Y. 2024-25 in respect of interest payable on such loan if he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

(2 Marks)

- (1) Rs 2,50,000
 - (2) Rs 2,30,000
 - (3) Rs 2,00,000
 - (4) Nil
8. Roshni, employed with JK Pvt. Ltd., has the following particulars of salary income for PY 2023-24: Basic salary of ₹3,00,000, taxable HRA of ₹1,00,000 and entertainment allowance ₹12,000. JK Pvt. Ltd. has paid professional tax on her behalf of ₹2,500. Compute the taxable salary for AY 2024-25 under the optional tax regime.

(1 Mark)

- (A) ₹3,59,500
- (B) ₹3,62,000
- (C) ₹3,64,500
- (D) ₹3,57,000

Income Tax Subjective

- 1a. Sahil, resident Indian aged 40 years, a Manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2024.

Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2024

| Particulars | ₹ | Particulars | ₹ |
|--|------------------|--|------------------|
| To Opening Stock | 71,000 | By Sales | 43,50,000 |
| To Purchase of Raw Materials | 17,20,500 | By Closing Stock | 2,00,000 |
| To Manufacturing Wages & Expenses | 5,80,500 | | |
| To Gross Profit | 21,78,000 | | |
| Total | 45,50,000 | Total | 45,50,000 |
| To Administrative Charges | 2,90,000 | By Gross Profit | 21,78,000 |
| To SGST Penalty Paid (It is not compensatory nature) | 7,000 | By Dividend From Domestic Companies | 15,000 |
| To GST Paid | 1,10,000 | By Winning from Lotteries (Net of TDS) (TDS 4,500) | 10,500 |
| To General Expenses | 55,000 | By Profit on Sale of Shares | 45,000 |
| To Miscellaneous Expenses | 1,50,500 | | |
| To Loss on Sale of Shares | 20,000 | | |
| To Interest to Bank (on Machinery term loan) | 60,000 | | |
| To Depreciation | 2,00,000 | | |
| To Net Profit | 13,56,000 | | |
| Total | 22,48,500 | Total | 22,48,500 |

Following are the further information relating to Financial Year 2023 -2024:

- ♦ Administrative Charges include ₹ 46,000 paid as commission to brother of The Commission amount at the market rate in ₹ 36,000.
- ♦ The assessee paid ₹ 33,000 in cash to a Transport Carrier on 26.12.2023. This amount is included in Manufacturing Expenses. (Assume that the provisions relating to TDS are not applicable on this)
- ♦ A Sum of ₹ 4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in books of account. Bank Term Loan Interest actually paid upto 31.03.2024 was ₹ 20,000 and the balance was paid in October 2024.
- ♦ Miscellaneous Expenses include ₹ 10,000 contributed to Prime Minister's Relief Fund.
- ♦ Loss on Sale of Shares represents shares sold within a period of 6 months from the date of purchase.
- ♦ Profit on Sale of Shares represents shares held for 2 years & Securities Transaction Tax was paid on it.
- ♦ Housing Loan Principal repaid during the year was ₹ 50,000 and it relates to residential property occupied by Interest on Housing Loan was ₹ 2,60,000. Housing Loan was taken from Canara Bank. (Value of house property is ₹ 45 Lakhs, loan value ₹ 25 Lakhs and sanction date 31.03.2017).

These amounts were not dealt with in the Prof and Loss Account given above. (Assume this housing loan is eligible for 80EE deduction).

- ♦ Depreciation allowable under the Act to be computed on the basis of following information:

| Plant & Machinery (Depreciation Rate @15%) | ₹ |
|---|-----------|
| Opening WDV (as on 01.04.2023) | 12,00,000 |
| Additions During the year (Used for more than 180 Days) | 2,00,000 |
| Total Additions during the year | 4,00,000 |
| Note: Ignore Additional Depreciation u/s 32(1)(iia) | |

Compute the total income and tax liability of Mr. Sahil for the A.Y. 2024 -25 if he has exercised the option of shifting out of the default tax regime provided under Section 115BAC(1A).

(15 Marks)

- 2a. Mr. Ramesh & Mr. Suresh are brothers, and they earned the following incomes during the F.Y. 2023-24. Mr. Ramesh settled in Canada in the year 1996 and Mr. Suresh settled in Delhi. Compute the total income for the A.Y. 2024-25 assuming that both have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

| S. No. | Particulars | Mr. Ramesh | Mr. Suresh |
|--------|---|------------|------------|
| 1. | Interest on Canada Development Bonds (only 50% of interest received in India) | 35,000 | 40,000 |
| 2. | Dividend from British company, received in London | 28,000 | 20,000 |
| 3. | Profits from a business in Nagpur, but managed directly from London | 1,00,000 | 1,40,000 |
| 4. | Short term capital gain on sale of shares of an Indian company, received in India | 60,000 | 90,000 |
| 5. | Income from a business in Chennai | 80,000 | 70,000 |
| 6. | Fees for technical services rendered in India, but received in Canada | 1,00,000 | – |
| 7. | Interest on savings bank deposit in UCO Bank, Delhi | 7,000 | 12,000 |
| 8. | Agricultural income from a land situated in Andhra Pradesh | 55,000 | 45,000 |
| 9. | Rent received in respect of house property at Bhopal | 1,00,000 | 60,000 |
| 10. | Life insurance premium paid | Nil | 30,000 |

(5 Marks)

- 2b. Shiva purchased a house property on February 15, 1979 for ₹ 3,24,000. In addition, he has also paid stamp duty value @10% on the stamp duty value of ₹ 3,50,000.

In April, 2008, Mr. Shiva entered into an agreement with Mr. Mohan for sale of such property for ₹ 14,35,000 and received an amount of ₹ 1,11,000 as advance. However, the sale consideration did not materialize and Mr. Shiva forfeited the advance. In May 2015, he again entered into an agreement for sale of said house for ₹ 20,25,000 to Ms. Deepshikha and received ₹ 1,51,000 as advance. However, as Ms. Deepshikha did not pay the balance amount, Mr. Shiva forfeited the advance. In August, 2015, Mr. Shiva constructed the first floor by incurring a cost 3,90,000.

On November 15, 2023, Mr. Shiva entered into an agreement with Mr. Manish for sale of such house for ₹ 30,50,000 and received an amount of ₹ 1,50,000 as advance through an account payee cheque. Mr. Manish paid the balance entire sum and Mr. Shiva transferred the house to Mr. Manish on February 20, 2024. Mr. Shiva has paid the brokerage @1% of sale consideration to the broker.

On April 1, 2001, fair market value of the house property was ₹ 11,85,000 and Stamp duty value was ₹ 10,70,000. Further, the Valuation as per Stamp duty Authority of such house on 15th November, 2023 was ₹ 39,00,000 and on 20th February, 2024 was ₹ 41,00,000.

Compute the capital gains in the hands of Mr. Shiva for A.Y.2024-25

CII for F.Y. 2001-02: 100; F.Y. 2008-09: 137; F.Y. 2015-16: 254; F.Y. 2023-24: 348

(5 Marks)

- 3a. Rao & Jain, a partnership firm consisting of two partners, reports a net profit of ₹ 17,00,000 before deduction of the following items:

- Salary of ₹ 40,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership).
- Depreciation on plant and machinery under section 32 (computed) ₹ 1,50,000.
- Interest on capital at 15% per annum (as per the deed of partnership). The amount of capital eligible for interest is ₹ 5,00,000.

Compute:

(a) Book-profit of the firm under section 40(b) of the Income-tax Act, 1961.

(b) Allowable working partner salary for the A.Y. 2024-25 as per section 40(b).

(5 Marks)

3b. Mr. B is the Karta of a HUF, whose members derive income as given below:

| | Particulars | ₹ |
|-------|--|----------|
| (i) | Income from B' s profession | 45,000 |
| (ii) | Mrs. B' s salary as fashion designer | 76,000 |
| (iii) | Minor son D (interest on fix deposits with a bank which were gifted to him by his uncle) | 10,000 |
| (iv) | Minor daughter P's earnings from sports | 95,000 |
| (v) | D's winnings from lottery (gross) | 1,95,000 |

Examine the tax implications in the hands of Mr. and Mrs. B.

(5 Marks)

4a. Mr. Vineet exercised the option of shifting out of the default tax regime provided under section 115BAC(1A) and submits his return of income under the optional tax regime (i.e., the normal provisions of the Act) on 12-09-2024 for A.Y 2024- 25 consisting of income under the head "Salaries", "Income from house property" and bank interest. On 21-12-2024, he realized that he had not claimed deduction under section 80TTA in respect of his interest income on the Savings Bank Account. He wants to revise his return of income. Can he do so? Examine. Would your answer be different if he discovered this omission on 21- 03-2025?

(4 Marks)

4b. You are required to compute the income from salary of Mr. Raja under default regime from the tax following particulars for the year ended 31-03-2024:

1. He retired on 31-12-2023 at the age of 60 after putting in 25 years and 9 months of service, from a private company at Delhi.
2. He was paid a salary of ₹ 25,000 m. and house rent allowance of ₹ 6,000 p.m. He paid rent of ₹ 6,500 p.m., during his tenure of service.
3. On retirement, he was paid a gratuity of ₹ 3,50,000. He was covered by the payment of Gratuity Act, 1972. He had not received any other gratuity at any point of time earlier, other than this gratuity.
4. He had accumulated leave of 15 days per annum during the period of his service; this was encashed by him at the time of his A sum of ₹ 3,15,000 was received by him in this regard. Employer allowed 30 days leave per annum.
5. He is receiving ₹ 5,000 as pension. On 1.2.2024, he commuted 60% of his pension and received ₹ 3,00,000 as commuted pension.
6. The company presented him with a gift voucher of ₹ 5,000 on his retirement. His colleagues also gifted him a mobile phone worth ₹ 50,000 from their own contribution.

(6 Marks)

Section - B

GST

Objective

General Instructions to Candidates

Question No. 1 is compulsory Answer any two questions from the remaining three question.

Working Notes should form part of the answers.

M/s. Dine Out Brothers, a partnership firm, is engaged in restaurant business. It is registered under the composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 for the current financial year. Its turnover in the State for the month of April was ₹ 12,00,000. It received new orders in the month of May to run a mess facility for supplying food at:

1. Vishwas Public School, a higher secondary school;
2. Knowledge Institute of Technology, an engineering college, approved by AICTE and UGC; and
3. Frontline Hospital

It also provided catering services to a Coral limited company for their Annual General Meeting. Service was provided on 3rd July. But the invoice was not issued by the firm to the company. However, payment was received on 25th July for which bank account was credited on 28th July. The turnover of the restaurant business for the current financial year is ₹48,00,000.

From the inception of next financial year, M/s Dine Out Brothers will close down the restaurant business and will provide service of repairing of air conditioners.

M/s Dine Out Brothers undertakes intra-State transactions only.

Based on the information given above, choose the most appropriate answer for the following questions-

1. Compute the tax liability of M/s. Dine Out Brothers for the month of April? **(2 Marks)**
 - (A) CGST & SGST of ₹ 6,000 each
 - (B) CGST & SGST of ₹ 12,000 each
 - (C) CGST & SGST of ₹ 30,000 each
 - (D) CGST & SGST of ₹ 60,000 each

2. Out of new orders received by the firm in May which of the following services are exempt from GST? **(2 Marks)**
 - (i) Service provided to Vishwas Public School
 - (ii) Service provided to Knowledge Institute of Technology
 - (iii) Service provided to Frontline Hospital
 - (1) (i) and (iii)
 - (2) (ii) and (iii)
 - (3) only (i)
 - (4) (i) and (ii)

3. Time of supply of catering services provided to a Coral limited company is: **(2 Marks)**
 - (1) 3rd July
 - (2) 25th July
 - (3) 28th July
 - (4) 2nd August

4. Which of the following statements is most appropriate in respect of the next financial year for M/s Dine Out Brothers? **(2 Marks)**
- (1) M/s Dine Out Brothers can continue to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
 - (2) M/s Dine Out Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
 - (3) M/s Dine Out Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017, but can avail benefit of composition levy under section 10(2A) of the CGST Act, 2017.
 - (4) M/s Dine Out Brothers can neither avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 nor under section 10(2A) of the CGST Act, 2017.
5. Rate of GST applicable for service of repairing of air conditioners made by M/s Dine Out Brothers will be _____, assuming that it intends to pay the tax at the minimum rate available? **(2 Marks)**
- (1) 1%
 - (2) 5%
 - (3) 6%
 - (4) 12%
6. Sahil, a resident of Delhi, is having a residential property in Vasant Vihar, Delhi which has been given on rent to Sohan (unregistered) for Rs.50 lakh per annum for use as a residence. Determine whether Sahil is liable to pay GST on such rent. **(2 Marks)**
- (1) Yes, as services by way of renting is taxable supply under GST.
 - (2) No, service by way of renting of residential dwelling to unregistered person is exempt.
 - (3) No, service by way of renting of residential property does not constitute supply.
 - (4) Sahil, being individual, is not liable to pay GST.
7. RR Stationers, dealers of wholesale and retail stationary items, are registered under QRMP scheme in GST for the Financial year 2023-24. It has opted for Fixed sum method of tax payment in the previous quarter (April-June) and tax paid in cash was Rs. 10,000 in April under GST PMT-06, Rs. 12,000 in May under GST PMT06 and Rs. 7,000 in GSTR-3B of the quarter fil on 24th July 2023. Now RR Stationers want to deposit tax for the month of July 2023 under QRMP Scheme (Fixed Sum payment method). Determine the amount of tax to be deposited for the month of October 2023 under this scheme? **(2 Marks)**
- (1) Rs. 2,450
 - (2) Rs. 7,700
 - (3) Rs. 10,150
 - (4) Rs. 4,200
8. The director of M/s. Carrier Ltd. provided premises to it at a monthly rental of Rs. 2,50,000 which is registered as principal place of business (from where its carries out business operations). M/s. Carrier Ltd. wants to understand whether the monthly rental of Rs. 2,50,000 should be termed as 'transaction value' for determination of value of supply. Will answer differ if premises is provided by independent supplier ie. M/s. Kalp Ltd. **(1 Mark)**
- (1) No, Yes.
 - (2) Yes, Yes
 - (3) Yes, No
 - (4) No, No

GST Subjective

1a. Jino Enterprises, a partnership firm is a regular taxable person registered in Guwahati, Assam and is engaged in supply of Air conditioners and its accessories as well as air conditioned repairing services. Details of their various activities for the month of October 2022 are as follows:

- (i) Intra State supply of Air conditioner to customers in Assam. Freight is separately charged in invoices for delivery of goods at customer's doorstep.

| | ₹ |
|--|----------|
| Value of goods | 4,00,000 |
| Value of freight charges charged separately in above invoices. | 1,00,000 |

- (ii) Intra State supply of repairing services wherein apart from charging service charges, cost of parts/ spares provided to customers is also charged and consideration for the same is separately mentioned in the invoices.

| | ₹ |
|---|----------|
| Value of services component of invoices | 3,00,000 |
| Value of parts / spares component in invoices | 50,000 |

- (iii) In order to enhance their sales and to clear the stock of old models of air- conditioner, Jino Enterprises made combo offers to customers wherein, if a customer purchases an Air-conditioner along with a stabilizer, the same is offered at a combo price of ₹20,000 as against the original price of ₹30,000 (Air-conditioner ₹22,000 & stabilizer ₹8,000) if these are purchased separately. During October, 2022, Jino Enterprises had made inter-State supply of 10 numbers of such combo products.

- (iv) Purchased business class air tickets for intra State travel from Guwahati Airport, Assam to Dibrugarh Airport, Assam for its executive employees relating to business of the concern. Basic air fare was ₹40,000 and airlines charges GST @ 2.5% CGST, SGST each on basic freight, in case the same is applicable.

Additional Information:

- All the figures mentioned above are exclusi of
- In respect of few of the invoices relating to F.Y. 2021-2022, involving ITC of CGST ₹ 20,000, SGST of ₹20,000, IGST ₹80,000 was not taken earlier. Jino Enterprises now want to avail credit in respect of such invoices in the current month.
- The rates of GST applicable on various supplies are as follows:

| Nature of Supply | CGST | SGST | IGST |
|---|------|------|------|
| Parts and accessories (Except Air-Conditioner, Stabilizers) | 6% | 6% | 12% |
| Services | 9% | 9% | 18% |
| Stabilizers | 9% | 9% | 18% |
| Freight | 6% | 6% | 12% |

Calculate the amount of minimum CGST, SGST & IGST tax payable in cash by Jino Enterprises for the month of October, 2022.

Note: Working Notes (legal provisions) should form part of your answer

(10 Marks)

1b. Examine the following independent cases and determine the place of supply:

- Joy, an unregistered person of Kolkata, West Bengal sends a courier through Kolkata, West Bengal based Mohan Courier Agency to his sister in Mumbai, Maharashtra.
- Nitin, an unregistered person, resides at Rewa, Madhya Pradesh books a two way air journey ticket from Prayagraj, Uttar Pradesh to Jaipur, Rajasthan on 6 September and back. He leaves Prayagraj on 11 September in a morning flight and land in Jaipur the same day. He leaves Jaipur on 15 September in a late night flight and lands in Prayagraj the next day.
- Rimjhim Pvt. Ltd, located at Lucknow, Uttar Pradesh, purchases a manufacturing machine from Manav Steel Industries Ltd., located at Jaipur, Rajasthan, for being installed in its factory located at Haridwar, Uttarakhand.

(5 Marks)

2a. Who is liable to collect TCS (collection of tax at source) under Section 52 of the CGST Act, Briefly explain the provisions relating to registration, filing of return and deposit of TCS Government as per the provisions of section 52 of the CGST Act, 2017 and rule 12 of the CGST Rules, 2017.

(5 Marks)

2b. From the following information provided by M/s Sasta Bazaar. Determine the time of supply for the purpose of payment of GST:

- (i) It issued coupon on 20.06.2023, worth ₹ 2,000 redeemable against purchase of specific plastic items. This coupon was redeemed on 31.07.2023.
- (ii) It issued coupon on 01.08.2023 worth ₹ 3,000 which is redeemable against purchase of any item. This coupon was redeemed on 18.08.2023.
- (iii) It received interest of ₹ 10,000 for late payment from a customer on 11.11.2023 for supply of goods which was originally made on 24.06.2023.

(5 Marks)

3a. M/s. Flow Pro sold a machine to BP Ltd. It provides the following particulars in this regard:-

| S. No. | Particulars | ₹ |
|--------|--|--------|
| (i) | Price of the machine (excluding taxes and incidental charges) | 30,000 |
| (ii) | Machine was subject to third party inspection. The inspection charges have been directly paid by BP Ltd. to the inspection agency. | 5,000 |
| (iii) | Freight charges for delivery of the machine (M/s Flow Pro has agreed to deliver the goods at BP Ltd's premises) | 2,000 |
| (iv) | Subsidy received from State Government on sale of machine under skill Development Programme. [The subsidy is directly linked to the price]. | 5,000 |
| (v) | Discount of 2% is offered to Ltd. on the price and recorded in the invoice | |

Note: Items given in S. No. (ii) to (v) have not been considered in the price at S. No. (i). Determine the value of taxable supply made by M/s Flow Pro to BP Ltd

(5 Marks)

3b. A Ltd. procured the following goods in the month of December, 2023.

| Inward Supplies | GST (₹) |
|---|---------|
| (1) Goods used in constructing an additional floor of office building | 18,450 |
| (2) Goods given as free sample to prospective customers | 15,000 |
| (3) Trucks used for transportation of inputs in the factory | 11,000 |
| (4) Inputs used in trial runs | 9,850 |
| (5) Confectionery items for consumption of employees working in the factory | 3,250 |
| (6) Cement used for making foundation and structural support to plant and machinery | 8,050 |

Compute the amount of ITC available with A Ltd. for the month of December 2023 by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled.

(5 Marks)

4a. Madhav Oils, Delhi has supplied machine oil and high-speed diesel in the month of April as per the details given in table below. Madhav Oils is not yet registered.

| S.No | Particulars | Amount (₹) |
|-------|---|------------|
| (i) | Supply of machine oil in Delhi | 15,00,000 |
| (ii) | Supply of high-speed diesel in Delhi | 10,00,000 |
| (iii) | Supply of machine oil made in Punjab by Madhav Oils from its branch located in Punjab | 10,00,000 |

*excluding GST Determine whether Madhav Oils is liable for registration.

(6 Marks)

- 4b. Determine the GST payable @ 18% with respect to each of the following independent services provided by the registered persons:

| Particulars | Gross amount charged (₹) |
|---|--------------------------|
| Fees charged for 'Swasthya Yoga Camp' conducted by Chandra Prakash Charitable Trust, registered under section 12AB of the Income-tax Act, 1961 | 98,000 |
| Amount charged by business correspondent from Wealthy Banking Company for the services provided to the rural branch of a bank with respect to Savings Bank Accounts | 1,00,000 |
| Amount charged by cord blood bank for preservation of stem cells | 5,00,000 |
| Amount charged for service provided by selectors to a recognized sports body | 5,20,000 |

(4 Marks)



PW Web/App - <https://smart.link/7wwosivoicgd4>

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Master Test - 05
Mark : 100

CA Intermediate Udesh Regular Jan 2025 (Group-01)

15/12/2024
Time : 180 Mins

Corporate and Other Laws

Case Scenario 1

Tejas Infra Limited was incorporated by Tejasvi Singh and his wife Meenakshi along with seven other family members in the year 2001 with an aim to undertake infrastructure projects relating to transportation in the country. The company had successfully completed construction of roads and canals in Delhi, UP and Chandigarh and rose to become one of the prominent construction companies in India.

The Registered Office of the company is situated in Connaught Place, New Delhi with a capital base of ₹ 100 crore divided into ten crore equity shares of ₹10 each. The company has eight directors of which three are independent directors. In the year 2019, the company got new projects from the State Government of Punjab to build four flyovers and underpasses in different cities of Punjab.

In order to increase its capital base, Tejas Infra Limited decided to issue 1,00,000 preference shares of ₹ 100 each to the existing shareholders. For this, purpose it was decided to increase the Authorised Capital by ₹ 500,00,000 divided into 5,00,000 shares of ₹ 100 each.

The projects went off well and the turnover rose to the tune of ₹ 3600 crore in the immediately preceding financial year 2022-23. The net worth of the company stood at ₹ 550 crore.

As they crossed the threshold limit in the immediately preceding financial year 2022-23, a Board level Committee headed by one of the independent directors, namely, Paritosh was constituted to allocate budget, review the progress and provide guidance on various Corporate Social Responsibility (CSR) and sustainability initiatives. It was decided to spend the requisite amount towards skill development, vocational training, provision of safe drinking water facility, etc. Lokesh, one of the directors, is also a member of this Corporate Social Responsibility Committee. He is in favour of Janta Andolan Manch, a political party. This party is quite prominent in undertaking social work. As per his advice, the Board by a unanimous resolution resolved to contribute ₹ 5,00,000 to the said political party i.e. Janta Andolan Manch and to treat such contribution as part of CSR activity.

1. From the case scenario, it is evident that Tejas Infra Limited decided to issue 1,00,000 preference shares of ₹ 100 each to the existing shareholders. From the options given below choose the one which indicates the maximum period which is permitted to the company for redemption of preference shares.

(2 Marks)

- (1) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty-five years for redemption of preference shares subject to the condition that it shall redeem minimum 20% of preference shares per year commencing from 31st year onwards or earlier, on proportionate basis at the option of preference shareholders.
- (2) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty-five years for redemption of preference shares subject to the condition that it shall redeem minimum 10% of preference shares per year commencing from 26th year onwards or earlier, on proportionate basis at the option of preference shareholders.
- (3) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty years for redemption of preference shares subject to the condition that it shall redeem minimum 10% of preference shares per year commencing from 21st year onwards or earlier, on proportionate basis, at the option of preference shareholders.
- (4) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty years for redemption of preference shares subject to the condition that it shall redeem minimum 20% of preference shares per year commencing from 26th year onwards or earlier, on proportionate basis, at the option of preference shareholders.



2. The case scenario states that the turnover of Tejas Infra Limited rose to the tune of ₹ 3600 crore and net worth of the company stood at ₹ 550 crore in the immediately preceding financial year 2022-23 which required formation of CSR Committee. What is the third criterion which if crossed shall also require that a CSR Committee be formed. Choose the correct option from those stated below:

(2 Marks)

- (1) The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ two crore or more in the immediately preceding financial year.
- (2) The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ three crore or more in the immediately preceding financial year.
- (3) The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ five crore or more in the immediately preceding financial year.
- (4) The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ six crore or more in the immediately preceding financial year.

3. According to the legal provisions, it is mandatory to redeem preference shares at the stipulated time. Keeping in view the above case scenario, which source is required to be used by Tejas Infra Limited for the redemption of outstanding preference shares-

(2 Marks)

- (1) Tejas Infra Limited is required to redeem preference shares out of the profits which would otherwise be available for dividend.
- (2) Tejas Infra Limited is required to redeem preference shares out of the proceeds of a fresh issue of shares made for the purposes of such redemption.
- (3) Both (a) and (b).
- (4) Tejas Infra Limited is required to redeem preference shares out of its Capital Redemption Reserve.

4. While constituting a CSR Committee, how many minimum directors are required to be appointed by Tejas Infra Limited:

(2 Marks)

- (1) CSR Committee formed by Tejas Infra Limited shall have minimum two directors.
- (2) CSR Committee formed by Tejas Infra Limited shall have minimum three directors of which at least one director shall be an independent director.
- (3) CSR Committee formed by Tejas Infra Limited shall have minimum four directors of which at least one director shall be an independent director.
- (4) CSR Committee formed by Tejas Infra Limited shall have minimum four directors of which at least two directors shall be independent director.

5. Mr. X had resided in India for less than 182 days during the financial year 2022-2023. He arrived in India on April 1, 2023, to conduct business and intends to leave the business on April 30, 2024, with plans to depart from India on June 30, 2024. What is Mr. X's residential status for the financial year 2023-2024 under the FEMA, 1999? How many days did Mr. X stay in India during the financial year 2023-2024?

(2 Marks)

- (1) Non-Resident, 182 days
- (2) Resident, 365 days
- (3) Resident but Not Ordinarily Resident (RNOR), 240 days
- (4) Resident, 91 days



Case Scenario 2

GreenLeaf LLP is a limited liability partnership engaged in the business of ecofriendly product manufacturing. The LLP was initially established with three partners: Priya, Sameer, and EcoCorp Ltd., a corporate entity. Priya and Sameer are the designated partners, with Priya being a resident in India. EcoCorp Ltd. has appointed Anil, an individual, as its nominee to act on its behalf.

After a few years, Sameer decides to retire, leaving Priya and EcoCorp Ltd. as the remaining partners. Due to some administrative oversight, GreenLeaf LLP continues its operations without appointing a new partner. This situation persists for seven months, with Priya being aware of the reduced number of partners. During this period, GreenLeaf LLP enters into several contracts and incurs significant financial obligations.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008, and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 6-8) given herein under:

6. Given that Sameer retired and GreenLeaf LLP continued with only Priya and EcoCorp Ltd., what should GreenLeaf LLP have done within six months to comply with the LLP Act? **(2 Marks)**
- (1) Dissolved the LLP
 - (2) Continue operating with one designated partner
 - (3) Appoint at least one body corporate which should be a foreign company
 - (4) Appointed at least one more partner who should also be a designated partner, as every LLP should have at least two designated partners
7. According to the Limited Liability Partnership Act, 2008, choose the correct statement in relation to who must be a resident in India among the designated partners? **(2 Marks)**
- (1) At least one individual designated partner shall be resident in India
 - (2) All designated partners shall only be resident in India
 - (3) It is mandatory for only corporate partners to be resident in India
 - (4) At least four designated partners shall be resident in India
8. In the given case scenario suppose EcoCorp Ltd. also leaves the LLP and the LLP continues business for more than six months with only one partner, who is personally liable for the obligations incurred during that period? **(2 Marks)**
- (1) Priya
 - (2) Both Priya and EcoCorp Ltd.
 - (3) EcoCorp Ltd.
 - (4) Priya, Sameer and EcoCorp Ltd.
9. Lavender International Entertainment Inc., headquartered and registered in New York City and a prominent name in lifestyle audio innovations, professional audio and lighting solutions, and digital transformation, is present in more than seventy countries including India.
- Due to certain mishappenings, the company was unable to file its financial statements along with necessary documents for the year 2023 with the Registrar of Companies (in India) within the stipulated time as permitted by the Companies Act, 2013. It is observed that the ROC may, for any special reason and on an application made in writing by Lavender International Entertainment, extend the 'filing time' maximum up to a certain period. From the following options, choose the correct one in this respect: **(2 Marks)**



- (1) 'Filing time' in respect of filing of financial statements along with necessary documents by Lavender International Entertainment Inc. can be extended by ROC maximum by one month beyond the stipulated time period.
- (2) 'Filing time' in respect of filing of financial statements along with necessary documents by Lavender International Entertainment Inc. can be extended by ROC maximum by two months beyond the stipulated time period.
- (3) 'Filing time' in respect of filing of financial statements along with necessary documents by Lavender International Entertainment Inc. can be extended by ROC maximum by three months beyond the stipulated time period.
- (4) 'Filing time' in respect of filing of financial statements along with necessary documents by Lavender International Entertainment Inc. can be extended by ROC maximum by six months beyond the stipulated time period.

10. The Board of Directors Vishvas Ltd. decide to pay 5% of the issue price of shares as underwriting commission to the underwriters. However, the Articles of Association of the company permit only 3% commission. What is the maximum amount of underwriting commission that can be paid to the underwriters.

(2 Marks)

- (1) 2%
- (2) 3%
- (3) 5%
- (4) No limit has prescribed under the Companies Act, 2013 in case underwriting commission is to be paid in case of issue of shares.

Case Scenario 3

Amit, an Indian resident during the Financial Year (FY) 2021-2022, decided to pursue higher studies in Biotechnology in Switzerland. On 15th July 2022, he left India to begin his two-year academic program. The determination of Amit's residential status under the Foreign Exchange Management Act (FEMA), 1999, for the Financial Years 2022-2023 and 2023-2024, is crucial to understand his obligations and entitlements concerning foreign exchange transactions.

In terms of financial requirements, Amit needs USD 25,000 annually to cover his tuition fees. Additionally, he requires USD 30,000 annually for incidental expenses and living costs while studying abroad. Thus, his total annual requirement amounts to USD 55,000, making it imperative to assess the provisions under the Foreign Exchange Management Act, 1999, that govern the remittance of foreign.

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act, 1999, therein, choose the correct answer (one out of four) of the following MCQs (11-13) given herein under:

11. What would be Amit's residential status for FY 2022-2023 under FEMA, 1999?

(2 Marks)

- (1) Resident in India
- (2) Non-Resident Indian (NRI)
- (3) Person of Indian Origin (PIO)
- (4) Overseas Citizen of India (OCI)

12. What would be Amit's residential status for FY 2023-2024 under FEMA, 1999?

(2 Marks)

- (1) Resident in India
- (2) Non-Resident Indian (NRI)
- (3) Person of Indian Origin (PIO)
- (4) Overseas Citizen of India (OCI)



- 13.** Suppose now Amit wants more money for his living cost abroad. What is the maximum amount that can still be remitted abroad per financial year under the Liberalized Remittance Scheme (LRS)? **(2 Marks)**
- (1) USD 100,000
 - (2) USD 195,000
 - (3) USD 200,000
 - (4) USD 500,000
- 14.** ABC Real Estate Ltd., a prominent real estate company, has recently acquired a piece of land in a suburban area. The land has a small lake that is expected to generate significant tourism revenue in the future. Additionally, the land has several old structures that are permanently fastened to the earth, such as a stone pavilion and a historical monument. ABC Real Estate Ltd. plans to develop the area by refurbishing the existing structures and enhancing the natural surroundings to attract tourists. Considering the above scenario, identify which of the following components are classified as "Immovable Property" under the General Clauses Act, 1897: **(2 Marks)**
- (1) Only the land and the stone pavilion.
 - (2) Only the land and the benefits arising from the lake.
 - (3) The land, benefits arising from the lake, and the stone pavilion.
 - (4) The land, the benefits arising from the lake, the stone pavilion, and the historical monument.
- 15.** The Ministry of Transport is planning to construct a new highway that will connect City A and City B. According to the initial plan, the highway is expected to cover a distance of 150 kilometers. During the survey, the engineers measure the distance between the two cities as the crow flies, without considering the natural terrain and existing road curves. This method is in line with the provisions of the General Clauses Act, 1897 regarding the measurement of distance for the purposes of any Central Act or Regulation. Considering the above scenario, which statement is correct about the measurement of distance as per the General Clauses Act, 1897? **(2 Marks)**
- (1) The distance should be measured along the existing roadways and curves.
 - (2) The distance should be measured considering the natural terrain and obstacles.
 - (3) The distance should be measured in a straight line on a horizontal plane unless otherwise specified.
 - (4) The distance should be measured as a combination of straight lines and natural curves.



Descriptive Questions

Question No. 1 is compulsory.

Attempt any four questions out of the remaining five questions.

1(a). "A Bonus share is a distribution of capitalized undivided profit having an identity and value capable of being bought and sold." In reference to the above line elaborate the pre-requisites for issue of bonus shares as enlisted in the Companies Act, 2013.

(5 Marks)

1(b). Sunday Ltd. is a listed entity engaged in the business of providing engineering solutions to clients across the country. The company followed consistent growth over the years. Rate of Declaration of dividend in immediately preceding three financial years were 15%, 20%, and 25%. Unfortunately, due to obsolescence of a special part of machinery, company incurred losses in current financial year. Even though, during the financial year 2023-24, the company declared interim dividend of 10% on the equity shares.

The Board of Directors of the company approved the financial result for the financial year 2023-24 in its meeting held on 5th August, 2024, and recommended a final dividend of @15% in this board meeting.

The general meeting of the shareholders was convened on 31st August, 2024. The shareholders of the company demanded that since interim dividend @10% was declared by the company, so the final dividend should not be less than 20%. It was also submitted that rate of declaration of dividend in immediately preceding three years were 15%, 20% and 25%, but the Company Secretary emphasised that final dividend cannot be increased.

Advise whether the decision of Company Secretary is correct? What should be correct rate of final dividend?

Justify your answer with reference to provisions of the Companies Act, 2013.

(5 Marks)

1(c). (i) In the circumstance where Mr. M and Mr. P, joint shareholders of Primal Private Limited holding 500 equity shares, have conflicting views on one special business (related to proposed changes in the Articles of Association) at the extra-ordinary general meeting, Mr. M is endorsing the resolution, and Mr. P is dissenting. Determine the procedure for casting the vote in the event of such a situation, as per the guidelines. outlined in the Companies Act, 2013.

(ii) Okara Limited, a company, having a net worth of 110 crores and a turnover of 450 crores, wants to accept deposits from the public. Referring to the provisions of the Companies Act, 2013, decide, whether the above company can accept the deposits from the public.

(4 Marks)

2(a). Prashant incorporated a "One Person Company" making his sister Priya as the nominee. Priya is an Indian citizen. She was born and brought up in Kanpur. However, now Priya and her husband are leaving India permanently to stay with their son who is settled abroad for the last 15 years. Due to this fact, she is withdrawing her consent of nomination in the said One Person Company.

Taking into considerations the provisions of the Companies Act, 2013 answer the questions given below.

(i) If Priya is leaving India permanently, is it mandatory for her to withdraw her nomination in the said One Person Company?

(ii) In case Priya withdraws her nomination as a nominee to the OPC, whether Prashant can appoint his minor son Rushang as the nominee of the OPC?

(5 Marks)



- 2(b).** XYZ Ltd., a prominent manufacturing company, is in the process of appointing a new auditor for the upcoming financial years. Mr. A is a renowned auditor being considered for the role. During the due diligence process, the following details come to light:
1. Mr. B and Mr. A are partners in ABC & Co. Mr. B has taken a personal loan of ₹4 Lacs from XYZ Ltd.'s subsidiary, EFG Ltd., six months ago.
 2. Mr. A's relative, Ms. C, has an outstanding debt of ₹2 Lacs with DEF Ltd., an associate company of XYZ Ltd., which was taken three months ago.
- (5 Marks)**
- 2(c).** (i) K Ltd. in its first year of incorporation maintained its books of account under Single Entry System of Accounting. Is it permitted under the provisions of the Companies Act, 2013?
- (ii) State the person responsible for complying with the provisions regarding maintenance of Books of Accounts, etc. of a Company.
- (4 Marks)**
- 3(a).** Explain the exceptions to the Doctrine of Indoor Management.
- (5 Marks)**
- 3(b).** Prateek Limited, an unlisted company, registered in the State of Arunachal Pradesh with 42 shareholders, wants to organize the Annual General Meeting of the company on 13th August 2024 which happens to be Raksha Bandhan, a day declared as a holiday by the Government of Arunachal Pradesh.
- Advise the company on the feasibility of the above with reference to the provisions of the Companies Act, 2013.
- (5 Marks)**
- 3(c)** Explain the Doctrine of Noscitur a Sociis
- (4 Marks)**
- 4(a)** XYZ LLP was registered under the Limited Liability Partnership Act, 2008 (LLP Act) with a name that was later found to be identical to an existing company's name, XYZ OPC Pvt Ltd. This similarity was not noticed at the time of registration.
- Explain the provisions of the Limited Liability Partnership Act, 2008, in respect of the following:
- (i) When the name of LLP is identical.
 - (ii) Formalities with the Registrar of Companies after name change of LLP.
- (5 Marks)**
- 4(b)** Imagine you are a legal advisor for a company drafting a new contract. One of the clauses in the contract states: "Notwithstanding anything contained in any other provisions of this agreement, the company reserves the right to terminate the agreement without notice if there is a breach of confidentiality by the employee." Explain to the management of the company the meaning of a non-obstante clause in legal documents and its effect on overriding other provisions with reference to decided case law.
- (5 Marks)**
- 4(c)** Mr. Chaggan Lal is an importer dealing in luxury perfumes. Recently, a new enactment was passed which imposes a duty of 15% on the value of luxury goods, including perfumes. Now Mr. Chaggan Lal has approached you to explain to him the provisions in relation to 'Duty to be taken pro rata in enactments' of the General Clauses Act, 1897. Also, help him to calculate the amount of duty on a Shipment of 100 bottles of perfumes, each valued at \$50.
- (4 Marks)**



- 5(a)** Explain the provisions relating to expert's consent included in the prospectus to be issued in India by the companies incorporated outside India as per the provisions of the Companies Act, 2013. **(5 Marks)**
- 5(b)** LKJ Ltd. is a company having paid up share capital of 12.50 crores with total number of members being 3500. The board of directors have called a general meeting (the meeting) to be conducted on 06.05.2023 at 2.00 pm. On the date of the meeting the required quorum was not present within half an hour and hence was adjourned to the next week on 13.05.2023 on same day at same venue. In reference to the above scenario in light of the relevant provisions of the Companies Act, 2013 elucidate upon the following queries of the company :
- (i) What will be the fate of the meeting in case two members, in person, were present at the adjourned meeting held on 13.05.2023 ?
 - (ii) In case, on 06.05.2023 a total of 16 members were present but the chairman owing to the unruly behaviour of some members during the meeting had adjourned the same to 13.05.2023 and at the adjourned meeting only 3 members, in person, are present. What will be the fate of such adjourned meeting?
 - (iii) In case, where such meeting was called by the requisitionists under Section 100 of the Act and at such meeting the quorum was not present, what will be the fate of such meeting ? **(5 Marks)**
- 5(c)** What is 'Floating Charge'? When does it get crystallised? **(4 Marks)**
- 6(a)** Enumerate the persons who are entitled to receive the Notice of the General Meeting, as per the provisions of the Companies Act, 2013. **(5 Marks)**
- 6(b)** Explain the provisions of the Companies Act, 2013 [read along with the Companies (Registration of Foreign Companies) Rules, 2014] in respect of 'Audit of accounts of foreign company'. **(5 Marks)**
- 6(c)** Sanket Sharma, an international cricket player has started its cricket academy, namely, Sanket Sharma Cricket Academy, a private coaching club, which provides coaching for cricket. The Academy has a cricket team which participates in cricket matches all over India as well as outside India. Sanket Sharma Cricket Academy in a collaboration with Melbourne Cricket Academy is organizing a cricket event in Melbourne, Australia in the month of May 2024 and June 2024. Sanket Sharma Academy is required to remit USD 200,000 to Melbourne Cricket academy as a part of its share for organizing the cricket event in Melbourne. Advise whether it can get Foreign Exchange and if so, under what conditions? **(4 Marks)**



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