INTERMEDIATE COURSE

GROUP – I

REVISION TEST PAPERS

MAY, 2025

BOARD OF STUDIES (ACADEMIC)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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Contents

REVISION TEST PAPER, MAY 2025 – OBJECTIVE & APPROACH

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

I. Objective of Revision Test Paper

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

The primary objectives of the RTP are:

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

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

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

Live Virtual Classes by renowned subject experts conducted free of charge for the students of Foundation, Intermediate and Final levels provide the students much required support in preparing for their exams conveniently at home as these classes can be accessed live or viewed later as recorded lectures through hand-held devices such as smart phones, laptops, I-pads, tablets, etc. anytime anywhere. Further, students are advised to attempt the Multiple-Choice Questions (MCQs) at MCQ Paper Practice Portal which is a holistic platform for self-assessment within the stipulated timeframe.

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

II. Planning and preparing for examination

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

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

Examination tips

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

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

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

III. Subject-wise Applicability

PAPER – 1 : ADVANCED ACCOUNTING

The July, 2024 edition of the Study Material, comprising of three modules, is applicable for the students appearing for May, 2025 Examination. For understanding the coverage of syllabus, it is important to read the Study Material carefully.

You must read the study material thoroughly to attain conceptual clarity. The tables, diagrams and flow charts in study material have been extensively prepared to facilitate easy understanding of concepts. Likewise, examples and illustrations given in the Study Material would enable you to grasp the application of theoretical concepts in real-world scenarios. After covering the concepts and illustrations, work out the exercise questions at the end of each chapter and then compare your answers with the answers given to test your level of understanding. Also, solve the MCQs and case scenario based MCQs uploaded in MCQ Practice Dashboard. This will help you to maximize your speed and accuracy in solving independent MCQs and case scenario based MCQs in the Examination.

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

PAPER – 2: CORPORATE AND OTHER LAWS

The July 2024 edition of the Study Material is applicable for Intermediate Course Paper 2: Corporate and Other Laws. The Study Material has been divided into three modules (Modules 1, 2 & 3) for ease of handling by students.

The Study Material is based on the provisions of the Companies Act, 2013, the Limited Liability Partnership Act, 2008, the General Clauses Act, 1897 and the Foreign Exchange Management Act, 1999, as amended upto 30th June, 2024.

The amendments in the Companies Act, 2013 for the period 1st May, 2024 to 31st October, 2024 are given under the Part I of the RTP. These amendments have been uploaded on the website at https://resource.cdn.icai.org/84677bos68213.pdf.

The students are advised to read the Study Material thoroughly to attain conceptual clarity. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. Examples and Illustrations given in the Study Material would help the students to understand the application of concepts. Work out the exercise questions at the end of each chapter and then compare your answers with the answers given to test your level of understanding. Thereafter, solve the MCQs and case scenarios based MCQs uploaded in MCQ Paper Practice Dashboard and assess your level of understanding.

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

PAPER – 3: TAXATION

Section A: Income-tax Law (50 Marks)

The Income-tax law, as amended by the Finance (No. 2) Act, 2024 and significant notifications, circulars and other legislative amendments upto 31.10.2024 are relevant for May, 2025 Examination. The relevant assessment year for May, 2025 examination is A.Y. 2025-26.

The October, 2024 edition of the Study Material, comprising of two modules (Modules 1 & 2), is based on the provisions of income-tax law, as amended by the Finance (No. 2) Act, 2024 and significant notifications and circulars issued upto 30.09.2024. Hence, the same is applicable for May, 2025 Examination. Further, a list of topic-wise exclusions from the syllabus and inclusions with reference to section 10 in the syllabus has been specified by way of **"Study Guidelines"** and the same has been webhosted at https://resource.cdn.icai.org/84185bos67885.pdf at BoS Knowledge Portal.

Since there is no significant notifications/circulars issued between 1.10.2024 and 31.10.2024, Statutory Update is not issued for May 2025 Examination.

You have to read the Study Material thoroughly to attain conceptual clarity. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. The amendments made by the Finance (No. 2) Act, 2024 and latest notifications and circulars have been given in *italics*/***bold italics***. Examples and Illustrations given in the Study Material would help you understand the application of concepts. Work out the exercise questions at the end of each chapter and then compare your answers with the answers given to test your level of understanding.

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

Section B: Goods and Services Tax (50 Marks)

For Section B: Goods and Services Tax of Paper 3: Taxation, the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024, including significant notifications and circulars issued and other legislative amendments made, up to 31st October, 2024, are applicable for May, 2025 examination.

The amendments made by the Annual Union Finance Acts in the CGST Act, 2017 and IGST Act, 2017 are made effective from the date notified subsequently. Thus, only those amendments made by the relevant Finance Acts which have become effective till 31.10.2024 are applicable for May 2025 examination. Accordingly, only the amendment made by the Finance (No. 2) Act, 2024 [viz. amendment in section 16 of the CGST Act, 2017] which has become effective till 31.10.2024 are applicable for May 2025 examination and remaining amendments are not applicable for said examination.

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

The October, 2024 edition of the Study Material is applicable for Intermediate Course Paper 3: Taxation, Section B: Goods and Services Tax. The Study Material has been divided into two modules for ease of handling by students.

Study Material is based on the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended upto 31.10.2024.

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

PAPER – 1: ADVANCED ACCOUNTING

QUESTIONS

PART – I: Multiple Choice Questions based on Case Scenarios

1. In the books of G Ltd., closing inventory as at 31.03.2024 amounts to ₹ 10,40,000 (on the basis of FIFO method).

   The company decides to change from FIFO method to weighted average method for ascertaining the cost of inventory for 31.3.2024. On the basis of weighted average method, closing inventory as on 31.03.2024 amounts to ₹ 8,80,000. Realisable value of the inventory as on 31.03.2024 amounts to ₹ 12,00,000.

   What will be the value of inventory in the books and what disclosure should be given in the financial statement on 31.3.2024?

   (a) The value of inventory will be ₹ 8,80,000 and the fact that the valuation method has changed to be disclosed in the financial statement.

   (b) The value of inventory will be ₹ 12,00,000, and full disclosure with the amount the valuation method has changed to be disclosed in the financial statement.

   (c) The value of inventory will be ₹ 12,00,000, and the fact that valuation method has changed to be disclosed in the financial statement.

   (d) The value of inventory will be ₹ 8,80,000, and full disclosure with the amount the valuation method has changed to be disclosed in the financial statement.

2. A Ltd. has a balance of ₹ 17,15,000 in the loan account with State Finance Corporation which is inclusive of ₹ 1,15,000 for interest accrued but not due. The loan is secured by hypothecation of the Plant and Machinery.

   As per Schedule III to the Companies Act, 2013 loan is to be disclosed in the balance sheet as follows:

   (a) Disclosed ₹ 16,00,000 as a secured loan under long-term borrowings.

   (b) Disclosed ₹ 16,00,000 as a secured loan under long-term borrowings and ₹ 1,15,000 under short-term borrowings.

   (c) Disclosed ₹ 16,00,000 as a secured loan under long-term borrowings and ₹ 1,15,000 under other current liabilities.

   (d) Disclosed ₹ 16,00,000 as a secured loan under long-term borrowings and no disclosure for ₹ 1,15,000.

General MCQs

3. Most by-products as well as scrap or waste materials, by their nature, are immaterial. Thus, these are measured at:

   (a) Cost

   (b) Cost or Net Realisable Value whichever is lower

   (c) Nil

   (d) Net realisable value

Part II - Descriptive Questions

Applicability of Accounting Standards

AS 1 “Disclosure of Accounting Policies”

4. What do you mean by 'Accrual' in reference to AS-1? Also, specify any three reasons for 'Accrual Basis of Accounting'.

AS 2 “Valuation of Inventories”

5. From the following information provided by LMN Ltd. for the year 2024, you are required to compute the closing inventory:

Raw Material A

Closing balance: 700 units

	₹ per unit
Cost price including GST	280
ITC available	25
Freight inward	35
Handling charges	20
Replacement cost	200

Finished Goods B

Closing balance: 1,800 units

	₹ per unit
Material consumed	280
Direct labour	80
Direct overhead	40

Total fixed overhead for the year was ₹ 3,60,000 on a normal capacity of 36,000 units, while actual production has been 30,000 units.

Calculate the value of closing stock when:

(i) Net Realisable Value of Finished Goods B is 500 per unit

(ii) Net Realisable Value of Finished Goods B is 380 per unit

AS 3 "Cash Flow Statements"

6. From the following data of Vishnu Ltd. prepare cash flow statement from Operating activities using direct method as per AS 3:

	31.03.2024 (₹)	31.03.2023 (₹)
Current Assets:		
Inventory	1,20,000	1,65,000
Trade receivables	2,05,000	1,88,000
Cash & cash equivalents	35,000	20,500

Current Liabilities:		
Trade payable	1,95,000	2,15,000
Provision for tax	48,000	65,000

Summary of Statement of Profit and Loss	₹	₹
Sales	85,50,000	
Less: Cost of sales	(56,00,000)	29,50,000
Other Income		
Interest income	20,000	
Fire insurance claim received	1,10,000	1,30,000
		30,80,000
Depreciation	(24,000)	
Administrative and selling expenses	(15,40,000)	
Interest expenses	(36,000)	
Foreign exchange loss	(18,000)	(16,18,000)
Net Profit before tax and extraordinary income		14,62,000
Income Tax		(95,000)
Net Profit		13,67,000

Additional information:

(1) Trade receivables and Trade payables include amounts relating to credit sale and credit purchase only.

(2) Foreign exchange loss represents increment in liability of a long-term borrowing due to exchange rate fluctuation between acquisition date and balance sheet date.

AS 4 "Contingencies and Events Occurring After the Balance Sheet Date"

7. Smart Ltd. closes its books of accounts every year on 31st March. The financial statements for the year ended 31st March, 2024 are to be approved by the approving authority on 30th June 2024. During the first quarter of 2024-2025, the following events / transactions has taken place. The accountant of the company seeks your guidance for the following:

(i) Smart Ltd. has an inventory of 50 stitching machines costing at ₹ 5,500 per machine as on 31st March, 2024. The company is expecting a heavy decline in the demand in next year. The inventories are valued at cost or net realisable value, whichever is lower. During the month of April 2024, due to fall in demand, the prices have gone down drastically. The company has sold 5 machines during this month at a price of ₹ 4,000 per machine.

(ii) A fire has broken out in the company's godown on 15th April, 2024. The company has estimated a loss of ₹ 25 lakhs of which 75% is recoverable from the Insurance company.

(iii) The company has entered into a sale agreement on 30th March, 2024 to sell a property for a consideration of ₹ 7,50,000 which is being carried in the books at ₹ 5,50,000 at the year end. The transfer of risk and reward and sale is complete in the month of May 2024 when conveyance and possession get completed.

(iv) The company has received, during the year 2022-2023, a government grant of ₹ 15 lakhs for purchase of a machine. The company has received a notice for refund of the said grant on 15th June, 2024 due to violation of some of the conditions of grant during the year 2023-2024.

You are required to state with reasons, how the above transactions will be dealt with in the financial statement for the year ended 31st March 2024.

AS 5 "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies"

8. The Accountant of Heera Ltd. 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, 2024. Please advise him in the following situations in accordance with the provisions of relevant Accounting Standard;

(i) 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.

(ii) 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.

(iii) During the year ended 31st March, 2024, there was change in cost formula in measuring the cost of inventories.

AS 7 "Construction Contracts"

9. (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, 2023, GR Construction Co. Ltd. undertook a contract to construct a building for ₹ 45 lakhs. On 31st March, 2024, 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, 2024 as per provisions of AS-7?

AS 9 "Revenue Recognition"

10. Given below are the following informations of B.S. Ltd.

(i) Goods of ₹ 50,000 were sold on 18-03-2024 but at the request of the buyer these were delivered on 15-04-2024.

(ii) On 13-01-2024 goods of ₹ 1,25,000 are sent on consignment basis of which 20% of the goods unsold are lying with the consignee as on 31-03-2024.

(iii) ₹ 1,00,000 worth of goods were sold on approval basis on 01-12-2023. The period of approval was 3 months after which they were considered sold. Buyer sent approval for 75% goods up to 31-01-2024 and no approval or disapproval received for the remaining goods till 31-03-2024.

You are required to advise the accountant of B.S. Ltd., with valid reasons, the amount to be recognized as revenue for the year ended 31st March, 2024 in above cases in the context of AS-9.

AS 10 "Property, Plant and Equipment"

11. Shrishti Ltd. contracted with a supplier to purchase machinery which is to be installed in its Department A in three months' time. Special foundations were required for the machinery which were to be prepared within this supply lead time. The cost of the site preparation and laying foundations were ₹ 1,41,870. These activities were supervised by a technician during the entire period, who is employed for this purpose of ₹ 45,000 per month. The technician's services were given by Department B to Department A, which billed the services at ₹ 49,500 per month after adding 10% profit margin.

    The machine was purchased at ₹ 1,58,34,000 inclusive of IGST @ 12% for which input credit is available to Shrishti Ltd. ₹ 55,770 transportation charges were incurred to bring the machine to the factory site. An Architect was appointed at a fee of ₹ 30,000 to supervise machinery installation at the factory site.

    Ascertain the amount at which the Machinery should be capitalized under AS 10 considering that IGST credit is availed by the Shristhi Limited. Internally booked profits should be eliminated in arriving at the cost of machine.

AS 11 "The Effects of Changes in Foreign Exchange Rates"

12. Legal Ltd. is engaged in the manufacturing of rubber. For its plant, it required machineries of latest technology. It usually resorts to Long Term Foreign Currency Borrowings for its fund requirements. On 1st April, 2023, it borrowed US $1 million from International Funding Agency, USA when exchange rate was 1 $ = ₹ 63. The funds were used for acquiring machineries, on the same date, to be used in three different plants. The useful life of the machineries is 10 years and their residual value is ₹ 30,00,000.

    Earlier also the company used to purchase machineries out of foreign borrowings. The exchange differences arising on such borrowings were charged to profit and loss account and were not capitalized even though the company had an option to capitalize it as per notified AS 11.

Now for this new purchase of machinery, Legal Ltd, is interested to avail the option of capitalizing the same to the cost of asset. Exchange rate on 31st March, 2024 is 1 US $ = ₹ 62. Assume that on 31st March, 2024, Legal Ltd. is not having any old long term foreign currency borrowings except for the amount borrowed for machinery purchased on 1st April, 2023.

Comment whether Legal Ltd. can capitalize the exchange difference to the cost of asset on 31st March, 2024. If yes, then calculate the depreciation amount on machineries as on 31st March, 2024.

AS 12 "Accounting for Government Grants"

13. XYZ Limited has set-up its business in a designated backward area which entitles the company to receive from the Government of India a subsidy of 20% of the cost of investment. Having fulfilled all the conditions under the scheme, the company on its investment of ₹ 75 crore received ₹ 15 crore as subsidy from the Government in January 2024. The company wants to treat this receipt as an item of revenue and thereby reduce the losses for the year ended on 31st March, 2024.

Keeping in view the relevant Accounting Standard, examine whether this action is justified or not?

AS 13 "Accounting for Investments"

14. Mr. Harsh provides the following details relating to his holding in 10% debentures (face value of ₹ 100 each) of Exe Ltd. held as current assets:

1.4.2023	Opening balance - 12,500 debentures, cost ₹ 12,25,000
1.6.2023	Purchased 9,000 debentures@ ₹ 98 each ex-interest
1.11.2023	Purchased 12,000 debentures @ ₹ 115 each cum interest
31.1.2024	Sold 13,500 debentures@ ₹ 110 each cum-interest
31.3.2024	Market value of debentures @ ₹ 115 each

Due dates of interest are 30th June and 31st December.

Brokerage at 1% is to be paid for each transaction. Mr. Harsh closes his books on 31.3.2024. Show investment account as it would appear in his books assuming FIFO method is followed.

AS 14 "Accounting for Amalgamations"

15. The Summarized Balance Sheets of Gyan Ltd. And Kiran Ltd. as on 31st March 2024 are given below:

	Gyan Ltd. (₹ in lakhs)	Kiran Ltd. (₹ in lakhs)
Liabilities		
Share capital		
Equity share capital of ₹10 each fully paid-up	650	600
10% Preference shares of ₹ 100 each fully paid-up	150	200
Reserves and Surplus		
General Reserve	-	360
Profit and Loss Account	(260)	
Non-Current Liabilities		
12% Debentures	75	100
Loans from Bank	40	-
Current Liabilities		
Bank overdraft	15	-
Trade payables	95	105
Dividend payable	-	60
	765	1,425
Assets		
Non-Current Assets		
PPE	700	900
Investments	-	250
Current Assets		
Trade receivables	65	135
Cash at bank	-	140
	765	1,425

Gyan Ltd. has acquired the business of Kiran Ltd. as on 31 March 2024 as per following scheme of merger:

(1) Banks agreed to waive-off 50% loan of Gyan Ltd.

(2) Gyan Ltd. will reduce its shares to ₹ 2 per share and then consolidate 5 such shares into one share of ₹ 10 (new share).

(3) Gyan Ltd. will issue 2 equity shares (new) for 3 equity shares of Kiran Ltd. The new shares are to be issued @ ₹ 20 each having a face value of ₹ 10 per share.

(4) Preference shareholders of Kiran Ltd. will be paid off by issuing equivalent number of 10% Preference shares of Gyan Ltd. of ₹ 100 each at a price of ₹ 105 per share.

(5) Dividend of Kiran Ltd. will be paid after merger to the shareholders of Kiran Ltd.

(6) Trade payables of Gyan Ltd. include ₹ 50 lakhs payable to Kiran Ltd.

Pass necessary Journal entries in the books of Gyan Ltd. and prepare Balance Sheet after merger.

AS 16 "Borrowing Costs"

16 U Limited has obtained a term loan of ₹ 620 lacs for a complete renovation and moderrnisation of its Factory on 1st April, 2023. Plant and Machinery was acquired under the modernisation scheme and installation was completed on 30th April, 2024. An expenditure of ₹ 510 lacs was incurred on installation of Plant and Machinery, ₹ 54 lacs has been advanced to suppliers for additional assets which were also received and installed before 30th April, 2024 (additional asset has taken substantial period of time in its installation) and the balance loan of ₹ 56 lacs has been used for working capital purposes.

The company has paid total interest of ₹ 68.20 lacs during financial year 2023-2024on the above loan. The accountant seeks your advice how to account for the interest paid in the books of accounts.

AS 18 "Related Party Disclosures"

17. SP hotels Limited enters into an agreement with Mr. A for running its hotel for a fixed return payable to the later every year. The contract involves the day-to-day management of the hotel, while all financial and operating policy decisions are taken by the Board of Directors of the

company. Mr. A does not own any voting power in SP Hotels Limited. Would he be considered as a related party of SP Hotels Limited"?

AS 19 "Leases"

18. Sun Limited wishes to obtain a machine costing ₹ 30 lakhs by way of lease. The effective life of the machine is 14 years, but the company requires it only for the first 3 years. It enters into an agreement with Star Ltd., for a lease rental for ₹ 3 lakhs p.a. payable in arrears and the implicit rate of interest is 15%. The chief accountant of Sun Limited is not sure about the treatment of these lease rentals and seeks your advice. (use annuity factor at @ 15% for 3 years as 3.36)

AS 20 "Earnings Per Share"

19. The following information relates to XYZ Limited for the year ended 31st March, 2024:

    Net Profit for the year after tax: ₹ 37,50,000

    Number of Equity Shares of ₹ 10 each outstanding: ₹ 5,00,000

    Convertible Debentures Issued by the Company (at the beginning of the year)

Particulars	Nos.
8% Convertible Debentures of ₹ 100 each	50,000
Equity Shares to be issued on conversion	55,000

    The Rate of Income Tax: 30%.

    You are required to calculate Basic and Diluted Earnings Per Share (EPS).

AS 29 "Provisions, Contingent Liabilities and Contingent Assets"

20. Saharsh Ltd. is engaged in manufacturing of electric home appliances. The company is in the process of finalizing its accounts for the year ended 31.3.2023 and needs your expert advice on the following issues:

    (i) The company has its plants at 3 different locations. It has to shut down one of its plants due to internal reasons. The said plant site is under a rental agreement till 31.3.2024. The rent per month is ₹ 80,000. If the company cancels the agreement, it has to pay a penal amount equal to six month's rent. The company also has an option to sub-let the site at a rent of ₹ 45,000 per month.

(ii) A case has been filed against the company in the consumer court and a notice for levy of a penalty of ₹ 20 lakhs has been received. The company has appointed a lawyer to defend the case for a fee of ₹ 2 lakhs. 50% of the fees has been paid and balance 50% will be paid after finalisation of the case. There are 75% chances that the penalty may not be levied.

(iii) The company had committed to supply a consignment worth ₹ 1 crore to one of its dealers by the year-end. As per the contract, if delivery is not made on time, a compensation of 15% of the value is to be paid. While the consignment was in transit, one of the trucks carrying goods worth ₹ 30 lakhs met with an accident. It was however covered by Insurance. According to the surveyor's report, the policy amount is collectable, subject to 10% deduction. Before closing the books of accounts, the company has received the information that the policy amount has been processed and the dealer has also claimed for the compensation.

Give your answers based on relevant Accounting standard.

SUGGESTED ANSWERS/HINTS

Answer to Case Scenario and MCQ

Q. No.	Hints
1.	(d)
2.	(c)
3.	(d)

Descriptive Answers

4. The term "Accrual" has been explained in the AS 1 on Disclosure of Accounting Policies, as "Revenues and costs are accrued, that is, recognised as they are earned or incurred (and not as money is received or paid) and recorded in the financial statements of the periods to which they relate"

Reasons for Accrual Basis of Accounting

1. Accrual basis of accounting, attempts to record the financial effects of the transactions, events, and circumstances of an enterprises in the period in which they occur rather than recording them in the period(s) in which cash is received or paid by the enterprise.

2. Receipts and payments of the period will not coincide with the buying producing or selling events and other economic events that affect entity performance.

3. The goal of Accrual basis of accounting is to follow the matching concept of income and expenditure so that reported net income measures an enterprise's performance during a period instead of merely listing its cash receipts and payments.

4. Accrual basis of accounting recognizes assets, liabilities or components of revenues and expenses for amounts received or paid in cash in past, and amounts expected to be received or paid in cash in the future.

5. Important point of difference between accrual and accounting based on cash receipts and outlay is in timing of recognition of revenues, expenses, gains and losses.

5. (i) When Net Realisable Value of Finished Goods B is ₹500 per unit

Value of Closing Stock:

Valuation Base	Method	Qty.	Rate (₹)	Amount (₹)
Raw Material A	Cost	700	310	2,17,000
Finished Goods B	Cost	1,800	410	7,38,000
Total Value of Closing Stock				9,55,000

(ii) When Net Realisable Value of Finished Goods B is ₹ 380 per unit

Since NRV of finished goods B is less than its cost (₹ 410, as per W.N.), raw material A is to be valued at replacement cost, and finished goods B is to be valued at NRV.

Value of Closing Stock:

Valuation Base	Basis	Qty.	Rate (₹)	Amount (₹)
Raw Material A	Replacement Cost	700	200	1,40,000
Finished Goods B	Net Realisable Value	1,800	380	6,84,000
Total Value of Closing Stock				**8,24,000**

Working Note:

Statement Showing Calculation of Cost of Raw Material A and Finished Goods B

Raw Material A

	Amount (₹)
Cost Price (280 - 25)	255
Add: Freight Inward	35
Add: Handling Charges	20
Total Cost	**310**

Finished Goods B

	Amount (₹)
Materials Consumed	280
Direct Labour	80
Variable Overheads	40
Fixed Overheads (₹3,60,000 / 36,000 units)	10
Total Cost	**410**

6. Cash Flow Statement from operating activities of Vishnu Ltd. for the year ended 31 March 2024 (Direct Method)

Particulars	₹	₹
Operating Activities:		
Cash received from Trade receivables (W.N. 3)		85,33,000

Less: Cash paid to Suppliers (W.N.2)	55,75,000	
Payment for Administration and Selling expenses	15,40,000	
Payment for Income Tax (W.N.4)	1,12,000	(72,27,000)
		13,06,000
Adjustment for extraordinary items (fire insurance claim)		1,10,000
Net Cash Flow from Operating Activities		14,16,000

Working Notes:

1. Calculation of total purchases

Cost of Sales = Opening stock + Purchases – Closing Stock

₹ 56,00,000 = ₹ 1,65,000 + Purchases – ₹ 1,20,000

Purchases = ₹ 55,55,000

2. Calculation of cash paid to Suppliers

Trade Payables

	₹		₹
To Bank A/c (balancing figure)	55,75,000	By Balance b/d	2,15,000
To Balance c/d	1,95,000	By Purchases (W.N. 1)	55,55,000
	57,70,000		57,70,000

3. Calculation of cash received from Customers

Trade Receivables

	₹		₹
To Balance b/d	1,88,000	By Bank A/c (balancing figure)	85,33,000
To Sales	85,50,000	By Balance c/d	2,05,000
	87,38,000		87,38,000

4. **Calculation of tax paid during the year in cash**

Provision for tax

	₹		₹
To Bank A/c (balancing figure)	1,12,000	By Balance b/d	65,000
To Balance c/d	48,000	By Profit and Loss A/c	95,000
	1,60,000		1,60,000

7. Events occurring after the balance sheet date are those significant events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the financial statements are approved by the Board of Directors in the case of a company, and, by the corresponding approving authority in the case of any other entity.

Assets and liabilities should be adjusted for events occurring after the balance sheet date that provide additional evidence to assist the estimation of amounts relating to conditions existing at the balance sheet date or that indicate that the fundamental accounting assumption of going concern is not appropriate.

In the given case, financial statements are approved by the approving authority on 30th June 2024.

On the basis of above principles, following will be the accounting treatment in the financial statements for the year ended at 31st March 2024:

(i) Since on 31st March 2024, Smart Ltd.was expecting a heavy decline in the demand of the stitching machine. Therefore, decline in the value during April, 2024 will be considered as an adjusting event. Hence, Smart Ltd.needs to adjust the amounts recognized in its financial statements w.r.t. net realisable value at the end of the reporting period. Accordingly, inventory should be written down to ₹ 4,000 per machine. Total value of inventory in the books will be 50 machines x ₹ 4,000 = ₹ 2,00,000.

(ii) A fire took place after the balance sheet date i.e. during 2024-2025 financial year. Hence, corresponding financials of 2023-2024 financial year should not be adjusted for loss occurred due to fire. However, in this circumstance, the going concern assumption will be evaluated. In case the going concern assumption is considered to be appropriate even after the occurrence of fire, no disclosure of the same is required in the financial statements.

(iii) Since the transfer of risk and reward and sale was complete in the month of May, 2024 when conveyance and possession got complete, no revenue should be recognised with respect to it in the financial statements of 2023-2024. However, a disclosure for the same should be given by the entity.

(iv) Since the notice has been received after 31 March but before 30 June 2024 (approval date), the said grant shall be adjusted in the financial statements for financial year 2023-2024 because the violation of the conditions took place in the financial year 2023-2024 and the company must be aware of it.

8. (i) Change in useful life of furniture from 5 years to 3 years is a change in estimate and is not a change in accounting policy.

(ii) Adoption of a new accounting policy for events or transactions which did not occur previously should not be treated as a change in an accounting policy. Hence the introduction of new pension scheme is not a change in accounting policy.

(iii) Change in cost formula used in measurement of cost of inventories is a change in accounting policy.

9. (i) As per AS 7 'Construction Contracts', when a contract covers a number of assets, the construction of each asset should be treated as a separate construction contract when:

(a) separate proposals have been submitted for each asset;

(b) each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset; and

(c) the costs and revenues of each asset can be identified.

Therefore, AP Ltd. is required to treat construction of each unit as a separate construction contract as the above-mentioned conditions of AS 7 are fulfilled in the given case.

(ii)

	₹ in lakhs
Cost of construction incurred till date	32.50
Add: Estimated future cost	15.10
Total estimated cost of construction	47.60

Percentage of completion till date to total estimated cost of construction

$$= (32.50/47.60) \times 100 = 68.28\%$$

Proportion of total contract value recognised as revenue for the year ended 31st March, 2024 per AS 7 (Revised)

= Contract price x percentage of completion

= ₹ 45 lakh x 68.28% = ₹ 30.73 lakhs.

	(₹ in lakhs)
Total cost of construction	47.60
Less: Total contract price	(45.00)
Total foreseeable loss to be recognized as expense	2.60

According to AS 7, when it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognized as an expense immediately.

10. As per AS 9 "Revenue Recognition", in a transaction involving the sale of goods, performance should be regarded as being achieved when the following conditions are fulfilled:

(i) the seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership; and

(ii) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods.

Case (i): The sale is complete but delivery has been postponed at buyer's request. B.S. Ltd. should recognize the entire sale of ₹ 50,000 for the year ended 31st March, 2024.

Case (ii): In case of consignment sale revenue should not be recognized until the goods are sold to a third party.20% goods lying unsold with consignee should be treated as closing inventory and sales should be recognized for ₹ 1,00,000 (80% of ₹ 1,25,000).

Case (iii): In case of goods sold on approval basis, revenue should not be recognized until the goods have been formally accepted by the buyer or the buyer has done an act adopting the transaction or the time period for rejection has elapsed or where no time has been fixed, a reasonable time has elapsed. Therefore, revenue should be recognized for the total sales amounting ₹ 1,00,000 as the time period for rejecting the goods had expired.

Thus, total revenue amounting ₹ 2,50,000 (50,000 + 1,00,000 + 1,00,000) will be recognized for the year ended 31st March, 2024 in the books of B.S. Ltd.

11. Calculation of Cost of Fixed Asset (i.e. Machinery)

Particulars			₹
Purchase Price		Given (₹ 158,34,000 x 100/ 112)	1,41,37,500
Add:	Site Preparation Cost	Given	1,41,870
	Technician's Salary	Specific/Attributable overheads for 3 months (See Note) (45,000 x 3)	1,35,000
	Initial Delivery Cost	Transportation	55,770
	Professional Fees for Installation	Architect's Fees	30,000
Total Cost of Asset			1,45,00,140

12. As per paragraph 46A of AS 11, 'The Effects of Changes in Foreign Exchange Rates', in respect of accounting periods commencing on or after 1st April, 2011, for an enterprise which had earlier exercised the option under paragraph 46 or not (such option to be irrevocable and to be applied to all such foreign currency monetary items), the exchange differences arising on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, can be added to or deducted from the cost of the asset and shall be depreciated over the balance life of the asset.

Accordingly, though Legal Ltd. had not earlier exercised the option, yet it can avail the option to capitalize the exchange difference to the cost of machinery by virtue of para 46A of AS 11. Further, since Legal Ltd. has no earlier long term foreign currency borrowings, it is not required to apply capitalization option to earlier borrowing also.

Exchange difference to be capitalized and depreciation amount ₹

Cost of the asset in $		1 million
Exchange rate on 1st April, 2023		₹ 63 = 1$
Cost of the asset in ₹	(1 million x ₹ 63)	63 million
Less: Exchange differences as on 31st March, 2024 (63-62) x $ 1 million	(Gain)	(1 million)
		62 million
Less: Depreciation for 2023-2024	(62 million - 3 million)/ 10 years	(5.90 million)
		56.10 million

13. (i) As per para 10 of AS 12 'Accounting for Government Grants', where the government grants are in the nature of promoters' contribution, i.e. they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay and no repayment is ordinarily expected in respect thereof, the grants are treated as capital reserve which can be neither distributed as dividend nor considered as deferred income.

In the given case, the subsidy received is neither in relation to specific fixed asset nor in relation to revenue. Thus, it is inappropriate to recognise government grants in the profit and loss statement, since they are not earned but represent an incentive provided by government without related costs.

The correct treatment is to credit the subsidy to Capital Reserve. Therefore, the accounting treatment followed by the company is not proper.

14. Investment Account of Mr. Harsh for the year ending on 31-3-2024

(Scrip: 10% Debentures of Exe Limited)

(Interest Payable on 30th June and 31st December)

Date	Particulars	Nominal Value ₹	Interest ₹	Cost ₹	Date	Particulars	Nominal Value ₹	Interest ₹	Cost ₹
1.4.23	To Balance b/d	12,50,000	31,250	12,25,000	30.6.23	By Bank 21,500 x 100 x 10% x 1/2	-	1,07,500	-
1.6.23	To Bank (ex-Interest) (W.N.1)	9,00,000	37,500	8,90,820	31.12.24	By Bank 33,500 x 100 x 10% x 1/2		1,67,500	
1.11.23	To Bank (cum-Interest) (W.N.2)	12,00,000	40,000	13,53,800	31.1.24	By Bank (W.N.3)	13,50,000	11,250	14,58,900
31.1.24	To Profit & Loss A/c (W.N.3)			1,34,920	31.3.24	By Balance c/d (W.N.4)	20,00,000	50,000 -	21,45,640
31.3.24	To Profit & Loss A/c (Bal. fig.)		2,27,500						
		33,50,000	3,36,250	36,04,540			33,50,000	3,36,250	36,04,540

Working Notes:

1. **Purchase of debentures on 1.6.23**

   Interest element = 9,000 x 100 x 10% x 5/12 = ₹ 37,500

   Investment element = (9,000 x 98) + [1% (9,000 x 98)] = ₹ 8,90,820

2. **Purchase of debentures on 1.11.2023**

   Interest element = 12,000 x 100 x 10% x 4/12 = ₹ 40,000

   Investment element = 12,000 X 115 X 101% less 40,000 = ₹ 13,53,800

3. Profit on sale of debentures as on 31.1.24

	₹
Sales price of debentures (13,500 x ₹ 110)	14,85,000
Less: Brokerage @ 1%	(14,850)
	14,70,150
Less: Interest (1,35,000/ 12)	(11,250)
	14,58,900
Less: Cost of Debentures [(12,25,000 + (890820 X 1,00,000/9,00,000)]	(13,23,980)
Profit on sale	1,34,920

4. Valuation of closing balance as on 31.3.2024

Market value of 20,000 Debentures at ₹ 115 = ₹ 23,00,000

Cost of

8,000 Debentures	=	8,90,820/ 9,000 X 8,000 = 7,91,840
12,000 Debentures	=	13,53,800
Total		21,45,640

Value at the end is ₹ 21,45,640, i.e., which is less than market value of ₹ 23,00,000.

15. Journal Entries in the books of Gyan Ltd.

Date		(₹ in lakhs)	
2024		**Dr.**	**Cr.**
31 March	Loan from bank A/c (40 x 50%) Dr.	20	
	To Reconstruction A/c		20
	(Being loan from bank waived off to the extent of 50%)		
	Equity share capital A/c (₹ 10) Dr.	650	
	To Equity share capital A/c (₹ 2) $\left(\frac{650}{10}\times 2\right)$		130

	To Reconstruction A/c (650 –130) (Being Equity share of ₹ 10 each reduced to ₹ 2 each)		520
	Equity share capital A/c (₹ 2) Dr. To Equity share capital A/c (₹ 10 each) (Being 5 Equity shares of ₹ 2 each consolidated to one share of ₹ 10 each)	130	130
	Reconstruction A/c (20 + 520) Dr. To Profit and loss A/c (loss) To Capital reserve A/c (Being debit balance of P/L A/c set off against reconstruction account and balance transferred to capital reserve account)	540	260 280
	Business purchase A/c Dr. To Liquidator of Kiran Ltd. (Being purchase of business of Kiran Ltd.)	1010	1010
	PPE A/c Dr. Investment A/c Dr. Trade receivables A/c Dr. Cash at bank A/c Dr. To Trade payables A/c To Dividend payable A/c To 12% Debenture A/c To Business purchase A/c To General Reserves A/c (Being assets, liabilities and reserves taken over under pooling of interest method)	900 250 135 140	105 60 100 1010 150
	Liquidator of Kiran Ltd. A/c Dr. To Equity share capital A/c To 10% Preference share capital To Securities Premium [(40 x 10) + (2 x 5)] (Being payment made to liquidators of Kiran Ltd. by allotment of 40 lakh @ ₹ 10 new equity shares and 2 lakh preference shares @ ₹ 105)	1010	400 200 410

	Trade payables A/c Dr. To Trade receivables A/c (Being mutual owing cancelled)	50	50
	Dividend Payable A/c Dr. To Bank A/c (Being dividend paid off)	60	60

Balance Sheet of Gyan Ltd. (and reduced) after merger as on 31.3.2024

Particulars	Note No.	(₹ in lakhs)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	880
(b) Reserves and Surplus	2	840
(2) Non-Current Liabilities		
Long-term borrowings	3	195
(3) Current Liabilities		
(a) Trade Payables	4	150
(b) Borrowings	5	15
Total		2,080
II. Assets		
(1) Non-current assets		
(a) Property, plant and equipment	6	1,600
(b) Investment	7	250
(2) Current assets		
(a) Trade receivables	8	150
(b) Cash and cash equivalents	9	80
Total		2,080

Notes to Accounts

		(₹ in lakhs)	(₹ in lakhs)
1.	Share Capital		
	50 lakhs (13 lakh + 40 lakh) Equity shares of 10 each fully paid	530	
	(Out of the above, 40 lakh shares have been issued for consideration other than cash)		
	3.5 lakhs (1.5 + 2) 10% Preference share of ₹ 100 each fully paid (Out of which 2 lakhs shares have been issued for consideration other than cash)	350	880
2.	Reserves and Surplus		
	Capital reserve	280	
	Securities Premium	410	
	General reserve	150	840
3.	Non-current Borrowings		
	12% Debentures (75 + 100)	175	
	Loan from bank (40 - 20)	20	195
4.	Trade Payables (95+105-50)		150
5	Current Borrowings		
	Bank overdraft		15
6.	Property, plant and equipment (700 + 900)		1,600
7.	Investment		250
8.	Trade Receivables (65 + 135 – 50)		150
9.	Cash and cash equivalents		
	Cash at Bank (140 - 60)		80

Working Note:

Calculation of purchase consideration

	Shares
2 shares of Gyan Ltd. will be issued in exchange of every 3 shares of Kiran Ltd. (i.e. 40,00,000 equity shares of Gyan Ltd will be issued against 60,00,000 equity shares of Kiran Ltd.) (60 lakhs x 2/3)	40,00,000
	₹ in lakhs
Payment to equity shareholders (40 lakhs x ₹ 20)	800
Payment to preference shareholders (2 lakhs x ₹ 105)	210
Total Purchase consideration	1,010

16 **Borrowing Cost:** As per AS 16 'Borrowing Costs', borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. Other borrowing costs should be recognized as an expense in the period in which they are incurred. Borrowing costs should be expensed except where they are directly attributable to acquisition, construction or production of qualifying asset.

Qualifying Asset: A qualifying asset is an asset that necessarily takes a substantial period of time (ordinarily, a period of twelve months unless a shorter or longer period can be justified on the basis of the facts and circumstances of the case) to get ready for its intended use or sale.

When construction of asset completed on 30th April, 2024

The treatment for total borrowing cost of ₹ 68.20 lakhs will be as follows:

Purpose	**Nature**	**Interest to be capitalised** *₹ in lakhs*	**Interest to be charged to profit and loss account** *₹ in lakhs*
Modernisation and renovation of plant and machinery	Qualifying asset	[68.20 x (510/620)] = 56.10	
Advance to	Assumed as	[68.20 x (54/620)] = 5.94	

suppliers for additional assets	Qualifying asset (Refer Note)		
Working Capital	Not a qualifying asset	62.04	[68.20 x (56/620)] = 6.16 6.16

17. Mr. A will not be considered as a related party of SP Hotels Limited in view of paragraph 3(c) of AS 18 which states, "individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual". In the given case, in the absence of share ownership, Mr. A would not be considered to exercise significant influence on SP Hotels Limited, even though there is an agreement giving him the power to manage the company. Further, the fact that Mr. A does not have the ability to direct or instruct the board of directors does not qualify him as a key management personnel.

18. As per AS 19 'leases', a lease will be classified as finance lease if at the inception of the lease, the present value of minimum lease payment• amounts to at least substantially all of the fair value of leased asset. In the given case, the implicit rate of interest is given at 15%. The present value of minimum lease payments at 15% using PV- Annuity Factor can be computed as:

Annuity Factor (Year 1 to Year 3)	3.36
Present Value of minimum lease payments (₹ 3 lakhs each year)	₹ 10.08 lakhs (approx.)

Thus, present value of minimum lease payments is ₹10.08 lakhs and the fair value of the machine is ₹ 30 lakhs. In a finance lease, lease term should be for the major part of the economic life of the asset even if title is not transferred. However, in the given case, the effective useful life of the machine is 14 years while the lease is only for three years. Therefore, lease agreement is an operating lease. Lease payments under an operating lease should be recognized as an expense in the statement of profit and loss on a straight line basis over the lease term unless

• In calculating the present value of the of minimum lease payments, the discount rate is the interest rate implicit in the lease.

another systematic basis is more representative of the time pattern of the user's benefit.

19. Computation of basic earnings per share

Net profit for the current year / Weighted average number of equity shares outstanding during the year

₹ 37,50,000 / 5,00,000 = ₹ 7.50 per share

Computation of diluted earnings per shar $\frac{\text{Adjusted net profit for the current year}}{\text{Weighted average number of equity shares}}$

Adjusted net profit for the current year

	₹
Net profit for the current year	37,50,000
Add: Interest expense for the current year	4,00,000
Less: Tax relating to interest expense (30% of ₹ 4,00,000)	(1,20,000)
Adjusted net profit for the current year	40,30,000

Number of equity shares resulting from conversion of debentures

= 55,000 Equity shares (given in the question)

Weighted average number of equity shares used to compute diluted earnings per share

= 5,55,000 shares (5,00,000 + 55,000)

Diluted earnings per share = 40,30,000/ 5,55,000 = ₹ 7.26 per share

Note: Conversion of convertible debentures into Equity Share will be dilutive potential equity shares. Hence, to compute the adjusted profit the interest paid on such debentures will be added back as the same would not be payable in case these are converted into equity shares.

20. (i) As per AS 29, an 'onerous contract' is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract is the lower of net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

In the given case, Saharsh Ltd. is required to pay:

In case of cancellation of agreement:

= ₹ 80,000 x 6 months = ₹ 4,80,000

In case of continuance of agreement (in case of sub-let):

Net of rent paid over rent collected from sub-tenant (₹ 80,000 -45,000) x 12 = ₹ 4,20,000.

Lower of the above is to be provided for i.e. ₹ 4,20,000 is to be provided for.

(ii) As per AS 29, an obligation is a present obligation if, based on the evidence available, its existence at the balance sheet date is considered probable, i.e., more likely than not.

Liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

In the given case, there are 75% chances that the penalty may not be levied. Accordingly, Saharsh Ltd. should not make the provision for penalty.

However, a provision should be made for remaining 50% fees of the lawyer in the financial statements of financial year 2023-2024.

(iii)	Loss due to accident	₹ 30,00,000
	Insurance claim receivable by company = ₹ 30,00,000 x 90% =	₹ 27,00,000
	Loss to be recognised in the books for 2023-2024	₹ 3,00,000
	Insurance claim receivable to be recorded in the books	₹ 27,00,000
	Compensation claim by dealer against company to be provided for in the books = ₹ 30,00,000 x 15%=	₹ 4,50,000*

***Note:** Alternatively, the compensation @ 15% can be computed on the whole contract amount of ₹ 1 crore. In such a situation, the compensation should be ₹ 15,00,000 (1 crore x 15%).

PAPER – 2: CORPORATE AND OTHER LAWS

PART – I: AMENDMENTS FOR MAY 2025 EXAMINATIONS

The Study Material (July 2024 edition) is applicable for May 2025 examinations. This study material is updated for all amendments till 30th June, 2024.

All relevant amendments/ circulars/ notifications etc. in the Company law part for the period 1st May, 2024 to 31st October, 2024 are mentioned below:

THE COMPANIES ACT, 2013

Chapter 11: Companies Incorporate Outside India

Notification G.S.R 491(E) dated 12th August, 2024

The Central Government has amended the Companies (Registration of Foreign Companies) Rules, 2014, through the Companies (Registration of Foreign Companies) Amendment Rules, 2024.

Amendment:

In the Companies (Registration of Foreign Companies) Rules, 2014,-

(i) in rule 3, in sub-rule (3), for the word, "registrar", the words, "Registrar, Central Registration Centre" shall be substituted.

(ii) in rule 8, in sub-rule (1), the following proviso shall be inserted, namely:-

"Provided that the documents for registration by a foreign company referred to in sub-rule (3) of rule (3) shall be delivered in Form FC-1 to the Registrar, Central Registration Centre.".

[Enforcement Date: 9th September, 2024]

For (i) Pg 11.6

Form, procedure and time for making application and submission of prescribed documents: According to the Companies (Registration of Foreign Companies) Rules, 2014, the above information shall be filed with the **Registrar** within 30 days of the establishment of its place of business in India, in Form *FC-1* along with prescribed fees and documents required to be furnished as provided in section 380(1). The application shall also be supported with an attested copy of approval from the Reserve Bank of India under the Foreign Exchange Management Act or Regulations, and also from other regulators, if any, approval is required by such foreign company to establish a place of business in India or a declaration from the authorised representative of such foreign company that no such approval is required.

For (ii) Pg 11.7

Proviso to rule 8(1) is newly inserted.

PART – II: QUESTION AND ANSWERS

QUESTIONS

DIVISION A: MULTIPLE CHOICE QUESTIONS

Case Scenario 1

Shilpi and Shilpa, both known for their close friendship since college days, along with other close friends, incorporated a company named Baking Point Limited with its Registered Office in Connaught place, New Delhi. The company served chocolates, various types of cakes, pastries, rolls, etc. Their products and clients demonstrated testimony to over 10 years of service in this field. With over 50 branches in New Delhi and adjoining areas of National Capital Region (NCR), the products were embodiment of elegance; a sanctuary where flavours inter-twined and cherished moments came alive. Shilpi was the Chief Managing Director (CMD) whereas Shilpa was the Whole-time Director (WTD).

In addition to Shilpi and Shilpa, Baking Point Limited, ever proud of having a sincere management team, had Prabhat as the Director (Research & Development), Sahil as Director (Marketing), Vikalp as Director (Production) and Sukanya as Director (Finance). The company maintained and kept all the statutory registers at its registered office in Connaught Place.

Understanding the need and power of information technology and also giving due weightage to the demand of changing laws and considering trend of the society, Baking Point Limited availed the services of an Internet Service Provider (ISP) known by the name Etherwaves Tele-communications Private Limited, located in Chandigarh, India, which offered the company with high speed internet that was required for business application like cloud data back-up and tele-conferencing. It was thought that this magnificent and progressive step would help company's business to connect with the customers spreading across the nation as well as abroad. Even the employees of the company would be able to connect from anywhere to collaborate with their teams. The company had also registered its Unique Web Address www.bakingpoint.com for its website. With this development, Baking Point

Limited started maintaining its books of account and other relevant papers in the electronic mode.

In order to reinforce loyalty among the shareholders, the directors of Baking Point Limited thought of issuing Bonus Shares in the ratio of 1:2 to the shareholders and in the process passed a resolution to this effect at the meeting of Board of Directors which was held on December 6, 2024. They felt that issue of Bonus Shares would use internal resources more efficiently and also this strategy would serve as an alternative to dividend payout at no extra cost. The issue of Bonus Shares was approved at the Extra-ordinary General Meeting held on January 9, 2025. The record date, i.e. the cut-off date being January 23, 2025, was set by the company to determine the eligibility of the shareholders for getting bonus shares. In order to proceed with the issue of Bonus Shares, the Register of Members was closed for twelve days by giving previous notice of fifteen days and an advertisement in this respect was also published.

At the time of declaration of Bonus issue, following was the position of some of the important figures as they appeared in the Balance Sheet:

S. No.	Particulars	Amount (₹ in crore)
1.	Authorised Share Capital (one crore equity shares of ₹ 10 each)	10
2.	Paid-up Equity Share Capital (50 lakh equity shares of ₹ 10 each)	5
3.	Free Reserves	2.10
4.	Securities Premium Account	0.30
5.	Capital Redemption Reserve Account	0.25
6.	Revaluation Reserve created by revaluation of fixed assets	1.50

Extract of Balance Sheet as at March 31, 2024

The accounts relating to the Financial Year 2023-24 were duly audited by Raghvan & Associates of New Delhi and the requisite documents required to be submitted to the jurisdictional Registrar of Companies were duly filed in time under the supervision of whole-time Company Secretary Cyra Murthi.

Solve the MCQs (1-7) on the basis of the Companies Act, 2013.

1. According to the above Case Scenario, Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders. You are required to choose the correct option from those stated below as to the maximum time limit for which the Register of Members can be closed at any one time at a stretch by Baking Point Limited?

   (a) Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding forty-five days at any one time at a stretch.

   (b) Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding twenty days at any one time at a stretch.

   (c) Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding thirty days at any one time at a stretch.

   (d) Though Baking Point Limited closed its Register of Members for twelve days in connection with the issue of Bonus Shares to its shareholders, yet it is permitted to close the said Register maximum for a period not exceeding sixty days at any one time at a stretch.

2. Baking Point Limited declared issue of Bonus Shares in the ratio of 1:2 to its shareholders. Which one of the following resources Baking Point Limited was not permitted to capitalize for issuing Bonus Shares? Considering the applicable provisions, you are required to choose the correct option from those given below:

(a) For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the amount of ₹ two crore ten lakh lying to the credit of free reserves.

(b) For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the amount of ₹ thirty lakh shown by Securities Premium Account.

(c) For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the revaluation reserves of ₹ one crore fifty lakh created by the Revaluation of Assets.

(d) For issuing Bonus Shares, Baking Point Limited was not permitted to capitalise the amount of ₹ twenty-five lakh lying to the credit of Capital Redemption Reserve Account.

3. It is evident from the above Case Scenario that Baking Point Limited closed its Register of Members for the first time in the year 2025 for twelve days for the purpose of issuing Bonus Shares to its shareholders. Maximum for how many times and for how much period or periods, a company is permitted to close its Register of Members in each year? Considering the relevant provisions, you are required to choose the correct option from those mentioned below:

(a) In each year, a company is permitted to close its Register of Members for one time or more than one time and also for any period or periods but in the aggregate such period or periods of closure shall not exceed forty-five days.

(b) In each year, a company is permitted to close its Register of Members for one time or more than one time and also for any period or periods but in the aggregate such period or periods of closure shall not exceed sixty days.

(c) In each year, a company is permitted to close its Register of Members for one time or more than one time and also for any period or periods but in the aggregate such period or periods of closure shall not exceed ninety days.

(d) In each year, a company is permitted to close its Register of Members maximum for two times and such period or periods of closure in the aggregate shall not exceed one hundred days.

4. Baking Point Limited issued Bonus Shares to its shareholders in a 1:2 ratio. Which of the following statements is true regarding the issuance of Bonus Shares?

   (a) Bonus Shares can be issued only if authorized by the Articles of Association (AOA) of the company.

   (b) Bonus Shares can be issued without the approval of the Board of Directors.

   (d) Bonus Shares must be issued in exchange for additional capital contribution from shareholders.

   (d) Bonus Shares are issued at a price lower than the market value.

5. Baking Point Limited declared a final dividend for the financial year 2023-24 at its Annual General Meeting (AGM). As per the Companies Act, 2013, what should the company do if a shareholder does not claim the dividend within 30 days of declaration?

   (a) The company must immediately transfer the amount to the Investor Education and Protection Fund (IEPF).

   (b) The company must transfer the unpaid dividend to a special Unpaid Dividend Account within 7 days from the expiry of 30 days.

   (c) The dividend remains with the company until the shareholder claims it.

   (d) The company must cancel the dividend and credit the amount to its free reserves.

6. As per the Companies Act, 2013, for how long must Baking Point Limited retain its Books of Account and other financial records in electronic mode?

   (a) 3 years

   (b) 5 years

   (c) 8 years

   (d) Indefinitely

7. Suppose now, Baking Point Limited wants to appoint an Internal Auditor to review its operations and compliance. As per the Companies Act, 2013, which of the following statements is correct?

   (a) Appointment of an Internal Auditor is mandatory for all companies.

   (b) An Internal Auditor must be a Chartered Accountant (CA) in practice.

   (c) The Internal Auditor may be a Chartered Accountant (CA) or Cost Accountant (CMA) or any other professional decided by the Board.

   (d) The Internal Auditor must be appointed by the shareholders through a special resolution.

Independent MCQs

8. XYZ LLP, a well-established limited liability partnership, had two designated partners, Aditi and Rajiv. On 15th January, 2025, Rajiv resigned due to personal reasons, leaving Aditi as the only designated partner in the LLP. The remaining partners were aware of their responsibility to appoint a new designated partner as per the requirement of the Limited Liability Partnership (LLP) Act, 2008. However, due to internal disagreements, they failed to appoint a new designated partner within the prescribed time frame.

   On 20th February 20, 2025, the Registrar of Companies (ROC) issued a notice to XYZ LLP, seeking clarification on its compliance status regarding the appointment of the designated partner.

   As per the LLP Act, 2008, choose the correct option if XYZ LLP fails to appoint a second designated partner within the prescribed time period.

   (a) The LLP will automatically be dissolved by the ROC, if one more designated partner is not appointed by 30th January 2025.

   (b) Aditi will be removed as the designated partner, and the LLP will be treated as a normal partnership firm.

   (c) If one more designated partner is not appointed within 30 days of a vacancy, each partner of XYZ LLP will be deemed a designated partner and will be held responsible for compliance requirements.

(d) XYZ LLP will be fined ₹ 10,00,000 immediately for non-compliance, and the ROC will appoint all new designated partners.

9. Pranab, an Indian citizen and a software engineer, was working for a multinational IT firm based in Singapore for over eight years. During his tenure, he accumulated substantial savings in his Singapore bank account and invested in a few properties there. With a plan to permanently return to India, he decided to sell one of his properties and transfer the proceeds to his newly opened bank account in India. Simultaneously, Pranab's employer deputed him to India for a critical software development project for three years, effective from January 2023. His salary was credited to his Indian bank account.

   Now, Pranab wishes to transfer the proceeds from selling his property in Singapore to his bank account in India. As per the provisions of the Foreign Exchange Management Act, 1999, which of the following statements is most accurate regarding his ability to do so?

   (a) He can freely transfer the full amount without any restrictions as he is now an Indian resident.

   (b) He cannot transfer the amount at all since the property was acquired outside India.

   (c) He can freely transfer the funds if the property was purchased while he was a resident outside India.

   (d) He needs prior RBI approval irrespective of how the property was acquired.

10. Ms. Kanika Tripathi, an accomplished classical dancer, has been invited by Oxford University to perform at a cultural event. She seeks to withdraw USD 75,000 for tour expenses. What is the most likely restriction on this transaction under the Foreign Exchange Management Act, 1999 (FEMA) and its guidelines?

   (a) She must obtain prior approval from the Reserve Bank of India (RBI) before withdrawing foreign exchange for cultural tours.

   (b) She can withdraw foreign exchange freely within the limits prescribed under the Liberalized Remittance Scheme (LRS) or relevant FEMA guidelines.

(c) Foreign exchange withdrawal for cultural performances is prohibited under FEMA.

(d) She must first obtain a visa before withdrawing foreign exchange.

Descriptive Questions

11. Grab Ltd., an unlisted company, intends to make a public offer of securities. However, they are not sure about the compliance requirements for issuing securities in dematerialised form. You being an expert, guide Grab Ltd, on the relevant provisions of the Companies Act, 2013 and whether Grab Ltd. is eligible to issue its securities?

12. Shenoy Limited is a company with an authorized share capital of 20,00,000 equity shares of ₹100 each. At the Annual General Meeting (AGM), the shareholders proposed to reduce the face value of each share from ₹100 to ₹10 and correspondingly increase the number of shares from 20 lakh to 2 crore, keeping the total authorized share capital unchanged.

    Analyse whether the request of the shareholders is considerable and if so, how the company can alter its share capital as per the provisions of the Companies Act 2013?

13. Excel Pvt. Ltd. received ₹50 lakh from Mr. Giver. Mr. Giver was a director of the company at the time of the transaction. However, Mr. Giver did not submit any written declaration stating that the amount was not given out of borrowed funds. The company utilized the said funds for business expansion and disclosed the receipt of money in the Board's report.

    Considering the provisions of the Companies Act, 2013, assess the following situations:

    1. Was Excel Pvt. Ltd. compliant with the requirements w.r.t acceptance of the money from Mr. Giver?

    2. If Mr. Giver had given the money out of funds borrowed from another person, whether this amount will considered as deposit?

14. Madan Pvt. Ltd. is a partially owned subsidiary of Puri Ltd., holding 90% of its shares. The company does not have any listed securities and is not

in the process of listing on any stock exchange. Puri Ltd., the holding company, prepares and files consolidated financial statements (CFS) with the Registrar in compliance with applicable Accounting Standards.

Considering the above, analyze and examine the following situations:

1. Is Madan Pvt. Ltd. required to prepare its own consolidated financial statements? What are the requisite conditions for the same?
2. How does it matters, if Madan Pvt. Ltd. had securities listed on a recognized stock exchange?

15. ABC Pvt. Ltd. is a One Person Company (OPC) incorporated in 2024. The company has not appointed a company secretary due to its small scale of operations. At the end of the financial year 2024-25, the company needs to file its annual return. The director in state of dilemma, consulted the company law expert whether they need to submit a full-fledged annual return or an abridged version and who should sign the document.

    Based on the provisions of the Companies Act, 2013, advise on the following:

    (i) What form should ABC Pvt. Ltd. use to file its annual return?

    (ii) Who is authorized to sign the annual return?

16. M/s Sharma & Associates is an audit firm with two partners, Mr. Sharma and Mr. Raj. Mr. Raj is also a partner in another audit firm, M/s Mehta & Associates. M/s Sharma & Associates was appointed as the statutory auditor for Bright Future Ltd. (listed company, on which provisions related to rotation of auditor apply) for two consecutive terms of 5 years each, from 2017 to 2027.

    If Bright Future Ltd. now wants to appoint M/s Mehta & Associates as its audit firm, can it do so? If not, when will the restriction be lifted?

The Limited Liability Partnership Act, 2008

17. JEET LLP is a small scale consulting firm. For the financial year 2024-25, the firm reported a total contribution of ₹ 20 lakh and an annual turnover of ₹ 35 lakh as per its Statement of Accounts and Solvency. The LLP intends to avail benefits granted to small LLPs under the Limited Liability Partnership Act, 2008.

    (a) Based on the given financial details, determine whether JEET LLP qualifies as a "Small LLP" under the LLP Act, 2008.

    (b) If JEET LLP plans to expand its business and projects and resulting turnover exceeding ₹ 50 crore in the next financial year, determine the legal position as to the nature of the LLP as a "Small LLP".

The General Clauses Act, 1897

18. Mr. N is caught stealing a bicycle, an offense punishable under the Indian Penal Code. According to Section 379 of the IPC, the punishment for theft was charged against him. Elaborate how the term "imprisonment" levied under the General Clauses Act, 1897, can be applied in line with the relevant law specified in the IPC?

Interpretation of Statutes

19. What is the meaning and legal significance of the principle "*generalia specialibus non derogant*"? Explain with an example.

The Foreign Exchange Management Act, 1999

20. (i) Mr. Amrish has been admitted to a postgraduate program at a foreign university and intends to join soon. The annual course fee is approximately ₹ 3,50,000. Kindly advise his parents on how they can make the remittance for the fees under the provisions of the Foreign Exchange Management Act (FEMA), 1999.

    (ii) After completing his studies, Mr. Amrish is employed by a joint venture of a foreign company in India. The company intends to send him on deputation to handle business operations abroad. His family resides in India, and he would like to know if he can remit his salary to support their maintenance in India. Advise Mr. Amrish as per the provisions of the Foreign Exchange Management Act, 1999.

SUGGESTED ANSWERS

Multiple Choice Questions

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

Descriptive Questions

11. The given issue is based on section 29 of the Companies Act, 2013 read with the relevant 9A (Issue of securities in dematerialised form by unlisted public companies) of the Companies (Prospectus and Allotment of Securities) Rules, 2014.

Section 29 deals with the Public Offer of Securities to be in dematerialized form. It provides that every company making a public offer and such other class or classes of companies as may be prescribed, have to issue their securities only in dematerialised form by complying with the provisions of the Depositories Act, 1996 and regulations made under it.

Sub-section 1A provides that in case of prescribed class/classes of unlisted companies, the securities shall be held or transferred only in dematerialised form by complying with the provisions of the Depositories Act, 1996 and regulations made under it.

Accordingly, in the given case, Grab Ltd., an unlisted company, if it falls in the prescribed classes of companies, have to comply with the provisions given under section 29(1A) and the relevant Rule 9A of Companies (Prospectus and Allotment of Securities) Rules, 2014. Grab Ltd. must ensure that its securities are issued and transferred in dematerialised form in compliance with the Depositories Act, 1996.

12. According to section 61(1)(d) of the Companies Act, 2013 (the Act), a limited company having a share capital may, if so authorised by its articles, alter its memorandum in its general meeting to sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum, so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

Section 64 of the Act states that a company shall, within 30 days of its share capital having been altered in the manner provided in section 61(1), give notice to the Registrar in the prescribed form along with an altered memorandum.

In the given situation, shareholders of Shenoy Limited, in the AGM requested the company to reduce the face value of each share (from ₹ 100 to ₹ 10) and increase the number of shares than fixed by the memorandum (i.e. from 20 Lakh to 2 crore).

According to the above provision, Shenoy Limited, having authorized capital of 20,00,000 equity shares (face value ₹ 100 each) can reduce the face value of each share to ₹ 10 each and increase the shares to 2,00,00,000 [thereby keeping the total amount of authorized share capital to ₹ 20,00,00,000], if authorised by the articles of association. Hence, the request of the shareholders can be considered.

The company has to alter its memorandum in its general meeting as per the procedure contained in section 13 of the Companies Act, 2013 and give notice to the Registrar along with an altered memorandum.

13. According to Rule 2(1)(c) of the Companies (Acceptance of Deposit) Rules, 2014, following categories of amounts, inter alia, are not considered as deposit:

Any amount received from a person who, at the time of the receipt of the amount, was a director of the company or a relative of the director of the private company;

However, the director of the company or relative of the director of the private company, as the case may be, from whom money is received, is required to furnish to the company at the time of giving the money, a declaration in writing to the effect that the amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and the company shall disclose the details of money so accepted in the Board's report.

Accordingly,

1. Excel Pvt. Ltd. failed to obtain a written declaration from Mr. Giver at the time of receiving the amount. The declaration is mandatory to confirm that the funds are not borrowed or sourced from loans or deposits from others. Therefore, Excel Pvt. Ltd. was not in compliance with the requirements w.r.t acceptance of the money from Mr. Giver.

2. If Mr. Giver had given the money out of funds borrowed from another person, the transaction would not be eligible under an exempted category under the Companies Act, 2013. Consequently, Excel Pvt. Ltd. would treat such an amount as a deposit.

14. As per section 129 of the Companies Act, 2013, where a company has one or more subsidiaries or associate companies, it shall (in addition to financial statements prepare a consolidated financial statement (CFS) of the company and of all the subsidiaries, associate companies and joint ventures in the same form and manner as that of its own and in accordance with applicable accounting standards. Such CFS shall also be laid before the annual general meeting of the company along with the laying of its financial statement.

Exemptions from preparation of CFS

According to section 129(3), the preparation of consolidated financial statements by a company is not required if it meets the following conditions:

a. It is a wholly owned subsidiary, or is a partially owned subsidiary of another company and all its other members, including those not otherwise entitled to vote, having been intimated in writing and for which the proof of delivery of such intimation is available with the company, do not object to the company not presenting consolidated financial statements;

b. It is a company whose securities are not listed or are not in the process of listing on any stock exchange, whether in or outside India; and

c. Its ultimate or any intermediate holding company files consolidated financial statements with the Registrar which are in compliance with the applicable Accounting Standards.

In line with stated legal requirements, following are the answers:

1. Madan Pvt. Ltd. may qualify for an exemption from preparing consolidated financial statements because:

   - It is a partially owned subsidiary (90% ownership by Puri Ltd.).
   - It does not have any listed securities and is not in the process of listing on any stock exchange i.e., have no publicly trading of securities.
   - Its holding company, Puri Ltd., prepares and files consolidated financial statements with the Registrar in compliance with applicable Accounting Standards.

   Since Madan Pvt. Ltd. is a partially owned subsidiary, it must ensure that all its members, including remaining shareholders (10% in this case), are informed in writing about the decision not to present CFS, and it must maintain proof of delivery of such communication. No member should object to this exemption.

2. If Madan Pvt. Ltd. had its securities listed on a recognized stock exchange or was in the process of being listed, it would not qualify for the exemption and would be required to prepare and present its own consolidated financial statements as per the applicable provisions.

15. According to section 92(1) of the Companies Act, 2013, every company shall prepare a return (referred to as the Annual Return) in the prescribed form containing the specified particulars as they stood on the close of the financial year. In terms of Second Proviso to section 91 (1), the Central Government may prescribe abridged form of annual return for One Person Company, small company and such other class or classes of companies as may be prescribed. Accordingly, as per Rule 11 (1), One Person Company and small company shall file the annual return from the financial year 2020-2021 onwards in Form No. MGT-7A. However, in relation to One Person Company and small company, the annual return shall be signed by the company secretary, or where there is no company secretary, by the director of the company.

Accordingly, following are the advise given by the expert:

(i) As per Section 92 and Rule 11(1), since ABC Pvt. Ltd. is a One Person Company (OPC), it should file its annual return in Form MGT-7A (abridged form) for the financial year 2024-25.

(ii) In the absence of a company secretary, the annual return should be signed by the sole director of the company as per the provisions applicable to One Person Companies.

16. As per section 139(2) of the Companies Act, 2013, listed companies and such class of companies as prescribed, shall not appoint or re- appoint an audit firm as auditor for more than two terms of five consecutive years.

Further, on the date of appointment, an audit firm shall not have any partner or partners who are/were also the partner/s to the other audit firm, whose tenure has been expired in a company immediately preceding the financial year.

Bright Future Ltd. cannot appoint M/s Mehta & Associates as its auditor immediately after the completion of M/s Sharma & Associates' tenure.

Since Mr. Raj is a common partner in both firms, regulatory provisions impose a cooling-off period of 5 years before either of these firms can be reappointed.

Therefore, Bright Future Ltd. can appoint M/s Mehta & Associates or M/s Sharma & Associates only after the cooling-off period ends in the year 2032.

17. (a) According to section 2(1)(ta) of the LLP Act, 2008, a LLP is classified as a "Small LLP" if:

(i) Its contribution does not exceed ₹ 25 lakh (or a higher prescribed amount, up to ₹ 5 crore). Here, contribution of JEET LLP is ₹ 20 lakh, which is within the limit.

(ii) Its turnover does not exceed ₹ 40 lakh (or a higher prescribed amount, up to ₹ 50 crore). Here turnover of JEET LLP is ₹ 35 lakh, which is within the limit.)

Since JEET LLP meets both conditions, it qualifies as a "Small LLP" under the Act.

(b) If JEET LLP's turnover exceeds ₹50 crore in the next financial year, it will no longer meet the requirements as a Small LLP and will be subject to full compliance requirements applicable to regular LLPs.

18. According to section 3(27) of the General Clauses Act, 1897 states that 'Imprisonment' shall mean imprisonment of either description as defined in the Indian Penal Code. By section 53 of the Indian Penal Code, the punishment to which offenders are liable under that Code are imprisonment which is of two descriptions, namely, rigorous, that is with hard labor and simple. So, when an Act provides that an offence is punishable with imprisonment, the Court may, in its discretion, make the imprisonment rigorous or simple.

In this case:

If the court considers Mr. N's offense as a minor theft and believes it does not warrant harsh punishment, it might sentence him to simple imprisonment.

However, if the theft involved force, was committed in a violent manner, or if Mr. N has a history of criminal behavior, the court may decide to impose rigorous imprisonment.

19. The principle "*generalia specialibus non derogant*" means that when a general law and a specific law address the same subject matter, the specific law prevails. This ensures that specialized laws designed for particular situations are not overridden by broader, more general provisions.

Example:

1. General Law: "All contracts must be in writing to be legally enforceable."

2. Specific Law: "An oral contract for the sale of goods under ₹ 5000 is legally valid."

Here, the general rule states that all contracts must be in writing. However, the specific rule creates an exception for oral contracts involving goods under ₹5000. According to the principle of "*generalia specialibus non derogant*", the specific rule will revail in cases involving small-value goods, making oral agreements enforceable despite the broader general rule.

This principle helps maintain legal clarity by ensuring that specialized provisions are applied without being overridden by more general laws.

20. (i) Under the Foreign Exchange Management Act (FEMA), 1999 read with the Schedule III of the FEM (Current Account Transactions) Rules, 2000, the overall limit prescribed is generally USD 250,000. Any additional remittance in excess of such limit shall require prior approval of the RBI. In the given case, the remittance of fees of Amrish for pursuing education abroad, may avail exchange facility for an amount in excess of the limit prescribed under the LRS in a Financial Year. In such a case, the applicable limit for such an individual would be reduced from USD 250,000 by the amount so remitted.

(ii) Under the Foreign Exchange Management Act (FEMA), 1999, Mr. Amrish can remit his salary earned abroad to his family in India, subject to the following regulations:

A person (who is resident but not permanently resident in India) is a citizen of India, who is on deputation to the office or branch of a foreign company or subsidiary or joint venture in India of such foreign company, may make remittance up to his net salary (after deduction of taxes, contribution to provident fund and other deductions).

As per the stated law, a person resident in India on account of his employment or deputation of a specified duration (irrespective of length thereof) or for a specific job or assignments, the duration of which does not exceed three years, is a resident but not permanently resident.

PAPER – 3: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance (No. 2) Act, 2024, including significant notifications/ circulars issued upto 31st October, 2024, is applicable for May, 2025 examination. The relevant assessment year for May, 2025 examination is A.Y.2025-26. The October, 2024 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance (No. 2) Act, 2024 and significant notifications/circulars issued upto 30.09.2024, and hence, the same is relevant for May, 2025 examination. Since there is no significant notifications/circulars issued between 1.10.2024 and 31.10.2024, Statutory Update is not issued for May 2025 Examination.

QUESTIONS

Case Scenario

Mr. Raj, aged 38 years, an Indian citizen, is carrying on manufacturing business in Canada. He frequently visits India for business purpose on a regular basis. He was in India for the first time in the year 2021-22 for 190 days, in the year 2022-23 for 145 days and in the year 2023-24 for 155 days.

Afterwards he decided to close his business in Canada and shift permanently in India. So, he came to India on 1.11.2024 and started a business in Mumbai. His profits from business in Canada till 31.10.2024 is ₹ 15 lakhs and from Indian business is ₹ 5 lakhs.

He does not own any house property in Mumbai and is staying in a rented accommodation from 1.11.2024 on a monthly rent of ₹ 20,000. He made a donation of ₹ 50,000 to PM Cares Fund and donation of ₹ 20,000 to Prime Minister's Drought Relief Fund by cheque during the P.Y. 2024-25.

He had purchased 10,000, 9% debentures of ABC (P) Ltd. in August 2020 @ ₹ 150 each. Face value of each debenture is ₹ 100. He sold 2,500 debentures in April, 2024 @ ₹ 175 each and remaining 7,500 debentures in August, 2024 @155 each. Interest on debenture is due on 30th June and 31st December of every year.

CII – F.Y. 2020-21: 301; F.Y. 2024-25: 363

Mr. Raj follows cash basis of accounting, and he wants to opt 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:

1. What is the residential status of Mr. Raj for the previous year 2024-25?
   - (a) Resident but not ordinarily resident
   - (b) Resident and ordinary resident
   - (c) Non-resident
   - (d) Deemed resident

2. What is the amount of capital gains chargeable to tax in the hands of Mr. Raj on sale of debentures for the P.Y. 2024-25?
   - (a) LTCG of ₹ 1,00,000
   - (b) LTCG of (₹ 14,750) and STCG of ₹ 37,500
   - (c) LTCG of (₹ 2,09,000)
   - (d) LTCG of ₹ 62,500 and STCG of ₹ 37,500

3. What will be the gross total income of Mr. Raj for the A.Y. 2025-26?
   - (a) ₹ 21,00,000
   - (b) ₹ 6,33,750
   - (c) ₹ 5,37,500
   - (d) ₹ 5,71,500

4. What is the amount of deduction available under Chapter VI-A to Mr. Raj for A.Y. 2025-26?

   (a) ₹ 60,000

   (b) ₹ 85,000

   (c) ₹ 70,000

   (d) ₹ 1,20,000

5. What is the tax liability of Mr. Raj for A.Y. 2025-26?

   (a) ₹ 25,290

   (b) ₹ 28,340

   (c) ₹ 29,380

   (d) Nil

6. Mr. Kunal (age 27 years) is an employee in a private company posted in Delhi. He was appointed on 01.02.2023 in the scale of ₹ 60,000 - ₹ 1,000 - ₹ 70,000. He furnishes you the following information for the previous year 2024-25:

   (i) Dearness allowance @25% of basic salary (60% of DA forms part of retirement benefits)

   (ii) Bonus equal to one month salary. Paid in November 2024 on basic salary applicable for that month.

   (iii) Leave encashment for P.Y. 2024-25 of ₹ 10,000.

   (iv) He also received a motor car on 01.12.2024 (cubic capacity of engine exceeds 1.60 litres) along with chauffeur for both official and personal purpose. The motor car is owned by his employer and all expenses are met by the employer.

   (v) His employer granted him a loan of ₹ 2,00,000 on 1st June, 2024 which is repayable in equal quarterly installments over 2 years starting from 1st October, 2024. The State Bank of India (SBI) lending rate for such loans is 9.5% per annum as on 01.04.2024, while the employer recovers interest @5.5% per annum from the employee.

(vi) His employer gave him a rent-free accommodation (fully furnished) in Delhi from 01.04.2023. This house is owned by the employer. The perquisite value of such furnished rent-free accommodation during the previous year 2023-24 was valued at ₹ 92,000. Further, the accommodation is continued to be provided by the employer to the employee in P.Y. 2024-25 also.

(vii) The furniture and appliances provided with the house were bought by the employer at an aggregate cost of ₹ 1,50,000 on 01.01.2023. Electricity and water bills of ₹ 5,000 p.m. for the said house were paid by the employer.

Cost Inflation Index

F.Y. 2023-24-348, F.Y. 2024-25-363.

(viii) His colleagues gifted him a mobile phone worth ₹ 45,000 from their own contribution on account of his marriage.

You are required to compute the income chargeable under the head Salaries in the hands of Mr. Kunal for the Assessment Year 2025-26 assuming that he wants to pay tax under default tax regime under section 115BAC.

7. Ms. Priya has always been financially aware and strategic with her investments. In January 2022, she saw an opportunity in gold and purchased gold jewellery worth ₹ 3,25,000, believing it would be a safe investment for the future. In October 2024, gold prices increased and she decided to sell her jewellery on 31.10.2024 for ₹ 4,75,000.

She also sold her house property in Delhi on 01.12.2024 for ₹ 80 lakhs. The stamp duty value of property at the time of transfer was ₹ 90 lakhs.

She purchased this property on 15.07.1998 for ₹ 8.80 lakhs. The FMV of the property as on 1st April, 2001 was ₹ 10.8 lakhs and Stamp duty value on the said date was ₹ 10 lakhs. She had incurred brokerage and other expenses @1% on purchase price at that time.

Compute the capital gain tax to be paid by Ms. Priya for A.Y. 2025-26 assuming her other income exceeds the basic exemption limit.

CII – F.Y. 2001-02: 100; F.Y. 2021-22: 317; F.Y. 2024-25:363

8. Mr. Akshay, a resident individual, provides the following details of his income/losses for the year ended 31.03.2025:

	Particulars	Amount (₹)
(i)	Income from salary (computed)	35,20,000
(ii)	Rent received from house property situated in Delhi	5,00,000
(iii)	Repayment of loan taken for purchase of above property. Loan was taken from a friend. This repayment includes payment of interest of ₹ 7,00,000	15,25,000
(iv)	Rent received from house property situated in Jaipur	3,20,000
(v)	Interest on loan taken for repair of house properties situated in Mumbai and Delhi. The property in Mumbai is self-occupied. Loan was taken on 01.04.17 and was utilized in 50:50 ratio for house properties situated in Mumbai and Delhi, respectively.	1,50,000
(vi)	Long-term capital gains on sale of equity shares on which STT has been paid	7,95,000
(vii)	Interest on fixed deposit	73,000
(viii)	Loss from textile business	7,50,000
(ix)	Speculation business profit	2,30,000
(x)	Lottery income (Gross)	75,000
(xi)	Loss incurred by the firm in which he is a partner	1,60,000
(xii)	Salary received as a partner from partnership firm. The same was allowed to firm	50,000
(xiii)	Life insurance premium paid for his son who is 30 years of age and is working in USA	15,000

He has the following brought forward losses of A.Y. 2024-25

Brought forward short-term capital loss on sale of gold	2,75,000
Brought forward loss on sale of equity shares u/s 111A	25,000

Compute total income of Mr. Akshay for the assessment year 2025-26 and the amount of loss that can be carried forward. Mr. Akshay has opted out of the default tax regime.

9. Examine the applicability and amount of Tax deduction at source (TDS) or Tax collection at source (TCS) as per the Income-tax Act, 1961 for the A.Y 2025-26 in the following situations:

   (i) Mr. Subhash is a salaried individual pays rent of ₹ 52,000 per month to Mr. Raj from April 2024. Mr. Subhash vacated the premises on 31st August, 2024. What if he vacates the premises on 31st October, 2024.

   (ii) ABC Traders, a partnership firm, is engaged in the wholesale business of tendu leaves. Its turnover for the P.Y. 2023-24 was ₹ 9 crores. During the financial year 2024-25, it sold tendu leaves worth ₹ 12 lakhs to XYZ Ltd. XYZ Ltd. does not provide its PAN to ABC Trader.

10. Mr. Ganesh, a resident and ordinarily resident aged 61 years, is engaged in the business of manufacturing furniture. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

Profit & Loss account for the year ended 31st March, 2025

Particulars	(₹)	Particulars	(₹)
To Administrative expenses	64,30,000	By Gross Profit	2,57,30,000
To Salaries & wages	80,00,000	By Winning from lottery (Net of TDS @ 30%)	31,500
To Interest on loans	7,50,000	Bad debt recovered	3,00,000
To Depreciation	6,17,000		
To Professional fees	12,70,000		

To Rent, rates & taxes	22,80,000		
To Travelling & conveyance	11,40,000		
To Loss on sale of asset of scientific research	2,00,000		
To Net Profit	53,74,500		
Total	**2,60,61,500**	**Total**	**2,60,61,500**

Other information:

(i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 14,50,000 and Closing stock of ₹ 15,58,000 was shown.

(ii) Salaries & wages include following items:

(a) Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD regarding salary paid to an employee Mr. Ramesh who has withdrawn basic salary of ₹ 5,00,000 and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.

(b) Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 3,40,000 was paid to them on 1st January, 2025.

(iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 12,00,000 which was taken from State Bank of India on 01.05.2022 for purchase of new electric car of ₹ 15,00,000. The car is used for personal purpose. No amount is repaid so far.

(iv) Depreciation allowable as per Income-tax Rules, 1962 is ₹ 4,50,000 but during the calculation of such depreciation following addition was not considered:

Motor car purchased for ₹ 3,00,000 for supply of finished goods to dealers on 25-08-2024.

(v) An asset was purchased for ₹ 6,00,000 on 23.7.2021 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-09-2024 for a consideration of ₹ 4,00,000.

(vi) Administrative expenses includes expenditure of ₹ 1,75,000, paid to a scientific research association approved under section 35. Out of ₹ 1,75,000, ₹ 50,000 was utilised towards the purchase of land by the research association.

(vii) He received ₹ 3,00,000 from a debtor which was written off as bad in the year 2018-19. Amount due from the debtor (which was written off as bad) was ₹ 5,00,000, out of which tax officer had only allowed ₹ 3,00,000 as deduction in computing the total income for assessment year 2018-19.

Compute the total income and tax liability of Mr. Ganesh for the assessment year 2025-26 assuming that he wants to pay tax under section 115BAC.

SUGGESTED ANSWERS

Question No.	Answer	
1.	(a)	Resident but not ordinarily resident
2.	(d)	LTCG of ₹ 62,500 and STCG of ₹ 37,500
3.	(b)	₹ 6,33,750
4.	(b)	₹ 85,000
5.	(a)	₹ 25,290

6. Computation of income chargeable under the head "Salaries" of Mr. Kunal for A.Y.2025-26 under default tax regime

	₹	₹
Basic Pay [₹ 61,000 x 10 + ₹ 62,000 x 2]		7,34,000
Dearness Allowance [₹ 7,34,000 x 25%]		1,83,500

Bonus		61,000
Leave encashment for P.Y. 2024-25		10,000
Value of perquisite		
Perquisite of Motor Car [₹ 3,300 x 4] As per the provisions of Rule 3(2), in case a motor car (engine cubic capacity exceeding 1.60 litres) owned by the employer is provided to employee with chauffeur for both official and personal use, the value of perquisite shall be ₹ 3,300 (₹ 2,400 + ₹ 900). The car was provided to employee from 01.12.2024, therefore the perquisite value has been calculated for 4 months.		13,200
Perquisite of interest on loan **(Working Note Below)**		5,917
Value of Rent-free accommodation		
Value of Rent-free accommodation {10% of ₹ 9,15,100 i.e., [₹ 7,34,000, basic salary + ₹ 1,10,100 (₹ 1,83,500 x 60%, DA forming part of retirement benefit) + ₹ 10,000, leave encashment + ₹ 61,000, bonus]}	91,510	
Add: Value of furniture [₹ 1,50,000 × 10% p.a.]	15,000	
	1,06,510	
As per Rule 3, value of perquisite in case of accommodation continued to be provided to an employee for more than one previous year, shall not exceed the amount calculated for first previous year, as multiplied by the amount which is a ratio of CII for the previous year for which the value is calculated and CII for the previous year in which accommodation was initially provided to the employee.		

Accordingly, value of perquisite for P.Y. 2024-25 to be restricted to = ₹ 92,000 x 363/348	95,966	95,966
Facility of use of electricity and water [Electricity and water bills paid by the employer would be taxable as perquisite] [₹ 5,000 x 12]		60,000
Mobile phone received as gift from colleagues (Not taxable under the head "Salaries")		Nil
Gross Salary		11,63,583
Less: Standard deduction under section 16 [Actual salary or ₹ 75,000, whichever is less]		75,000
Net Salary		**10,88,583**

Working Note:

<u>Perquisite of Interest on Loan</u>

The value of the benefit to the assessee resulting from the concessional loan made to the employee during the relevant previous year by the employer shall be determined as the sum equal to the interest computed at the rate charged per annum by the State Bank of India (SBI) as on the 1st day of the relevant previous year in respect of loans for the same purpose advanced by it. This rate should be applied on the maximum outstanding monthly balance and the resulting amount should be reduced by the interest, if any, actually paid by him.

"Maximum outstanding monthly balance" means the aggregate outstanding balance for loan as on the last day of each month.

The perquisite value for computation is 9.5% - 5.5% = 4% p.a.

Month	Maximum outstanding balance as on last date of month (₹)	Perquisite value at 4% for the month (₹)
June, 2024	2,00,000	667
July, 2024	2,00,000	667

August, 2024	2,00,000	667
September, 2024	2,00,000	667
October, 2024	1,75,000	583
November, 2024	1,75000	583
December, 2024	1,75,000	583
January, 2025	1,50,000	500
February, 2025	1,50,000	500
March, 2025	1,50,000	500
Taxable Value of perquisite		**5,917**

7. Computation of capital gain tax paid by Ms. Priya for A.Y. 2025-26

Particulars	₹	₹
On sale of jewellery		
Sale consideration	4,75,000	
Less: Cost of acquisition (As transfer is on or after 23.07.2024, the indexation benefit would not be available)	3,25,000	
Long term capital gains [Since jewellery is sold on or after 23.7.2024 and held for more than 24 months]		1,50,000
On sale of house property		
Full Value of Consideration [Stamp duty value of ₹ 90 lakhs, since stamp duty value of ₹ 90 lakhs exceed actual consideration of ₹ 80 lakhs by more than 10%]	90,00,000	
Less: Cost of acquisition [₹ 10,00,000] (As transfer is on or after 23.07.2024, the indexation benefit would not be available)	10,00,000	80,00,000
Cost of acquisition		
Higher of -		
- Actual cost ₹ 8,80,000 + ₹ 8,800 = ₹ 8,88,800 and		
- Lower of Fair Market Value (FMV) as on		

1.4.2001 of ₹ 10.8 lakhs and stamp duty value of ₹ 10 lakhs.		
Capital Gain chargeable to tax		**81,50,000**
Tax on capital gains		
Tax on LTCG on sale of jewellery [₹ 1,50,000 x 12.50%]	18,750	
Tax @12.5% on LTCG on sale of house property [As the asset is a long term capital asset, being land or building acquired before 23.07.2024 and transferred on or after 23.07.2024 by a resident individual, the tax shall be computed with indexation @20% and without indexation @12.5%, whichever is beneficial to the assessee.]	10,00,000	
Tax @20% with indexation –		
Sale consideration ₹ 90,00,000		
Less: Indexed cost of acquisition ₹ 10,00,000 x 363/100 = ₹ 36,30,000		
LTCG = ₹ 53,70,000		
Tax @20% = ₹ 53,70,000 x 20% = ₹ 10,74,000		
Tax @12.5% without indexation -		
Tax @12.5% = ₹ 80,00,000 x 12.5% = ₹ 10,00,000		
		10,18,750
Add: Surcharge @10% [Since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]		1,01,875
		11,20,625
Add: HEC@4%		44,825
Tax on capital gain		11,65,450

8. Computation of total income of Mr. Akshay for the A.Y.2025-26

Particulars	₹	₹	₹
Income from salary (computed)			35,20,000
Income from house property			
(i) House property at Delhi (Let out)			
Rent received (taken as Annual Value in the absence of information relating to Fair Rent and Municipal Value)	5,00,000		
Less: **Deduction u/s 24**			
(a) 30% of NAV 1,50,000			
(b) Interest on loan			
For purchase of property 7,00,000			
For repairs of property [₹ 1,50,000/2] 75,000	9,25,000	(4,25,000)	
(ii) House property at Jaipur (Let out)			
Rent received (taken as Annual Value in the absence of information relating to Fair Rent and Municipal Value)	3,20,000		
Less: **Deduction u/s 24**			
30% of NAV	96,000	2,24,000	
(iii) House property at Mumbai (Self-occupied)			
Annual Value of self-occupied property	Nil		

Less: **Deduction u/s 24(b)**			
Interest on loan for repairs (to be restricted to ₹ 30,000)	30,000	(30,000)	
Loss from house property		(2,31,000)	
As per section 71(3A), loss from house property to be set-off against salary income to the extent of			**(2,00,000)**
			33,20,000
Profits and gains of business or profession			
Speculation business profit		2,30,000	
Salary received as partner of firm is taxable in his hands since the entire salary was allowed as deduction in the hands of the firm		50,000	
		2,80,000	
Less: Set-off of loss from textile business to the extent of		**(2,80,000)**	Nil
Share of loss incurred by the firm in which he is partner cannot be set-off against salary received as partner of firm or any other income, since loss from an exempt source cannot be set-off against profit from a taxable source.			Nil
Capital Gains			
Long-term capital gains on sale of equity shares on which STT is paid		7,95,000	

Less: Set-off of brought forward short-term capital loss			
Brought forward short-term capital loss on sale of gold	2,75,000		
Brought forward short-term capital loss u/s 111A	25,000	3,00,000	
		4,95,000	
Less: Set-off of balance loss of textile busines [₹ 7,50,000 – ₹ 2,80,000 – ₹ 73,000]		(3,97,000)	98,000
Income from Other Sources			
Interest on fixed deposit		73,000	
Less: Set off of loss of textile business against this income would be more beneficial than against LTCG, since it is taxable @30%		(73,000)	Nil
Lottery income		75,000	75,000
Gross Total Income			**34,93,000**
Less: **Deduction under Chapter VI-A**			
Under section 80C			
Life insurance premium paid			
Life insurance premium paid to insure the life of her son allowable as deduction even if he is major, resides abroad and is not dependent on her		15,000	
Repayment of housing loan			
₹ 8,25,000 for house property in Delhi, not allowable since loan is taken from a friend		Nil	
			15,000
Total Income			**34,78,000**

Loss to be carried forward to A.Y.2026-27:

Particulars	₹
Loss from house property (₹ 2,31,000 - ₹ 2,00,000)	31,000

9. **(i)** Since Mr. Subhash is a salaried individual and pays rent exceeding ₹ 50,000 per month in the F.Y. 2024-25, he is liable to deduct tax at source u/s 194-IB @5% till 30.9.2024 and thereafter @2%.

If Mr. Subhash vacated the premises on 31st August, 2024, tax has to be deducted from rent payable for August, 2024. Tax deductible would be ₹ 13,000 [₹ 52,000 x 5 x 5%].

If Mr. Subhash vacated the premises on 31st October, 2024, tax has to be deducted from rent payable for October, 2024. Tax deductible would be ₹ 7,280 [₹ 52,000 x 7 x 2%].

(ii) Under section 206C(1), seller of certain goods, *inter alia*, tendu leaves is required to collect tax from the buyers @5%.

Seller u/s 206C(1) includes firm. In case of non-furnishing of PAN, tax to be collectible at the higher of twice the specified rate i.e., 10% or @5%.

In the present case, ABC Traders is required to collect tax at source u/s 206C(1) @10% on sale of tendu leaves of ₹ 12 lakhs to XYZ Ltd. at the time of debit or receipt, whichever is earlier.

10. **Computation of total income of Mr. Ganesh for A.Y. 2025-26**

	Particulars	₹	₹	₹
I.	**<u>Income from business or profession</u>**			
	Net Profit		53,74,500	
	Add: **Items debited but not allowable/item not credited but taxable while computing business income**			
	- Undervaluation of stock [(₹ 15,58,000 - ₹ 14,50,000) x 10/90]	1,20,000		

	- Employer's contribution to NPS in excess of 14% of salary - Employer's contribution to the extent of 14% of salary i.e., basic salary plus dearness allowance forming part of salary would be allowed as deduction. Thus, excess contribution i.e., ₹ 16,000 [₹ 1,00,000, being 20% of ₹ 5,00,000 less ₹ 84,000 being 14% of ₹ 6,00,000 (₹ 5,00,000 + 20% of ₹ 5,00,000] has to be added back.	16,000		
	- VRS expenditure - 1/5th of expenditure on voluntary retirement scheme is allowable over a period of five years u/s 35DDA. Since whole amount of expenditure is debited to Profit and Loss A/c, 4/5th has to be added back [₹ 3,40,000 x 4/5].	2,72,000		
	- Interest on loan taken for purchase of electric car used for personal purpose not allowable as deduction while computing business income as being expense of personal nature. Thus, ₹ 1,80,000 [₹ 12,00,000 x 15%] has to be added back, since the same forms part of interest on loan debited to profit and loss account.	1,80,000		

	- Loss on sale of asset of scientific research debited in Profit & Loss account [Not allowed]	2,00,000		
	- Sale proceeds of asset acquired for conducting scientific research taxable as business income under section 41(3) in the year of sale to the extent of lower of amount of sale proceeds i.e., ₹ 4,00,000 or the amount of deduction allowed u/s 35 i.e., ₹ 6,00,000	4,00,000		
	- Contribution to scientific research association approved u/s 35 [Not allowable under section 35(1)(ii) as per default tax regime]	1,75,000		
	- Depreciation as per books of A/c	6,17,000	19,80,000	
			73,54,500	
	Less: Depreciation as per Income-tax Rules	4,50,000		
	Depreciation on Motor car purchased for supply of finished goods [₹ 3,00,000 x 15%]	45,000	4,95,000	
			68,59,500	
	***Less:* Items of income credited to profit and loss account but not taxable or taxable under any other head of income**			
	- Bad debt recovered [The excess of amount recovered i.e., ₹ 3,00,000 over the	2,00,000		

	amount due after bad debt allowance i.e., ₹ 2,00,000 will be taxable as business income u/s 41(4). Since the entire ₹ 3 lakhs is credited to the profit and loss account, ₹ 2 lakhs has to be reduced]			
	- Winning from lottery [Taxable under the head "Income from other sources"]	31,500	2,31,500	
				66,28,000
II.	**Income from other sources**			
	Winning from lottery [₹ 31,500 x 100/70]			45,000
	Gross Total Income			66,73,000
	Less: **Deduction under Chapter VI-A**			
	Deduction under section 80EEB [Not allowable under default tax regime]			Nil
	Total Income			**66,73,000**

Computation of tax liability of Mr. Ganesh for A.Y.2025-26

Particulars	₹	₹
Tax on winning from lottery @30% of ₹ 45,000		13,500
Tax on total income (excluding winning from lottery) of ₹ 66,28,000		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 7,00,000[@5% of ₹ 4 lakhs]	20,000	
₹ 7,00,001 – ₹ 10,00,000[@10% of ₹ 3 lakhs]	30,000	
₹ 10,00,001- ₹ 12,00,000 [@15% of ₹ 2 lakhs]	30,000	

₹ 12,00,001- ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	
₹ 15,00,001- ₹ 66,28,000 [@30% of ₹ 51,28,000]	15,38,400	
		16,78,400
		16,91,900
Add: Surcharge @10% [Since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]		1,69,190
		18,61,090
Add: Health and education cess@4%		74,444
Tax liability		19,35,534
Tax liability (rounded off)		**19,35,530**

SECTION B: GOODS AND SERVICES TAX

(1) All questions have been answered on the basis of position of the GST law as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars and other legislative amendments made, which have become effective up to 31^{st} October, 2024.

(2) Unless otherwise specified, the section numbers and rules referred in questions and answers relating to GST pertain to the Central Goods and Services Tax Act, 2017 and the Central Goods and Services Tax Rules, 2017 respectively.

(3) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.

QUESTIONS

Case scenario

Sambhav Ltd., a company registered under GST and engaged in manufacturing and e-commerce operations, operates in multiple States across India. The company procures raw materials from various suppliers and supplies finished goods both domestically and internationally. It also acts as an e-commerce operator (ECO), facilitating third-party transactions as well supplying goods and services on its own account, through its portal round the clock. During its financial review, the management of Sambhav Ltd. observed the following:

The company discontinued its operations in the State of Assam from 15^{th} December. The online application for cancellation of registration was furnished on 5^{th} January. The registration was suspended from the same day. Further, the order for cancellation of registration was passed on 2^{nd} February wherein the registration was cancelled with effect from 31^{st} January.

The company paid an amount of ₹ 5,00,000 alongwith the tax payable thereon to its supplier – Rudraksh Enterprises - pursuant to the settlement of dispute in December month of current financial year. The company had earlier reversed the ITC related to supply received from Rudraksh Enterprises due to non-payment of consideration and tax amount. The invoice was issued by Rudraksh Enterprises in the month of September of the previous financial year.

The company provided accommodation services to Governmental Agency of Gujarat (registered under GST only in the State of Gujarat) in its own hotel located in the State of Rajasthan. The accommodation services were provided for the stay of employees of the Governmental Agency of Gujarat who had to attend a training programme organized by the Central Government. The total amount charged by the company for such service was ₹ 25,00,000.

During the month of January, Dumdum Ltd. supplied goods worth ₹ 75,00,000 through the company's e-commerce platform. Out of this supply, the goods amounting to ₹ 15,00,000 were returned in January. Further, the company also supplied its own products amounting to ₹ 20,00,000 through the e-commerce platform in said month. The amount of hotel accommodation services supplied through its e-commerce portal by hotel owners not required to obtain registration under GST [in terms of section 22(1)] amounted to ₹ 20,00,000 for the month of January.

The company also completed a project for the construction of road (taxable under GST) for a Government agency on 31st December. The total time taken for completion of project was more than 13 months. As per the contract signed with such agency, the last tranche of payment of 25% of the total contract value was linked to the date of issuance of completion certificate by the Government engineer. The completion certificate was issued by the Government engineer on 15th January. However, the invoice for such supply was issued on 5th February and payment was received on 20th February by the company.

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

1. What is the due date for filing the final return in the State of Assam?

    (a) within 3 months from 5th January

(b) within 3 months from 31st January

(c) within 3 months from 2nd February

(d) within 3 months from 15th December

2. Which of the following statements is correct in relation to the re-availament of the input tax credit that had been reversed earlier, upon payment of disputed amount by the company to Rudraksh Enterprises?

   (a) The company could have re-availed the ITC only up to 30th November of the previous financial year.

   (b) The company could have re-availed the ITC only up to 30th November of the current financial year.

   (c) The company could have re-availed the ITC only up to the end of the previous financial year.

   (d) ITC can be re-availed without any time limit after making the payment of disputed amount alongwith tax payable thereon to Rudraksh Enterprises.

3. The amount of tax to be deducted at source under GST law by Governmental Agency of Gujarat is _________.

   (a) IGST - ₹ 25,000

   (b) CGST - ₹ 12,500 and SGST - ₹ 12,500

   (c) nil

   (d) IGST - ₹ 50,000

4. The amount of tax to be collected at source by the company under the GST law during January is ___________ (ignore bifurcation of CGST, SGST and IGST).

   (a) ₹ 50,000

   (b) ₹ 40,000

(c) ₹ 37,500

(d) ₹ 30,000

5. What is the last date for issuance of invoice in relation to construction of road by the company for the last tranche of payment received?

(a) 31st December

(a) 15th January

(c) 5th February

(d) 20th February

6. Surya is engaged in providing a bouquet of goods and services. It is registered in Jaipur, Rajasthan. It provides the following information for the month of January:

S. No.	Particulars	Amount (₹)
(i)	Organised a business exhibition in Gujarat for Jignesh Industries, registered in Surat, Gujarat	20,00,000
(ii)	Provided accommodation services to 10 CA students (originally from outside Rajasthan) in a hostel – Surya Homes, owned by it. Surya Homes is located in Jaipur, Rajasthan. [Hostel accommodation charges are ₹ 22,000 per student per month. As per agreement, minimum period of stay of the students in hostel is 4 months.]	2,20,000
(iii)	Performed the carnatic music to promote a brand of readymade garments – Rigley Garments, registered in Udaipur, Rajasthan.	1,45,000
(iv)	Intra-State services provided as a business correspondent of Manimani Bank, registered in Rajasthan, with respect to accounts in its Jaipur city branch.	1,20,000
(v)	Rented a commercial property in Jaipur, Rajasthan	3,00,000

	to Ganga Ltd., a supplier of goods and services registered in Jodhpur, Rajasthan. Surya is a director in Ganga Ltd.	
(vi)	Sponsored a Business Summit organized in Bikaner, Rajasthan, by Associated Chamber of Commerce and paid a sponsorship fee of ₹ 5,00,000 to Associated Chamber of Commerce, registered in Jaipur, Rajasthan.	
(vii)	Received the services of transportation of goods by road from Sindhu Transporters, an unregistered Goods Transport Agency of Jodhpur, Rajasthan.	2,00,000
(viii)	Taken cars on rental basis from Ajay Limited, registered in Jodhpur, Rajasthan.	1,50,000

Notes:

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services except the car rental service and service of transportation of goods by GTA, on which the rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% respectively.

(ii) All the amounts given above are exclusive of taxes, wherever applicable.

(iii) There was no opening balance of the ITC for the relevant period.

From the information given above, you are required to compute the minimum net GST liability payable in cash (CGST, SGST or IGST, as the case may be) for the month of January for Surya.

7. Mehul Enterprises, registered under GST in Uttar Pradesh and a monthly return filer, is engaged in making taxable supplies of goods and services. It furnished the details of its outward supplies in Form GSTR-1 for the month of January on 11th February.

However, on 14th February, the accountant of Mehul Enterprises noticed that one invoice issued to Vaishali Traders (registered in Gujarat) for supply of goods of value of ₹ 1,00,000 (taxable @ 18%) pertaining to

January has been inadvertently missed to be declared in Form GSTR-1 furnished for January. He has approached you for the advice before furnishing Form GSTR-3B for the said month. You are required to briefly discuss whether Mehul Enterprises can amend the details of outward supply furnished in Form GSTR-1 of January. If such amendment is permitted and details of Form GSTR-1 are amended, whether the details of said invoice will be available in Form GSTR-2B of Vaishali Traders for the month of January.

8. Mr. Bindusaar is an employee in Galgotia and Sons, working at its Mumbai (Maharashtra) office. Mr. Bindusaar is unregistered under GST law. His family is located in Bareilly, Uttar Pradesh. His son requires a laptop for his school project on urgent basis. Therefore, Mr. Bindusaar places an order on Amazing.in - an e-commerce platform - for supply of a laptop of latest configuration for his son, which is to be delivered at his residential address located in Bareilly, Uttar Pradesh.

   Mr. Bindusaar, while placing the order on the e-commerce platform - Amazing.in, provides the billing address of his apartment located in Mumbai Maharashtra. You are required to determine the place of supply of the supply of laptop in the given case.

9. Determine the taxability or otherwise of the following services provided by Indian Railways:

S.No.	**Particulars**	**Amount (₹)**
(i)	Cloak room services provided to passengers	20,00,000
(ii)	Service of transportation of passengers in second class	20,00,000
(iii)	Platform tickets sold to passengers	50,00,000
(iv)	Renting of warehouse located in Bengaluru railway station to Paras Traders, registered in Chennai	1,50,000
(v)	Service of transportation of passengers in air-conditioned coaches	10,00,000

(vi)	Service of transportation of relief materials meant for victims of flood affected area	3,00,000
(vii)	Service of transportation of organic manure	2,00,000

10. Mr. Hridya has obtained a voluntary registration under the GST law in the State of Madhya Pradesh in January but has not commenced the business till the month of September. In October, the proper officer issues a show cause notice to him for cancellation of his registration. You are required to examine whether the action taken by the proper officer is justified in law. Also, list the other circumstances when the proper officer can cancel registration under section 29(2).

SUGGESTED ANSWERS

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

6. Computation of minimum net GST payable in cash for the month of January by Surya

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Business exhibition organized for Jignesh Industries	20,00,000	-	-	3,60,000 [20,00,000 x 18%]

[Taxable since services by an organiser to any person in respect of a business exhibition are exempt only when such exhibition is held outside India. Further, it is an inter-State supply since place of supply of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to an exhibition is location of recipient, i.e. Gujarat.]				
Provided accommodation services to CA students in hostel [Supply of accommodation services having value of supply exceeding ₹ 20,000 per person per month are exempt provided that the accommodation service is supplied for a minimum continuous period of	2,20,000	19,800 [2,20,000 x 9%]	19,800 [2,20,000 x 9%]	-

90 days. Since in the given case, hostel accommodation charges per student per month exceed ₹ 20,000, said services are taxable. Further, it is an intra-State supply since the place of supply of services in relation to immovable property is the location of immovable property, i.e. Rajasthan.]				
Carnatic music performance [Classical musical performance by the artist -Surya is not exempt even though consideration charged for such performance does not exceed ₹ 1,50,000 since he has performed as a brand ambassador. Further, it is an intra-State supply since the place of supply is location of recipient, i.e. Rajasthan.]	1,45,000	13,050 [1,45,000 x 9%]	13,050 [1,45,000 x 9%]	-

Business correspondent services provided [Taxable since services provided in the capacity of a business correspondent to a banking company are exempt only when said services are provided with respect to accounts in its rural area branch.]	1,20,000	10,800 [1,20,000 x 9%]	10,800 [1,20,000 x 9%]	-
Renting of commercial property to Ganga Ltd. [Taxable since renting of only residential dwelling for use as residence is exempt. Further, since services are being provided by director of the company in his personal capacity and supplier of services of renting of commercial property is a registered person, tax is payable under forward charge. Moreover, it is an intra-State supply since the place of supply of services in relation to	3,00,000	27,000 [3,00,000 x 9%]	27,000 [3,00,000 x 9%]	-

immovable property is the location of immovable property, i.e. Rajasthan.]				
Total output tax liability (A)		**70,650**	**70,650**	**3,60,000**
Less: ITC available				
Business Summit sponsored [Since recipient of sponsorship services is an individual (Surya), tax is not payable under reverse charge. It is an intra-State supply since place of supply of sponsorship services is location of recipient, i.e. Rajasthan. Further, ITC is available on said service since it is used in course or furtherance of business.]	5,00,000	45,000 [5,00,000 x 9%]	45,000 [5,00,000 x 9%]	
Services of transportation of goods received from unregistered GTA [It is intra-State supply since the place of supply of services by way of transportation of goods provided to a	2,00,000	5,000 [2,00,000 x 2.5%]	5,000 [2,00,000 x 2.5%]	-

registered recipient is location of such recipient, i.e., Rajasthan. Moreover, ITC is available on said service since it is used in course or furtherance of business.]				
Taken cars on rental basis from Ajay Limited. [Tax is not payable under reverse charge since the recipient, Surya is not a body corporate and supplier - Ajay Limited is a body corporate. It is an intra-State supply since place of supply of car rental services is location of recipient, i.e. Rajasthan. Further, ITC is available on said service since it is used in course or furtherance of business.]	1,50,000	3,750 [1,50,000 x 2.5%]	3,750 [1,50,000 x 2.5%]	-
Total ITC available (B)		**53,750**	**53,750**	**Nil**
Net GST (A)-(B) [ITC of CGST and		**16,900**	**16,900**	**3,60,000**

SGST has been utilized for payment of CGST and SGST liability respectively.]				
GST payable under reverse charge				
Services of transportation of goods received from unregistered GTA [Since GTA is unregistered, it has not exercised the option to pay tax itself; thus, tax on services of transportation of goods being provided to a registered person is payable under reverse charge by Surya @ 2.5% each under CGST and SGST.]	2,00,000	5,000 [2,00,000 x 2.5%]	5,000 [2,00,000 x 2.5%]	
Total net GST payable in cash		**21,900**	**21,900**	**3,60,000**

7. As per proviso to rule 59(1), a registered person may, after furnishing the details of outward supplies of goods or services or both in Form GSTR-1 for a tax period but before filing of return in Form GSTR-3B for the said tax period, at his own option, amend or furnish additional details of outward supplies of goods or services or both in Form GSTR-1A for the said tax period. Thus, Mehul Enterprises has the option to furnish the details of the invoice issued to Vaishali Traders in Form GSTR-1A on or after 14th February but before filing Form GSTR-3B for January. The corresponding effect of the changes made through Form GSTR-1A on the liability of Mehul Enterprises shall be reflected in Form GSTR-3B for January.

Further, rule 60(7)(iia) provides that the additional details or amendments in details of outward supplies furnished by the supplier in Form GSTR-1A filed after the due date of furnishing of Form GSTR-1 for the previous tax period shall be reflected in Form GSTR-2B for the current tax period. This implies that the ITC for the supplies declared or amended by the suppliers through Form GSTR-1A will be available to the recipient in Form GSTR-2B generated for the next tax period.

Thus, the details of missing invoice of Vaishali Traders will be available in its Form GSTR-2B for the month of February.

8. As per the provisions of section 10(1)(ca) of the IGST Act, 2017, where the supply of goods is made to an unregistered person, the place of supply would be the location as per the address of said person recorded in the invoice and the location of the supplier where the address of the said person is not recorded in the invoice. Further, as per Explanation to the said clause, recording the name of the State of the said unregistered person on the invoice shall be deemed to be the recording of the address of the said person.

Accordingly, it is clarified vide *Circular No. 209/3/2024 GST dated 26.06.2024* that in the cases involving supply of goods to an unregistered person, where the address of delivery of goods recorded on the invoice is different from the billing address of the said unregistered person on the invoice, the place of supply of goods in accordance with the provisions of section 10(1)(ca) of the IGST Act, 2017, shall be the address of delivery of goods recorded on the invoice.

Also, in such cases involving supply of goods to an unregistered person, where the billing address and delivery address are different, the supplier may record the delivery address as the address of the recipient on the invoice for the purpose of determination of place of supply of the said supply of goods.

Thus, the place of supply of laptop in the given case is Bareilly, Uttar Pradesh.

9.

S.No.	Particulars
(i)	Cloak room services provided to passengers [Exempt since services provided by Ministry of Railways (Indian Railways) to individuals by way of cloak room services are exempt.]
(ii)	Service of transportation of passengers in second class [Exempt since service of transportation of passengers by railways in a class other than first class or an air-conditioned coach is exempt.]
(iii)	Platform tickets sold to passengers [Exempt since services provided by Ministry of Railways (Indian Railways) to individuals by way of sale of platform tickets are exempt.]
(iv)	Renting of warehouse located in Bengaluru railway station to Paras Traders, registered in Chennai [Taxable since services supplied by the Ministry of Railways (Indian Railways) by way of renting of immovable property to a person registered under GST law are not exempt. Further, tax on said services is payable by the Railways under forward charge.]
(v)	Service of transportation of passengers in air-conditioned coaches [Service of transportation of passengers by railways in a class other than first class or an air-conditioned coach is exempt. Thus, service of transportation of passengers in air-conditioned coaches is taxable.]
(vi)	Service of transportation of relief materials meant for victims of flood affected area [Exempt since service of transportation of relief materials meant for victims of natural or man-made disasters, calamities,

	accidents or mishap by rail is exempt.]
(vii)	Service of transportation of organic manure [Exempt since service of transportation of organic manure by rail is exempt.]

10. As per section 29(2), one of the circumstances where registration can be cancelled by the proper officer from such date, including any retrospective date, as he may deem fit, after giving an opportunity of being heard is where any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration. Thus, the action taken by the proper officer in the given case is justified in law.

As per section 29(2) read with rule 21, in the following cases, registration can be cancelled by the proper officer:

(a) a person paying tax under composition scheme has not furnished the return for a financial year beyond three months from the due date of furnishing the said return.

(b) any registered person required to file return under section 39(1) for each month or part thereof (i.e. monthly return filer), has not furnished returns for a continuous period of 6 months.

(c) any registered person required to file return under proviso to section 39(1) for each quarter or part thereof (Quarterly return under QRMP scheme), has not furnished returns for a continuous period of 2 tax periods.

(d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration.

(d) registration has been obtained by means of fraud, wilful misstatement or suppression of facts.

(e) a registered person does not conduct any business from the declared place of business.

(f) a registered person issues invoice/bill without supply of goods/services in violation of the provisions of the CGST Act, or the rules made thereunder.

(g) a registered person violates the provisions of section 171. Section 171 contains provisions relating to anti-profiteering measure.

(h) a registered person violates the provision of rule 10A.

(i) a registered person avails input tax credit in violation of the provisions of section 16 of the CGST Act or the rules made thereunder.

(j) a registered person furnishes the details of outward supplies in Form GSTR-1, as amended in Form GSTR-1A if any, under section 37 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods.

(k) a registered person violates the provision of rule 86B.

(l) a registered person violates the provisions of third or fourth proviso to rule 23(1).

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

Intermediate Level

Paper 2: Corporate and Other Laws

The provisions of the Companies Act, 2013 and the Limited Liability Partnership Act, 2008 along with significant Rules/ Notifications/ Circulars/ Clarification/ Orders issued by the Ministry of Corporate Affairs, and the laws covered under Part II: Other Laws, as amended by concerned authority, including significant notifications and circulars issued up to 31.10.2024 are applicable for May 2025 examination.

The Study Material has to be read along with the 'Relevant Legislative amendments for May 2025 examinations' for the period of 1.5.2024 to 31.10.2024.

Paper 3: Taxation

Section A: Income-tax Law

The provisions of income-tax law, as amended by **the Finance (No. 2) Act, 2024**, including significant circulars, notifications, press releases issued and legislative amendments made **upto 31.10.2024**, are applicable for May, 2025 examination. The relevant assessment year for income-tax is **A.Y. 2025-26**.

The Study Material for Intermediate Paper 3A, based on the provisions of income-tax law, as amended by the Finance (No. 2) Act, 2024, is relevant for May, 2025 examination.

Note *–The Study Guidelines specifying the list of topic-wise exclusions from the scope of syllabus and topic-wise inclusion of clauses of section 10 in the syllabus is webhosted at https://resource.cdn.icai.org/84185bos67885.pdf.*

Section B: Goods and Services Tax

Applicability of the GST law

The provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2024, are applicable for May 2025 examination.

The amendments made by the Annual Union Finance Acts in the CGST Act, 2017 and IGST Act, 2017 are made effective from a date notified subsequently. Thus, only those amendments made by the relevant Finance Acts which have become effective till 31.10.2024 are applicable for May 2025 examination. Accordingly, the amendment made by the Finance (No. 2) Act, 2024 [viz. amendment in section 16 of the CGST Act, 2017] which has become effective till 31.10.2024 is applicable for May 2025 examination and remaining amendments are not applicable for said examination.

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

List of topic-wise exclusions from the syllabus

(1)	**(2)**	**(3)**
S. No. in the syllabus	**Topics of the syllabus**	**Exclusions** **(Provisions which are excluded from the corresponding topic of the syllabus)**
2(iii)	Charge of tax including reverse charge	**CGST Act, 2017** (i) Rate of tax prescribed for supply of **goods*** (ii) Rate of tax prescribed for supply of **services*** (iii) Categories of supply of goods, tax on which is payable on reverse charge basis under section 9(3) **IGST Act, 2017** (i) Rate of tax prescribed for supply of **goods** (ii) Rate of tax prescribed for supply of **services** (iii) Categories of supply of goods, tax on which is payable on reverse charge basis under section 5(3)

2(iv)	Exemption from tax	**CGST Act, 2017 & IGST Act, 2017** Exemptions for supply of **goods**
3(ii)	Basic concepts of place of supply	**IGST Act, 2017 & IGST Rules, 2017** (i) Place of supply of goods imported into, or exported from India (ii) Place of supply of services where location of supplier or location of recipient is outside India (iii) Special provision for payment of tax by a supplier of online information and database access or retrieval [OIDAR] services (iv) Refund of integrated tax paid on supply of goods to tourist leaving India (v) Special provision for specified actionable claims supplied by a person located outside taxable territory
3(iii)	Basic concepts of time of supply	**CGST Act, 2017 & CGST Rules, 2017** Provisions relating to change in rate of tax in respect of supply of goods or services
3(iv)	Basic concepts of value of supply	**CGST Act, 2017 & CGST Rules, 2017** Chapter IV: Determination of Value of Supply [Rules 27-35] of CGST Rules, 2017
3(v)	Basic concepts of input tax credit	**CGST Act, 2017 read with CGST Rules, 2017** (i) Claim of credit by a banking company or a financial institution [Rule 38] (ii) Manner of determination of input tax credit in respect of inputs or input services and reversal thereof [Rule 42] (iii) Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases [Rule 43] (iv) Input tax credit provisions in respect of inputs and capital goods sent for job

		work. (v) Input tax credit provisions relating to distribution of credit by Input Service Distributor [ISD] (vi) Manner of recovery of credit distributed in excess (vii) Manner of reversal of credit of additional duty of customs in respect of Gold dore bar

*Rates specified for computing the tax payable under composition levy are included in the syllabus.

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

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

It is important to note that the entire content included in the Study Material *(except where it is expressly mentioned that the content is not relevant for the examination)* shall ALONE be relevant for the said examination.