

INTERMEDIATE COURSE

GROUP – I

REVISION TEST PAPERS
JANUARY, 2026



BOARD OF STUDIES (ACADEMIC)
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
New Delhi

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REVISION TEST PAPER, JANUARY 2026 – 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 (Academic), 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 January, 2026 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 July, 2024 to 30th June, 2025 are given under the Part I of the RTP.

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 given in the Case scenarios booklet 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 30.06.2025 are relevant for January, 2026 Examination. The relevant assessment year for January, 2026 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 January, 2026 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.

The above referred study material has to be read along with Statutory Update for January, 2026 Examination webhosted at <https://resource.cdn.icai.org/87604bos-aps2049-int-p3a-su-jan2026.pdf> at BoS Knowledge Portal, which contains the significant notifications/circulars issued upto 30.6.2025 but not covered in the October, 2024 edition of the Study Material.

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. Thereafter, solve the MCQs and case scenarios based MCQs uploaded in MCQ Paper Practice Dashboard and assess your level of understanding.

After that solve the questions given in RTP for May, 2025 and September, 2025 examinations keeping in mind the Statutory Update for January, 2026 examination.

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

Section B: Goods and Services Tax (50 Marks)

For Section B: Goods and Services Tax of Paper 3: Taxation, the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance (No. 2) Act, 2024, including significant notifications and circulars issued and other legislative amendments made, up to 30th June, 2025, are applicable for January, 2026 examination.

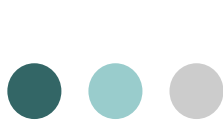
The amendments made by the Annual Union Finance Acts in the CGST Act, 2017 and IGST Act, 2017 are made effective from the date notified subsequently. Thus, only those amendments made by the relevant Finance Acts which have become effective till 30.06.2025 are applicable for January 2026 examination. Accordingly, all the amendments made by the Finance (No. 2) Act, 2024 are applicable for January, 2026 examination since they have become effective till 30.06.2025.

Further, a list of topic-wise exclusions from the syllabus has been specified by way of **“Study Guidelines for January, 2026 Examination”**. The same is given as part of **“Applicability of Standards/Guidance Notes/Legislative Amendments etc. for January, 2026 - Intermediate Examination”** appended at the end of this Revision Test Paper.

The October, 2024 edition of the Study Material alongwith the Statutory updates for January, 2026 examination is applicable for Intermediate Course Paper 3: Taxation, Section B: Goods and Services Tax. The Study Material has been divided into two modules for ease of handling by students.

Study Material is based on the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended upto 31.10.2024. The amendments in the GST law made between 01.11.2024 and 30.06.2025 are covered in the Statutory Updates for January 2026 examination. For the ease of reference, the amendments have been grouped into Chapters which correspond with the Chapters of the Study Material.

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



PAPER – 1: ADVANCED ACCOUNTING

ANNOUNCEMENTS STATING APPLICABILITY

FOR January 2026 EXAMINATION

I. Revised Criteria for classification of Non-company entities for applicability of Accounting Standards

The Council, at its 433rd meeting, held on August 13-15, 2024, considered the revised criteria for classification of Non-company entities for applicability of Accounting Standards issued by The Institute of Chartered Accountants of India (ICAI) to Non-company entities (Enterprises) and recommended to revise the same. The revised scheme for applicability of Accounting Standards to Non-company entities shall come into effect in respect of accounting periods commencing on or after April 1, 2024, which is as under:

1. For the purpose of applicability of Accounting Standards, Non-company entities are classified into two categories, viz., Micro, Small and Medium Sized Entities (MSMEs) and Large entities.
2. Micro, Small and Medium Sized Entity (MSME) means, a non-company entity:
 - (i) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;
 - (ii) which is not a bank, financial institution or an insurance company;
 - (iii) whose turnover (excluding other income) does not exceed two hundred and fifty crore rupees in the immediately preceding accounting year;

- (iv) which does not have borrowings in excess of fifty crore rupees at any time during the immediately preceding accounting year; and
- (v) which is not a holding or subsidiary of an entity which is not a micro, small and medium-sized entity.

Explanation.- For the purposes of this clause, a non-company entity shall qualify as a Micro, Small and Medium Sized entity, if the conditions mentioned therein are satisfied as at the end of the relevant accounting period.

Large entity is a non-company entity that is not an MSME.

The terms 'Small and Medium Enterprise' and 'SME' used in Accounting Standards shall be read as 'Micro, Small and Medium size entity' and 'MSME', respectively. Further, the terms Level II, Level III and Level IV entities used in Accounting Standards shall be read as 'Micro, Small and Medium Sized Entity' and Level I entity shall be read as a 'Large' entity.

- 3. Large entities are required to comply in full with all the Accounting Standards.
- 4. Certain exemptions/relaxations have been provided to Micro, Small and Medium sized Entity (MSMEs). Applicability of Accounting Standards and exemptions/relaxations to such entities are given in Annexure 1.
- 5. This Announcement supersedes the earlier Announcement of the ICAI on '**Criteria for classification of Non-company entities for applicability of Accounting Standards issued in March 2021**¹.'

¹ The said announcement was hosted on ICAI website on March 31, 2021 and published in 'The Chartered Accountant', May 2021 and it superseded the earlier announcement of the ICAI on 'Harmonisation of various differences between the Accounting Standards issued by the ICAI and the Accounting Standards notified by the Central Government' issued in February 2008, to the extent it prescribed the criteria for classification of Non-company entities (Non-corporate entities) and applicability of Accounting Standards to non-company entities, and the Announcement 'Revision in the criteria for classifying Level II non-corporate entities' issued in January 2013.

6. This Announcement is not relevant for Non-company entities which may be required to follow Indian Accounting Standards (Ind AS) or Accounting Standards (AS) as per relevant regulatory requirements applicable to such entities.
7. The changes arising from this Announcement will be incorporated in the Accounting Standards while publishing the updated Compendium of Accounting Standards.

Additional requirements

- (1) An MSME which avails the exemptions or relaxations given to it shall disclose (by way of a note to its financial statements) the fact that it is an MSME and has complied with the Accounting Standards insofar as they are applicable to an MSME.
- (2) Where an MSME had qualified for any exemption or relaxation previously but no longer qualifies for the relevant exemption or relaxation in the current accounting period, the relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised merely by reason of its having ceased to be an MSME. The fact that it was an MSME in the previous period and it had availed of the exemptions or relaxations available to it shall be disclosed in the notes to the financial statements. The fact that previous period figures have not been revised shall also be disclosed in the notes to the financial statements.
- (3) An entity which was previously not an MSME and subsequently becomes an MSME, shall not be qualified for exemption/relaxation in respect of Accounting Standards available to an MSME until the entity remains an MSME for two consecutive years.
- (4) If an MSME opts not to avail of the exemptions or relaxations available to an MSME in respect of any but not all of the Accounting Standards, it shall disclose the Standard(s) in respect of which it has availed the exemption or relaxation.

- (5) If an MSME opts not to avail any one or more of the exemptions or relaxations available to it, it shall comply with the relevant requirements of the Accounting Standard.
- (6) An MSME may opt for availing certain exemptions or relaxations from compliance with the requirements prescribed in an Accounting Standard: Provided that such a partial exemption or relaxation and disclosure shall not be permitted to mislead users of financial statements.

Annexure 1

Applicability of Accounting Standards to Non-company Entities The Accounting Standards issued by the ICAI, as on April 1, 2024, and such standards as issued from time-to-time are applicable to Non-company entities subject to the relaxations and exemptions in the announcement. The Accounting Standards issued by ICAI as on April 1, 2024, are:

AS 1	Disclosure of Accounting Policies
AS 2	Valuation of Inventories
AS 3	Cash Flow Statements
AS 4	Contingencies and Events Occurring After the Balance Sheet Date
AS 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
AS 7	Construction Contracts
AS 9	Revenue Recognition
AS 10	Property, Plant and Equipment
AS 11	The Effects of Changes in Foreign Exchange Rates
AS 12	Accounting for Government Grants
AS 13	Accounting for Investments
AS 14	Accounting for Amalgamations
AS 15	Employee Benefits
AS 16	Borrowing Costs
AS 17	Segment Reporting

AS 18	Related Party Disclosures
AS 19	Leases
AS 20	Earnings Per Share
AS 21	Consolidated Financial Statements
AS 22	Accounting for Taxes on Income
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements
AS 24	Discontinuing Operations
AS 25	Interim Financial Reporting
AS 26	Intangible Assets
AS 27	Financial Reporting of Interests in Joint Ventures
AS 28	Impairment of Assets
AS 29	Provisions, Contingent Liabilities and Contingent Assets

- (1) Applicability of the Accounting Standards to Large Non- company entities.

Large entities are required to comply in full with all the Accounting Standards.

- (2) Applicability of the Accounting Standards and exemptions/ relaxations for Micro, Small and Medium sized Non-company entities

(A) Accounting Standards not applicable to Micro, Small and Medium sized entity (MSME) in their entirety

- (i) Accounting Standards not applicable to all MSMEs in their entirety:
- AS 3, Cash Flow Statements
 - AS 17, Segment Reporting
 - AS 20, Earnings per Share
 - AS 24, Discontinuing Operations

- (ii) AS 18, Related Party Disclosures and AS 28, Impairment of Assets not applicable in their entirety to MSMEs :
 - (a) whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding accounting year;
 - (b) which does not have borrowings in excess of rupees ten crore at any time during the immediately preceding accounting year; and
 - (c) which is not a Holding and subsidiary of an MSME not covered above.

(B) Relaxations/exemptions from certain requirements of Accounting Standards to Micro, Small and Medium sized Entities (MSMEs)

- (i) Accounting Standard (AS) 10, Property, Plant and Equipment MSMEs may not comply with paragraph 87 relating to encouraged disclosures.
- (ii) AS 11, The Effects of Changes in Foreign Exchange Rates MSMEs may not comply with paragraph 44 relating to encouraged disclosures.
- (iii) AS 15, Employee Benefits
 - (1) MSMEs may not comply with the following paragraphs:
 - (a) paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short-term accumulating compensated absences which are nonvesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);
 - (b) paragraphs 46 and 139 of the Standard which deal with discounting of amounts

that fall due more than 12 months after the balance sheet date;

- (c) recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such entities may calculate and account for the accrued liability under the defined benefit plans by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year; and
 - (d) recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. Such entities may calculate and account for the accrued liability under the other long-term employee benefits by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year.
- (iv) AS 19, Leases
- MSMEs may not comply with paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; and 46 (b), (d) and (e) relating to disclosures.
- (v) AS 22, Accounting for Taxes on Income
- (a) MSMEs shall comply with the requirements of AS 22, Accounting for Taxes on Income, for Current tax defined in paragraph 4.4 of AS 22,

with recognition as per paragraph 9, measurement as per paragraph 20 of AS 22, and presentation and disclosure as per paragraphs 27-28 of AS 22.

(b) Transitional requirements on the first occasion when an MSME avails this exemption, the accumulated deferred tax asset/liability appearing in the financial statements of immediate previous accounting period, shall be adjusted against the opening revenue reserves/owner's funds.

(vi) AS 26, Intangible Assets MSMEs may not comply with paragraphs 90(d)(iii); 90(d)(iv) and 98 relating to disclosures.

(vii) AS 28, Impairment of Assets (a) MSMEs that are otherwise not exempted from applying this standard [refer note 2(A)(ii)] are allowed to measure the 'value in use' on the basis of reasonable estimate thereof instead of computing the value in use by present value technique. Consequently, if such MSME chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate etc., would not be applicable to such an entity. Further, such an entity need not disclose the information required by paragraph 121(g) of the Standard. (b) MSMEs that are otherwise not exempted from applying this standard [refer note 2(A)(ii)] may not comply with paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123 relating to disclosures.

(viii) AS 29, Provisions, Contingent Liabilities and Contingent Assets

MSMEs may not comply with paragraphs 66 and 67 relating to disclosures.

(C) In case of Micro, Small and Medium sized Non-company entities, generally there are no such transactions that are

covered under AS 14, Accounting for Amalgamations, or jointly controlled operations or jointly controlled assets covered under AS 27, Financial Reporting of Interests in Joint Ventures. Therefore, these standards are not applicable to Micro, Small and Medium size Non-company entities. However, if there are any such transactions, these entities shall apply the requirements of the relevant standard.

- (D) AS 21, Consolidated Financial Statements, AS 23, Accounting for Investments in Associates in Consolidated Financial Statements, AS 27, Financial Reporting of Interests in Joint Ventures (to the extent of requirements relating to Consolidated Financial Statements), and AS 25, Interim Financial Reporting, do not require a Non-company entity to present consolidated financial statements and interim financial report, respectively. Relevant AS is applicable only if a Non-company entity is required or elects to prepare and present consolidated financial statements or interim financial report.

II. Amendments to AS 22, Accounting for Taxes on Income

Paragraphs 2A, 32A–32D (including their related heading and example after paragraph 32D) and 35 are added.

Scope: 2A This Standard applies to taxes on income arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules. Such tax law, and the taxes on income arising from it, are hereafter referred to as 'Pillar Two legislation' and 'Pillar Two income taxes'. As an exception to the requirements in this Standard, an enterprise should neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Presentation and Disclosure: International tax reform—Pillar Two model rules 32A An enterprise should disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see paragraph

2A). 32B An enterprise should disclose separately its current tax expense (income) related to Pillar Two income taxes. 32C In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an enterprise should disclose known or reasonably estimable information that helps users of financial statements understand the enterprise's exposure to Pillar Two income taxes arising from that legislation. 32D To meet the disclosure objective in paragraph 32C, an enterprise should disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an enterprise should instead disclose a statement to that effect and disclose information about the enterprise's progress in assessing its exposure.

Examples illustrating paragraphs 32C–32D Examples of information an enterprise could disclose to meet the objective and requirements in paragraphs 32C–32D include: (a) qualitative information such as information about how an enterprise is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist; and (b) quantitative information such as: (i) an indication of the proportion of an enterprise's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or (ii) an indication of how an enterprise's average effective tax rate would have changed if Pillar Two legislation had been in effect.

Provided that a Micro, Small and Medium-sized Enterprise (Levels IV, III and II non-company entities) may not apply the disclosure requirements laid down in paragraphs 32C and 32D. ... Effective date 35 International Tax Reform—Pillar Two Model Rules, added paragraphs 2A and 32A–32D. An enterprise should: (a) apply paragraphs 2A and 32A immediately upon the issue of these amendments and retrospectively; and (b) apply paragraphs 32B–32D for annual reporting periods beginning on or after 1 April 2024. An enterprise is not required to disclose the information required by these paragraphs for any interim period ending on or before 31 March 2025.

**QUESTIONS****PART – I: Multiple Choice Questions based on Case Scenarios**

1. Gases Ltd. is installing a 2,000 kms long gas pipeline for distribution of gasses (Project is a qualifying asset as per AS 16). For this purpose it borrowed funds for ₹ 700 Lakhs at subsidised rates and has to pay annually an interest of ₹ 70 Lakhs. The Company has also invested unused funds and is earning an income of ₹ 7 Lakhs annually. During the next year the Company used all funds and no income is now being earned.

During the year 5, the Company has completed 1 stretch of 100 kms which is operational between two points and is capable of intended use.

- a. For the year 1, how much borrowing cost should be capitalised to the project:
- (i) ₹ 70 Lakhs
 - (ii) ₹ 77 Lakhs
 - (iii) ₹ 63 Lakhs
 - (iv) ₹ 60 Lakhs
- b. For the year 2, how much borrowing cost should be capitalised to the project:
- (i) ₹ 70 Lakhs
 - (ii) ₹ 77 Lakhs
 - (iii) ₹ 63 Lakhs
 - (iv) ₹ 60 Lakhs
- c. For the year 5, how much borrowing cost should expensed:
- (i) ₹ 7 Lakhs
 - (ii) ₹ 6 Lakhs
 - (iii) ₹ 3.5 Lakhs
 - (iv) Nil

- d. For the year 5, how much borrowing cost should be capitalised to the project:
- (i) ₹ 70 Lakhs
 - (ii) ₹ 66.5 Lakhs
 - (iii) ₹ 63 Lakhs
 - (iv) ₹ 53 Lakhs
2. A dealer in machinery, Shakti Equipments Pvt. Ltd., leased out one of its machines to Delta Tools Ltd. on a 3-year operating lease. The machine was given on equal annual lease rentals, and the dealer intended to earn a 20% profit margin on the cost of the machinery.

The cost of the machinery to the dealer was ₹ 3,00,000. The economic life of the machinery is estimated at 5 years, and the total expected output over its useful life is given below:

Year	Estimated Output (units)
I	50,000
II	60,000
III	40,000
IV	65,000
V	85,000

Under the lease agreement, Delta Tools Ltd. will use the machine for 3 years (Years I–III) and then return it to Shakti Equipments Pvt. Ltd. The dealer recognizes revenue as per AS 9 Revenue Recognition, since the transaction represents revenue from services rendered in the form of lease rentals.

You are required to compute the amount of annual lease rent that will provide the dealer with a 20% profit margin on cost.

Options

- (A) ₹ 30,000
- (B) ₹ 60,000

(C) ₹ 50,000

(D) ₹ 36,000

Part II - Descriptive Questions

AS 2 "Valuation of Inventories"

3. A private limited company manufacturing fancy terry towels had valued its closing inventory of inventories of finished goods at the realisable value, inclusive of profit and the export cash incentives. Firm contracts had been received and goods were packed for export, but the ownership in these goods had not been transferred to the foreign buyers.

Comment on the valuation of the inventories by the company.

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

4. You are the accountant of Zenith Industries Ltd., a company engaged in the manufacture and sale of consumer products across India. The company has its corporate office in Mumbai and an extensive network of stockists and distributors throughout the country. You are preparing the financial statements for the year ended 31st March, 2025.

After the close of the financial year, the following significant events and accounting considerations came to light:

- a. Fire Accident: On 10th April, 2025, a major fire broke out at the company's warehouse, resulting in the destruction of uninsured stock worth ₹ 10,00,000. However, the company managed to recover salvage valued at ₹ 2,00,000.
- b. Legal Claim: On 18th April, 2025, a party filed a lawsuit against the company alleging that one of its advertisements was misleading and caused loss to competitors. The suit claims damages of ₹ 20,00,000.
- c. Cheques in Hand and Revenue Recognition: Zenith Industries Ltd. sells its products to stockists all over India. As part of its year-end accounting on 31st March, 2025, the company proposes to recognize all cheques bearing date 31st March, 2025 or earlier, received from stockists, as "Cheques in Hand", by reducing the

Trade Receivables. These cheques are proposed to be shown under Cash and Cash Equivalents in the Balance Sheet.

However, the following two categories of cheques exist:

- (i) Cheques collected by the marketing personnel of the company from stockists on or before 31st March, 2025, which were physically in the company's possession as on that date.
- (ii) Cheques sent by stockists through courier on or before 31st March, 2025, but received by the company in April 2025, after the balance sheet date.

All cheques were deposited in the bank and realized in April 2025 in the normal course of business.

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

5. The accountant of Beryl Limited has asked you to identify the following items as – Change in Accounting Policies / Change in Accounting Estimates / Extraordinary Items / Prior period items / Ordinary Activity:
- (i) Non- provision for salary already due in earlier year.
 - (ii) Attachment of the property of the enterprise.
 - (iii) Introduction of new pension scheme for employees.
 - (iv) Change in Reserve for obsolete inventory.
 - (v) Settlement of litigation case.
 - (vi) Legislative changes having long term retrospective application.
 - (vii) Change from Cost Molde to Revaluation Model for measurement of carrying amount of PPE.
 - (viii) Government sanctioned grant in current year for expenses incurred in previous accounting year.
6. Best Ltd. is engaged in the business of providing consultancy services. A few days back, it received a notice from GST department raising a demand of GST on consultancy services provided by it for ₹ 2,50,000.

Recently Best Ltd. paid the demand. In the books, the payment is recorded as an extraordinary expenditure.

Whether payment of tax demand raised by the taxation authority can be recognised as an extraordinary item?

AS7 "Construction Contracts"

7. A construction contractor has entered into a fixed-price contract of ₹ 18,000 lacs to construct a bridge within a three-year time frame. The contract specifies the total contract price and includes provisions for variations in work, which may affect revenue and costs during the contract period. The contractor maintains detailed records of costs incurred and estimates of profit to be recognized each year.

A summary of the financial data for the contract is as follows (amounts in ₹ lacs):

	(Amount ₹ in lacs)		
	Year 1	Year 2	Year 3
Initial Amount for revenue agreed in contract	18,000	18,000	18,000
Variation in Revenue (+)		400	400
Contracts costs incurred up to the reporting date	4,186	12,336*	16,200**
Estimated profit for whole contract	1,900	2,000	2,000

*includes ₹200 lacs for standard materials stored at the site to be used in year 3 to complete the work.

**Excludes ₹200 lacs for standard material brought forward from year 2.

The variation in cost and revenue in year 2 has been approved by customer.

Using the provisions of Accounting Standard (AS) 7 Construction Contracts (Revised), compute the following year-wise:

1. Revenue to be recognized in the Statement of Profit and Loss.
2. Expenses to be recognized in the Statement of Profit and Loss.
3. Contract costs to complete the remaining work.
4. Profit or loss to be recognized each year.

AS 9 "Revenue Recognition"

8. Class Ltd. is a well-established real-estate developer and builder engaged in residential and commercial projects. In the financial year 2025, the company purchased a unit of land situated in a prime location for ₹ 225 crore, intending to develop a high-end residential complex. Within a few months of acquisition, due to a strategic decision to reallocate resources to another project and take advantage of favorable market conditions, Class Ltd. sold the land at a price of ₹ 360 crore. The company maintained proper books of accounts, and all legal formalities for the transfer were duly completed.

Advise Class Ltd. on the recognition of revenue from this transaction in the final statement of accounts for the year ended 31st March, 2025.

AS 10 "Property, Plant and Equipment"

- 9 Zenith Ltd., a medium-sized manufacturing company engaged in the production of precision industrial components, has provided the following details of its fixed assets. You are required to calculate depreciation for each asset for the year ended 31st March, 2025, in accordance with the provisions of AS 10 (Revised) – Property, Plant and Equipment.
- (i) Machinery was purchased on 1st April, 2020 for ₹ 10 lakhs. The management estimated its useful life at 5 years, and the residual value at the end of its useful life, based on 2020 prices, is ₹ 10 lakhs.
 - (ii) The company owns a piece of land acquired for ₹ 50 lakhs, which is being held for use in its factory operations.
 - (iii) Zenith Ltd. constructed a machine for its own use at a total cost of ₹ 5,00,000. The construction was completed on 1st April, 2024. The machine has a useful life of 10 years; however, the company did not commence using the machine until 31st March, 2025.
 - (iv) Another machine was purchased on 1st April, 2022, for ₹ 50,000, having a useful life of 5 years and nil residual value. Subsequently, on April 1, 2024, the management decided that the machine would now be used for only two more years.

AS 12 “Accounting for Government Grants”

10. Mediwell Hospitals Ltd., a reputed healthcare company operating a chain of multi-specialty hospitals across India, had acquired 40 units of Doppler Scan Machines from Holiver Inc., USA, at a cost of US\$ 1,65,100 per unit at the beginning of the financial year 2022–23. The prevailing exchange rate at that time was ₹ 50 per US\$.

The acquisition was partly financed through a government grant amounting to ₹ 5 crores, which was sanctioned specifically for the purchase of these machines under a healthcare modernization scheme. The grant was sanctioned with a specific condition that, in the event of a change in management or ownership control of the company, the grant must be refunded to the government.

In April 2025, 51% of the company's shareholding was acquired by an overseas investor, thereby resulting in a change in management control. Consequently, the company became liable to refund the entire government grant.

The expected useful life of each Doppler scan machine is 5 years, and the company follows a Straight Line Method (SLM) of depreciation at 20% per annum. Additionally, Mediwell Hospitals Ltd. incurred the following directly attributable costs:

- Bank charges: US\$ 4,000 (for the import transaction as a whole)
- Sea freight: ₹ 7,500 per unit

You are further informed that the company has not maintained any Capital Reserve or Deferred Income Account in respect of the government grant received.

You are required to advise the accounting treatment in the books of Mediwell Hospitals Ltd. as a result of the return of the government grant, in the light of the relevant provisions of Accounting Standard (AS) 12 – Accounting for Government Grants.

AS 13 "Accounting for Investments"

11. Mr. Rohan acquired 200 equity shares of Zeta Technologies Ltd. on a cum-right basis for ₹ 1,40,000 as a long-term investment. Subsequently, the company announced a right issue offering one fresh share for every share held (i.e., in the ratio of 1:1) at a price of ₹ 214 per share.

Mr. Rohan, however, decided not to subscribe to the right shares and instead sold his entire rights entitlement for ₹ 24,000 in the open market.

After the rights issue became ex-rights, the market value of his existing 200 shares fell to ₹ 1,20,000.

You are required to state the appropriate accounting treatment for the sale of rights entitlement and the fall in market value of the existing shares, in accordance with the provisions of Accounting Standard (AS) 13 – Accounting for Investments.

AS 16 "Borrowing Costs"

12. Can interest be included in the cost of inventories?

AS 17 "Segment Reporting"

13. Garnet Limited has 4 operating segments. The total revenue (internal and external) and assets are set out as below:

Segment	Inter Segment Sales	External Sales	Total Assets
Fan	3,200	10,900	23,700
Light	200	1,400	13,200
Lamp	0	1,500	4,200
Printer	1,100	200	3,400
TOTAL	4,500	14,000	44,500

How many reportable segments does Garnet Limited have as per the Revenue and Assets criteria given in AS 17? State Reasons for your answer.

AS 18 "Related Party Disclosures"

14. Mr. Rajiv KMP of Raijada Limited received a cheque of ₹ 70,000 towards reimbursement of expenses incurred on stay in hotel, conference expenses etc. visiting some meeting on behalf of the company. You are required to guide whether the above transaction is covered under AS-18?

AS 19 "Leases"

15. On 1st April, 2024, Mansi Ltd. sold a plant for ₹ 8,52,800. The carrying amount of the plant on that date was ₹ 1,80,000. The sale was a part of the package under which Akash Ltd. leased the asset to Mansi Ltd. for eight years term.

The economic life of the asset is estimated as 8 years. The minimum lease rents payable by the lessee has fixed at ₹ 1,60,000 payable annually beginning from 31st March, 2025.

The incremental borrowing interest rate of Mansi Ltd. is estimated at 10% p.a.

Calculate the net effect on the Statement of profit and loss in the books of Mansi Ltd.

AS 20 "Earnings per share"

16. Should appropriation to mandatory reserves be excluded from net profit attributable to equity shareholders? AB Limited is a company engaged in manufacturing industrial packaging equipment. As per the terms of an agreement entered into with its debenture holders, the company is required to appropriate adequate portion of its profits to a specific reserve over the period of maturity of the debentures such that, at the redemption date, the reserve constitutes at least half the value of such debentures. As such appropriations are not available for distribution to the equity shareholders, AB limited has excluded this from the numerator in the computation of Basic EPS. Is this treatment correct?

AS 26 "Intangible Assets"

17. Swift Limited acquired patent rights to manufacture Solar Roof Top Panels at a cost of ₹ 600 lacs. The product life cycle has been estimated to be 5 years and the amortization was decided in the ratio of future cash flows which are estimated as under:

Year	1	2	3	4	5
Cash Flows (₹ in lacs)	300	300	300	150	150

After 3rd year, it was estimated that the patents would have an estimated balance future life of 3 years and Swift Ltd. expected the estimated cash flow after 5th year to be ₹ 75 Lacs. Determine the amortization cost of the patent for each of the above years as per Accounting Standard 26.

AS 27 "Financial Reporting of Interests in Joint Ventures",

18. Briefly explain scope and forms of Joint Venture as per AS 27.

AS 28 "Impairment of assets"

19. X Ltd. purchased a fixed asset four years ago for ₹ 150 lakhs and depreciates it at 10% p.a. on straight line method. At the end of the fourth year, it has revalued the asset at ₹ 75 lakhs and has written off the loss on revaluation to the profit and loss account. However, on the date of revaluation, the market price is ₹ 67.50 lakhs and expected disposal costs are ₹ 3 lakhs. What will be the treatment in respect of impairment loss on the basis that fair value for revaluation purpose is determined by market value and the value in use is estimated at ₹ 60 lakhs?

AS 29 'Provisions, Contingent Liabilities and Contingent Assets',

20. An oil company has been contaminating land for several years. It does not clean up because there is no legislation requiring cleaning up. At 31st March 2025, it is virtually certain that a law requiring a clean-up of land already contaminated will be enacted shortly after the year end. Is provisioning presently necessary?



SUGGESTED ANSWERS/HINTS

Answer to Case Scenario and MCQ

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

Descriptive Answers

3. Accounting Standard 2 "Valuation of Inventories" states that inventories should be valued at lower of historical cost and net realizable value. AS 9 on "Revenue Recognition" states, "at certain stages in specific industries, such as when agricultural crops have been harvested or mineral ores have been extracted, performance may be substantially complete prior to the execution of the transaction generating revenue. In such cases, when sale is assured under forward contract or a government guarantee or when market exists and there is a negligible risk of failure to sell, the goods invoiced are often valued at net realisable value."

Terry Towels do not fall in the category of agricultural crops or mineral ores. Accordingly, taking into account the facts stated, the closing inventory of finished goods (Fancy terry towel) should have been valued at lower of cost and net realisable value and not at net realisable value. Further, export incentives are recorded only in the year the export sale takes place. Therefore, the policy adopted by the company for valuing its closing inventory of inventories of finished goods is not correct.

4. Events occurring after the balance sheet date that represent material changes or commitments affecting the financial position of an enterprise must be disclosed in accordance with paragraph 15 of AS 4 on

Contingencies and Events Occurring After the Balance Sheet Date. The treatment of each event is explained below:

- a. Fire Accident and Loss of Uninsured Stock: The key consideration is whether the impact of the loss is material. The fire occurred after the balance sheet date and does not relate to any condition existing as on 31st March, 2025. Therefore, it is a non-adjusting event.

However, since the loss is material—not only due to the uninsured nature of the stock but also due to the company's exposure to future risk—the fact of the fire and the uninsured position must be disclosed in the financial statements. The disclosure should include the nature of the event, its estimated financial effect, and information regarding future vulnerabilities, if determinable.

- b. Legal Suit Filed Against the Company: The lawsuit was initiated after the balance sheet date and does not provide additional evidence of any condition that existed on 31st March, 2025. Therefore, it is also a non-adjusting event.

In accordance with paragraph 16 of AS 4, this should be disclosed as a contingent liability. The disclosure should include the nature of the contingency, an estimate of the financial effect, and uncertainties that might affect the outcome of the case in future periods.

- c. Cheques in Hand: (i) Cheques collected by marketing personnel: These cheques were physically collected by the company's employees on or before 31st March, 2025. Since marketing personnel act as representatives of the company, the collection of cheques by them constitutes receipt by the company itself. The liability of the stockists is discharged upon handing over the cheques. Hence, such cheques represent an adjusting event as per AS
- (i) Accordingly, the cheques collected by marketing personnel should be adjusted in the books by reducing Trade

Receivables and recognizing them as Cheques in Hand under Cash and Cash Equivalents. Proper disclosure in Notes to Accounts should also be made regarding the accounting policy followed for recognizing such cheques.

- (ii) Cheques sent by stockists through courier: Even if the cheques are dated 31st March or earlier, they were received by the company only after the balance sheet date. Hence, the event of their receipt does not represent any condition existing as on 31st March, 2025. Therefore, this is a non-adjusting event. Such cheques should be accounted for in the period in which they are actually received (i.e., April 2025), irrespective of their date. Further, since the event does not materially affect the company's financial position, no disclosure is necessary in the Director's Report or Notes to Accounts.

- 5.
 - (i) Prior Period item
 - (ii) Attachment of property of enterprise is an extraordinary item.
 - (iii) Introduction of new pension scheme for employees is not a change in accounting policy. It is an ordinary activity.
 - (iv) Change in provision for obsolete inventory is a change in accounting estimate.
 - (v) Litigation settlement is an ordinary activity but requires separate disclosure
 - (vi) Extra ordinary activity requiring separate disclosure
 - (vii) Change in Accounting policy.
 - (viii) prior period item .

- 6. No, payment of tax cannot be recognised as an extraordinary item.

As per AS 5, "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies", extraordinary items are income or expenses that arise from events or transactions which are clearly distinct

from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly.

In the instant case, providing consultancy services is the ordinary business activity of Best Ltd. The GST liability arises from these ordinary transactions. Payment of GST pursuant to a demand by the taxation authority is part of the normal business operations of the company.

Therefore, recording the payment of GST as an extraordinary expenditure is not correct. Such payments are ordinary expenses and should be recognised as part of the profit or loss from ordinary activities, and cannot be treated as an extraordinary item. Recognising such payments as an extra-ordinary item is contrary to AS 5.

7. Computation of amounts of revenue, expenses & profit recognized in three years :

Year	Particulars	Up to the reporting date	Recognized in previous years	Recognized in current year
1	Revenue (18,000*26%)	4,680		4,680
	Expenses (16,100*26%)	4,186		4,186
	Profit	494		494
2	Revenue (18,400*74%)	13,616	4,680	8,936
	Expenses (16,400*74%)	12,136	4,186	7950
	Profit	1,480	494	986
3	Revenue (18,400*100%)	18,400	13,616	4,784
	Expenses (16,400*100%)	16,400	12,136	4,264
	Profit	2,000	1,480	520

Working Note:

Particulars	Year 1	Year 2	Year 3
Revenue after consider variations	18,000	18,400	18,400
Less: Estimated profit for whole contract	1,900	2,000	2,000
Estimated total cost of the contract (A)	16,100	16,400	16,400
Actual cost incurred upto the reporting date (B)	4,186	12,136 (12,336-200)	16,400 (16,200+200)
Degree of completion (B/A)	26%	74%	100%

8. AS 9 on 'Revenue Recognition' states that revenue is recognised when it is earned and there is reasonable certainty of its collection, arising from the ordinary activities of an enterprise.

In this case, Class Ltd. is in the business of buying and selling properties. The land purchased and sold forms part of its inventory. The sale of land at ₹ 360 crore is a transaction arising from ordinary activities of the company. Therefore, the revenue is recognised when the sale is completed and collection is reasonably certain.

In the light of AS 5, this transaction will not be treated as an extraordinary item, because it arises from the ordinary course of business. However, if the amount is of such size, nature, or incidence that its disclosure is relevant to explain the performance of the enterprise, the nature and amount of such items should be disclosed separately.

Hence, ₹ 360 crore realised from the sale of land shall be recognised as revenue in the year in which the sale is completed.

9. (a) Computation of amount of depreciation as per AS 10

		₹
(i)	<p>Machinery purchased on 1/4/20 for ₹ 10 lakhs (having residual value of ₹ 10 lakhs)</p> <p>Reason: The company considers that the residual value, based on prices prevailing at the balance sheet date, will equal the cost. Therefore, there is no depreciable amount and depreciation is correctly zero.</p>	Nil
(ii)	<p>Land (50 lakhs) (considered freehold)</p> <p>Reason: Land has an unlimited useful life and therefore, it is not depreciated.</p>	Nil
(iii)	<p>Machinery constructed for own use (₹ 5,00,000/10)</p> <p>Reason: The entity should begin charging depreciation from the date the machine is ready for use i.e. 1st April,2024. The fact that the machine was not used for a period after it was ready to be used is not relevant in considering when to begin charging depreciation.</p>	50,000
(iv)	<p>Machinery having a revised useful life</p> <p>Reason: The entity has charged depreciation using the straight-line method at ₹ 10,000 per annum i.e (50,000/5 years). On 1st April,2024 the asset's net book value is [50,000 – (10,000 x 2)] i.e. ₹ 30,000. The remaining useful life is 2 years as per revised estimate. The company should amend the annual provision for depreciation to charge the unamortized cost over the revised remaining life of 2 years. Consequently, it should charge depreciation for the next 2 years at ₹ 15,000 per annum i.e. (30,000 / 2 years).</p>	15,000

10. The grant is received towards fixed asset. Capital approach is adopted.

Particulars	₹ in lakhs
Cost of asset (Doppler machines) (1,65,100*40 @ 50)	3,302
Add: Freight and other charges (4,000 @ 50+7,500 x 40)	<u>5</u>
	3,307
Less: Grants received	<u>(500)</u>
Cost as per AS-10	2,807
Less: Depreciation for 3 years(2,807 * 20% * 3)	<u>(1684.2)</u>
Carrying amount as on 1/4/2025	1,123
Add: Grant refunded	<u>500</u>
Revised carrying amount	1,623

11. As per AS 13, "Accounting for Investments", when investments are acquired on a cum-right basis, and the market value of investments immediately after becoming ex-rights is lower than their cost, it may be appropriate to apply the sale proceeds of rights to reduce the carrying amount of such investments to their market value.

In this case, Mr. Rohan purchased 200 equity shares of Alpha Ltd. on a cum-right basis at a total cost of 1,40,000. Subsequently, when the right issue was announced in the proportion of 1:1 at a price of 214 per share, he received the right entitlement to acquire 200 shares but decided not to subscribe and instead sold his rights for ₹24,000.

After the shares became ex-rights, their market value declined to 1,20,000. Therefore, the market value of the shares immediately after becoming ex-rights was 20,000 lower than their cost (1,40,000 – 1,20,000).

Accordingly, in line with AS 13, it would be appropriate to apply 20,000 out of the rights sale proceeds towards reducing the carrying amount of investment from 1,40,000 to 1,20,000, so as to reflect its ex-right market value. The balance amount of 4,000 (24,000 – 20,000) shall be credited to the Profit and Loss Account as income.

Therefore, the investment in 200 equity shares will be shown at a carrying amount of ₹1,20,000 in the books of Mr. Rohan.

12. Paragraph 6 of AS 16 states that "Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset". Paragraph 3 of AS 16 defines a qualifying asset as "an asset that necessarily takes a substantial period of time to get ready for its intended use or sale". Further, "inventories that require a substantial period of time to bring them to a saleable condition" are specifically included as an example of qualifying assets (paragraph 5).

In this context, it may be noted that ICAI has issued Accounting Standards Interpretation **(ASI)** 1, 'Substantial Period of Time', paragraphs 5 and 8 of which state as below:

"5. In case of inventories, substantial period of time is considered to be involved where time is the major factor in bringing about a change in the condition of inventories. For example, liquor is often required to be kept in store for more than twelve months for maturing."

"8. Paragraph 5 of AS 16 provides, inter alia, that "inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis over a short period of time, are not qualifying assets." Paragraph 12 of Accounting Standard (AS) 2, Valuation of Inventories, provides that "Interest and other borrowing costs are usually considered as not relating to bringing the • inventories to their present location and condition and are, therefore, usually not included in the cost of inventories". It is only in exceptional cases, where time is a major factor in bringing about change in the condition of inventories that borrowing costs are included in the valuation of inventories."

Thus, interest costs should be included in the cost of inventories, which meet the definition of qualifying assets, in accordance with the provisions of AS 16.

13. As per AS 17 'Segment Reporting', a business segment or geographical segment should be identified as a reportable segment if:

Its revenue from sales to external customers and from other transactions with other segments is 10% or more of the total revenue- external and internal of all segments; or

Its segment assets are 10% or more of the total assets of all segments.

If the total external revenue attributable to reportable segments constitutes less than 75% of total enterprise revenue, additional segments should be identified as reportable segments even if they do not meet the 10% thresholds until at least 75% of total enterprise revenue is included in reportable segments. This is not applicable in the given case. In the given case 75% of External Revenue is ₹ 10,500 Lakhs ($₹ 14,000 \times 75\%$) and the total External Revenue from Reportable segments is ₹ 12,300 Lakhs. So, no need to add Reportable segments.

On the basis of turnover criteria segment Fan is reportable segment as its sales are more than 1,850 lakhs (10% of ₹ 18,500 lakhs). Moreover, total external revenue attributable to reportable segment is also more than 75% of the total enterprise revenue.

On the basis of asset criteria, Fan and Light are reportable segments as their assets are more than 4,450 lakhs (10% of ₹ 44,500 lakhs).

- 14.** As per AS 18 'Related Party Disclosures', enterprises over which KMP & its relatives are able to exercise significant influence are related party transactions (Clause D).

Thus, as per the facts of the case & provisions of AS, KMP is RP of the company.

But, reimbursement is not in the nature of remuneration.

Hence, not to be disclosed in Financial Reporting.

- 15. Net effect on the Statement of Profit and Loss in the year of sale in the books of Lessee (Mansi Ltd.)**

For calculation of net effect on the statement of profit and loss on sale of equipment, it has to be judged whether lease is an operating lease or finance lease.

The lease term is for 8 years which covers the entire economic life of the equipment. At the inception of the lease, the present value of the minimum lease payments (MLP) is ₹ 8,53,600 [$₹ 1,60,000 \times 5.335$ (Annuity factor of ₹ 1 @10% for 8 years)] and amounts to at least substantially all of the fair value (sale price i.e. ₹ 8,52,800) of the leased equipment. Thus, lease is a finance lease.

As per para 48 of AS 19 "Leases", if a sale and leaseback transaction results in a finance lease, profit of ₹ 6,72,800 (Sale value ₹ 8,52,800 less carrying amount ₹ 1,80,000) will not be recognized as income in the year of sale in the books of lessee i.e. Mansi Ltd. It should be deferred and amortised over the lease term in proportion to the depreciation of the leased asset.

Therefore, assuming that depreciation is charged on straight line basis, Mansi Ltd. will recognize depreciation of ₹ 1,06,600 per annum for 8 years (₹ 8,52,800/8) and amortise profit of ₹ 6,72,800 over the lease term of 8 years, i.e. ₹ 84,100 p.a.

The net effect is a debit of (₹ 1,06,600-84,100) ₹ 22,500 p.a. to the Statement of Profit and Loss, for 8 years as covered under the lease term.

- 16** The appropriation made to such a mandatory reserve created for the redemption of debentures would be included in the net profit attributable to equity shareholders for the computation of Basic EPS

Paragraph 11 of the Statement states that "For the purpose of calculating basic earnings per share, the net profit or loss for the period attributable to equity shareholders should be the net profit or loss for the period after deducting preference dividends and any attributable tax thereto for the period" With an emphasis on the phrase attributable to equity shareholders, it may be construed that such amounts appropriated to mandatory reserves, though not available for distribution as dividend, are still attributable to equity shareholders. Accordingly, these amounts should be included in the computation of Basic EPS. In view of this, the treatment made by the company is not correct.

- 17. Amortization of cost of patent as per AS 26**

Year	Estimated future cash flow (₹ in lakhs)	Amortization Ratio	Amortized Amount (₹ in lakhs)
1	300	.25	150
2	300	.25	150

3	300	.25	150
4	150	.10	60
5	150	.10	60
6	75	<u>.05</u>	<u>30</u>
		1.00	<u>600</u>

In the first three years, the patent cost will be amortized in the ratio of estimated future cash flows i.e. (300: 300: 300: 150: 150). The unamortized amount of the patent after third year will be ₹ 150 lakh (600-450) which will be amortized in the ratio of revised estimated future cash flows (150:150:75 or 2:2:1) in the fourth, fifth and sixth year.

- 18. Scope of AS 27:** As per AS 27 'Financial Reporting of Interests in Joint Ventures', this Standard should be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. The provisions of this AS need to be referred to for consolidated financial statements only when CFS is prepared and presented by the venturer.

Forms of Joint Venture as per AS 27: Joint ventures take many different forms and structures. This Standard identifies three broad types–

- (i) **Jointly controlled operations:** Under this set up, venturers do not create a separate entity for their joint venture business but they use their own resources for the purpose. They raise any funds required for joint venture on their own, they incur any expenses and sales are also realised individually, they use same set of fixed and employees for joint venture business and their own business. They do not maintain a separate set of books for joint venture.
- (ii) **Jointly controlled assets:** Separate legal entity is not created in this form of joint venture but venturer owns the assets jointly, which are used by them for the purpose of generating economic

benefit to each of them. They take up any expenses and liabilities related to the joint assets as per the contract.

- (iii) **Jointly controlled entities:** This is the format where venturer creates a new entity for their joint venture business. All the venturers pool their resources under new banner and this entity purchases its own assets, create its own liabilities, expenses are incurred by the entity itself and sales are also made by this entity. The net result of the entity is shared by the venturers in the ratio agreed upon in the contractual agreement. This contractual agreement also determines the joint control of the venturer. Being a separate entity, separate set of books is maintained for the joint venture.

19. Treatment of Impairment Loss

As per para 57 of AS 28 "Impairment of assets", if the recoverable amount (higher of net selling price and its value in use) of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount. In the given case, net selling price is ₹ 64.50 lakhs (₹ 67.50 lakhs – ₹ 3 lakhs) and value in use is ₹ 60 lakhs. Therefore, recoverable amount will be ₹ 64.50 lakhs. Impairment loss will be calculated as ₹ 10.50 lakhs [₹ 75 lakhs (Carrying Amount after revaluation - Refer Working Note) less ₹ 64.50 lakhs (Recoverable Amount)].

Thus impairment loss of ₹ 10.50 lakhs should be recognised as an expense in the Statement of Profit and Loss immediately since there was downward revaluation of asset which was already charged to Statement of Profit and Loss.

Working Note:

Calculation of carrying amount of the fixed asset at the end of the fourth year on revaluation

	(₹ in lakhs)
Purchase price of a fixed asset	150.00
Less: Depreciation for four years [(150 lakhs / 10 years) x 4 years]	<u>(60.00)</u>

Carrying value at the end of fourth year	90.00
Less: Downward revaluation charged to profit and loss account	<u>(15.00)</u>
Revalued carrying amount	<u>75.00</u>

20. As per para 29 of AS 29 'Provisions, Contingent Liabilities and Contingent Assets', a past event will lead to present obligation when the enterprise has no realistic alternative to settle the obligation created by the past event.

However, when environmental damage is caused there may be no obligation to remedy the consequences. The causing of the damage will become an obligating event when a new law requires the existing damage to be rectified. Where details of a proposed new law have yet to be finalised, an obligation arises only when the legislation is virtually certain to be enacted.

In the given case it is virtually certain that law will be enacted requiring clean-up of a land already contaminated. Therefore, an oil company has to provide for such clean-up cost in the year in which the law is virtually certain to be enacted.



PAPER – 2: CORPORATE AND OTHER LAWS

PART – I: AMENDMENTS FOR SEPTEMBER 2025 EXAMINATIONS

The Study Material (July 2024 edition) is applicable for January 2026 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 July, 2024 to 30th June, 2025 are mentioned below:

THE COMPANIES ACT, 2013

Chapter 11: Companies Incorporated 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**

Netawal Heavy Industries Ltd. incorporated in April 2015, is a listed entity engaged in the business of manufacturing electrical vehicles of the latest design and technology. It is registered with an authorized share capital of ₹ 100 crore divided into 10 crore equity shares of ₹ 10 each. The paid up share capital of the company is ₹ 50 crore consisting 5 crore equity shares of ₹ 10 each. On 15th May 2024, i.e. after the close of financial year 2023-24 but before the Annual General Meeting (AGM), the Board declared an interim dividend of 10%.

On 5th July, 2024 the Board of Directors of the company approved the financial books of accounts and recommended a final dividend 15% including the interim dividend declared and paid earlier. Later on, the general meeting of the shareholders was convened on 31st August, 2024. In the meeting, a hot discussion upheld and the shareholders argued and demanded 10% more dividend other than 10% interim dividend declared earlier. But the company secretary emphatically asserted that the final dividend cannot exceed, what the Board of Directors have recommended in their Board meeting. But some dissenting shareholders left the meeting hall in protest of the decision of the company regarding interim dividend.

However, the resolution pertaining to the declaration of dividend was passed and approved unanimously by the rest of the shareholders completing the required quorum according to the Companies Act, 2013.

As per the required procedure stated under the Companies Act, 2013, the dividend was paid to the shareholders but some of them could not be paid within the prescribed time. Later on, the company transferred the unpaid dividend amount to a separate bank account on 7th October, 2024. The dividend was not paid to some of the shareholders in the preceding financial years from 2016-17 to 2022-23, as they have not claimed it.

Ashwin, an old shareholder holding 5,000 shares, later visited the company's website and discovered that the company had declared dividends for each financial year from 2016–17 to 2023–24, but the amounts had not been paid to him since 2016–17 because the company did not possess his updated address and bank account details. Upon approaching the company and submitting the necessary evidence, his claim was verified. The company thereafter paid to Ashwin the dividend amounts remaining unpaid for the financial years 2017–18 to 2023–24. The company also informed him that the dividend pertaining to the financial year 2016–17 had already been transferred to the Investor Education and Protection Fund (IEPF). Consequently, the said amount was no longer recoverable from the company. Aggrieved by this, Ashwin threatened to initiate legal action against the company and its officers.

Based on the facts of the case scenario given above, choose the most appropriate answer to question no. 1 to 6 based upon the provisions of the Companies Act, 2013:

1. Since the Board of Directors (BoD) of the company has already declared interim dividend before the approval of financial book of accounts and closure of financial year whether the Board of Directors can declare the final dividend without approval of the shareholders?
 - (A) When the interim dividend has been declared by the BoD, later on, the final dividend cannot be declared by BoD.
 - (B) The BoD can recommend final dividend but approval of the shareholders is mandatory.
 - (C) The BoD can declare interim and recommend final dividend before holding of AGM for which approval of the shareholders is not required.
 - (D) Once the books of accounts have been approved by the BoD the final dividend may be declared but the final decision will be of shareholders in AGM where they can increase the dividend.
2. Once the rate of dividend has been recommended by the Board of Directors it cannot be increased, some of the shareholders walked out on this ground. Which procedure is correct among the following statement in this regard?

- (A) Disregarding the boycott of some of the shareholders, if the Quorum is present during the course of general meeting and the majority of them have approved it then the rate of dividend recommended by the Board shall be treated as approved.
 - (B) The shareholders who attended the meeting but do not conform the quorum may also approve the rate of dividend recommended by the Board of Directors.
 - (C) If the final dividend is declared by the BoD, it need not to be approved by the shareholders in its general meeting.
 - (D) The recommendation of the BoD of the company relating to the rate of dividend shall stands withdrawn.
3. When should the unpaid dividend, not claimed by the shareholders, be transferred to a separate bank account, as per the above case study?
- (A) On 5th July, 2024 the date of meeting of BoD.
 - (B) On 31st August, 2024 the date of meeting of shareholders.
 - (C) On 30th September, 2024 the date after 30 days from the meeting of shareholders.
 - (D) Latest by 7th October, 2024, within seven days from the expiry of 30 days.
4. The amount of unpaid dividend was transferred to a separate bank account on 10th January 2025 which is beyond the prescribed period while the latest date to deposit in a separate bank account was 7th January, 2025. What will be the interest liability which is to be paid for this delay.
- (A) Interest @ 6% per annum on so much of the amount not transferred to the unpaid dividend account.
 - (B) Interest @ 9% per annum per annum on so much of the amount not transferred to the unpaid dividend account.
 - (C) Interest @ 12% per annum per annum on so much of the amount not transferred to the unpaid dividend account.

- (D) Interest @ 15% per annum per annum on so much of the amount not transferred to the unpaid dividend account.
5. When the company shall transfer the remaining unpaid or unclaimed dividend to the Investor Education and Protection Fund from the Unpaid Dividend Account?
- (A) After the expiry of unpaid dividends for financial year 2017–18
- (B) After the expiry of unpaid dividends for financial year 2016–17
- (C) After the expiry of unpaid dividends for financial year 2018–19
- (D) After the expiry of unpaid dividends for financial year 2019–20
6. Ashwin, a shareholder holding 5,000 shares, discovered that the dividend for financial year 2016–17 had been transferred to the Investor Education and Protection Fund (IEPF). Which of the following statements is correct in this context?
- (A) Ashwin can claim all the unpaid dividends from the company, including FY 2016–17, since he was unaware of the transfer.
- (B) Ashwin cannot claim the dividend for FY 2016–17 from the company because it has been transferred to IEPF, but he can claim the remaining dividends (i.e. FY 2017–18 to 2023–24) from the company.
- (C) Ashwin can file a suit to recover the dividend for FY 2016–17 from the company, and the company is liable to pay it.
- (D) Ashwin cannot claim any dividend from the company until the next AGM approves a new resolution.

Case Scenario 2

Vedika Fashions Limited is a listed public company with a share capital of ₹ 10 crore, consisting of equity shares of ₹ 100 each. The company maintains the following registers:

- (a) Register of Members, showing separately each class of equity and preference shares held by members residing in or outside India.
- (b) Register of Debenture-holders.

The registered office of the company is located in Bengaluru (Karnataka), while its corporate office is situated in Hyderabad (Telangana). Around 17% of equity shareholders and 10% of preference shareholders reside in Indore (Madhya Pradesh). Out of these, 9% of the equity shareholders and 5% of the preference shareholders jointly made a written application to the company requesting that the Register of Members be shifted to the company's liaison office in Indore.

The company refused this request, stating that the register can only be maintained at its registered office.

Meanwhile, Mr. Rohan, an equity shareholder, decided to sell all his shares in Aarav Textiles Limited before settling abroad. He sold his shares to Mr. Raj on 7th May 2024 and left India on 10th May 2024, after completing all formalities for transfer.

However, Mr. Raj later discovered that his name had not yet been entered in the Register of Members. Since the company's Annual General Meeting (AGM) was scheduled for 25th May 2024, he sent an email to the company requesting entry of his name in the register. Receiving no response, Mr. Raj approached the Tribunal, which passed an order on 20th May 2024 directing the company to enter Mr. Raj's name in the Register of Members.

At the AGM, the company declared a 10% dividend out of profits earned in the previous financial year. Mr. Krish, holding 1,000 equity shares, had jointly purchased these shares two years ago with Mr. Armaan, who is also a shareholder holding 1,000 shares. Mr. Krish is still liable to pay the final call of ₹ 20 per share.

After the AGM, as required under the Companies Act, 2013, a report on the AGM proceedings confirming that the meeting was duly convened, held, and conducted as per the provisions of the Act and rules made thereunder, was to be filed with the Registrar in Form No. MGT-15 along with prescribed fees.

Based on the facts of the case scenario given above, choose the most appropriate answer to question no. 7 to 9 based upon the provisions of the Companies Act, 2013:

7. The Tribunal passed an order dated 20th May 2024. Latest by what date should the entry of Mr. Raj's name be made in the register of members?

- (A) 25th May 2024
 - (B) 27th May 2024
 - (C) 30th May 2024
 - (D) 31st May.2024
8. Suppose the Chairman of the company went abroad two days after the AGM and remained unavailable for the next 31 days. During this period, the AGM report was signed by two directors, one of whom was an additional director. Comment on the validity of the signing of the report.
- (A) Yes, the signing is in order as the report can be signed by any director in the absence of the Chairman.
 - (B) No, the signing is not in order as only the Chairman is authorised to sign the report.
 - (C) Yes, the signing is in order, as in the absence of the Chairman, at least two directors may sign the report.
 - (D) No, the signing is not in order, since in the absence of the Chairman, the report shall be signed by any two directors, one of whom shall be the Managing Director, if there is one, and the Company Secretary of the company.
9. According to the provisions of the Companies Act, 2013, by what date should the company submit the AGM report to the Registrar?
- (A) 4th June 2024
 - (B) 9th June 2024
 - (C) 24th June 2024
 - (D) 25th June 2024

Independent MCQ

10. Which of the following statements is not true?
- (A) in case of shares, the rate of underwriting commission to be paid shall not exceed five percent of the issue price of the share.
 - (B) underwriting commission should not be more than the rate specified by the Article of Association.

- (C) in case of debentures, the rate of underwriting commission shall not exceed five percent of the issue price of the debentures.
- (D) amount of commission may be paid out of profits of the company.

Descriptive Questions

11. In August 2025, Mr. Raj, a financial consultant to Bright Retail Ltd., advised the Board of directors of the company to revise its financial statements for the year 2022-23 after discovering that they did not comply with certain provisions of the Companies Act, 2013 relating to financial reporting.

Examine, with reference to the applicable provisions of the Companies Act, 2013, whether Bright Retail Ltd. can do so?

12. Gloria Tech Solutions Pvt. Ltd. is engaged in developing software products primarily for small and medium-sized enterprises. The company now plans to expand its operations to provide advanced enterprise software solutions to large corporate clients. For this expansion, the company requires funds of approximately ₹ 650 lakh. The promoters, however, prefer to retain control over the company and do not wish to convert it into a public company or raise funds through a public issue.

Gloria Tech Solutions Pvt. Ltd. initially considered raising funds through a rights issue to existing shareholders but succeeded in generating only ₹ 150 lakh. Additionally, banks and financial institutions are hesitant to increase their exposure to the company.

With reference to the provisions of the Companies Act, 2013, advise whether Gloria Tech Solutions Pvt. Ltd. can raise additional funds through a private placement. Also, state any limits on the amount of fresh offer.

13. Silverline Appliances Ltd. is engaged in the business of manufacturing high-quality kitchen appliances. They have a significant market presence for their products across India. The company appointed its statutory auditors for the financial year 2023-2024. The engagement letter with the auditors included a clause stating that the remuneration would be mutually decided.

The directors of the company have approached you to seek advice on the provisions related to the remuneration of auditors as per the Companies Act, 2013.

14. As per the provisions of the Companies Act, 2013, define the term "foreign company." Based on this definition, determine which of the following companies would be categorized as a foreign company:

Sl. No.	Place of Incorporation	Registered Place	Additional information
1	Germany	Germany	Developed software for a clinic in Delhi; servers located in Germany.
2	Canada	Canada	No branch or place of business in India, but has agents operating in India.
3	Australia	Australia	Board meetings are conducted in Bengaluru, India.

15. Devarshi Ltd. made a private placement of its securities during F.Y. 2023-24, by offering it, as follows:

Type of Security	Number of persons to whom securities offered (₹)	Remarks
Equity Shares	210	Out of such 160 persons, 20 persons are offered shares under employees' stock option.
Debentures	50	Such debentures were secured against an immovable property of the company for which the charge-holders registered the charge on payment of fees to the Registrar.

As per the provisions of the Companies Act, 2013, determine the maximum number of persons to whom Devarshi Ltd. could have offered its securities under private placement during the financial year 2023–24.

16. Chaman (Private) Limited on 3rd April 2024 obtained ₹ 30 lakh working capital loan by offering its Stock and Accounts Receivables as security from a financial institution.
- Is it required to create charge for working capital loan in accordance with the provisions of the Companies Act, 2013?
 - State the provisions relating to extension of time and procedure for registration of charges in case the above charge was not registered within 30 days of its creation.

The Limited Liability Partnership Act, 2008

17. Raman, Sita and Mohan are partners in an LLP firm RSM & Co. engaged in consultancy services. As per the LLP agreement, profits and losses are shared equally. Raman, requiring funds for personal purposes, transfers 40% of his share of profits to his friend Arjun.

After the transfer, Arjun claims that:

- He is entitled to participate in the management of RSM & Co.
- Since Raman has transferred part of his rights, he is deemed to be disassociated as a partner of the LLP.

You are required to advise, with reference to the Limited Liability Partnership Act, 2008:

- Whether Raman's partial transfer of rights will lead to disassociation or dissolution of the LLP.
- Whether Arjun is entitled to participate in the management of RSM & Co.

The General Clauses Act, 1897

18. ABC Foundation, a non-profit company, was registered (in the year 2003) under section 25 of the Companies Act, 1956. As per section 2(18)(aa) of the Income-tax Act, 1961, 'a company is considered to be one in which the public are substantially interested if it is registered under Section 25 of the Companies Act, 1956.' After the enactment of the Companies Act, 2013, section 25 of the Companies Act, 1956 was replaced by section 8 of the Companies Act, 2013. However, the Income

Tax Act, 1961 still continues to make reference of section 25 of the Companies Act, 1956 in section 2(18)(aa) of the Income-tax Act, 1961.

In this situation, how should the reference to section 25 of the Companies Act, 1956, in section 2(18)(aa) of the Income-tax Act, 1961 be construed after the commencement of the Companies Act, 2013, in light of the provisions of the General Clauses Act, 1897?

Interpretation of Statutes

19. "Associate words to be understood in common sense manner." Explain this statement with reference to rules of interpretation of statutes.

The Foreign Exchange Management Act, 1999

20. Startech Pvt. Ltd., an Indian company, is planning to remit USD 12 million to a consultancy firm based in Germany for advisory services related to a new highway infrastructure project in India. The company has also engaged another foreign consultancy for a software upgrade on a different project and wants to remit USD 900,000 for that service. Both payments are to be made from India.

With reference to the Foreign Exchange Management, 1999, determine whether Startech Pvt. Ltd. can freely remit these amounts or if any approval is required for these transactions.



SUGGESTED ANSWERS

Multiple Choice Questions

MCQ No.	Most Appropriate Answer
1.	(B)
2.	(A)
3.	(D)
4.	(C)
5.	(B)
6.	(B)
7.	(B)

8.	(D)
9.	(C)
10.	(C)

Descriptive Questions

11. As per section 131 of the Companies Act, 2013, if it appears to the directors of a company that:

- (a) the financial statement of the company does not comply with the provisions of section 129; or
- (b) the report of the Board does not comply with the provisions of section 134

they may prepare revised financial statement or board's report in respect of any of the 3 preceding financial years after obtaining the approval of the Tribunal on an application made by the company within fourteen days of the decision taken by the Board.

A certified copy of the order of the Tribunal shall be filed with the Registrar of Companies within 30 days of the date of receipt of the certified copy.

In this case, since the financial statements for 2022-23 fall within the three preceding financial years, Bright Retail Ltd. can revise these financial statements, provided that the Board obtains the Tribunal's approval within fourteen days of the decision taken by the Board. This procedure must be adhered to in order to comply with the Companies Act, 2013.

12. Yes, Gloria Tech Solutions Pvt. Ltd. can raise funds through the private placement of shares.

Section 23(2)(b) of the Companies Act, 2013 provides that a private company may issue securities through private placement by complying with the provisions specified in section 42 of the Act along with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014.

Meaning of Private Placement

According to the Explanation I to section 42(3) of the Act, "private placement" means any offer or invitation to subscribe or issue of

securities to a select group of persons by a company (other than by way of public offer) through private placement offer- cum-application, which satisfies the conditions specified in this section.

Offer to be made only to a select group of persons

A private placement shall be made only to a select group of not more than two hundred (200) persons (referred to as "identified persons") in a financial year who have been identified by the Board after passing a special resolution.

Limit on Fresh Offer

As per section 42(5) of the Act, no fresh offer or invitation under this section shall be made unless the allotments with respect to any offer or invitation made earlier have been completed or that offer or invitation has been withdrawn or abandoned by the company.

Thus, Gloria Tech Solutions Pvt. Ltd. can raise further funds through private placement issue after the allotments with respect to right issue for ₹ 150 lakh have been completed and subject to the maximum number of 200 persons (identified persons) under section 42(2) and by complying with the procedures stated in Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014.

- 13.** Section 142 of the Companies Act, 2013, provides for remuneration of auditors. According to this section the remuneration of the auditors of a company shall be fixed by the company in general meeting or in such manner as the company in general meeting may determine.

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

As per the facts of the question and stated provision, remuneration of the appointed statutory auditors of a company shall be fixed by Silverline Appliances Ltd. in general meeting or in such manner as the company in general meeting may determine.

- 14.** As per section 2(42) of the Companies Act, 2013, "Foreign Company" means any company or body corporate incorporated outside India which has a place of business in India whether by itself or through an agent, physically or through electronic mode; and conducts any business activity in India in any other manner.

So, as per the definition, we can conclude:

Sl. No.	Place of Incorporation	Additional information	Foreign company/ Not a foreign company
1	Germany	Developed software for a clinic in Delhi; servers located in Germany.	Though incorporated outside India, it is involved in transacting business in India and having place of business through electronic mode. Hence, it is a foreign company.
2	Canada	No branch or place of business in India, but has agents operating in India.	The company is operating through agents in India, but has no place of business in India. Hence, it is not a foreign company.
3	Australia	Board meetings are conducted in Bengaluru, India.	Mere holding of meetings in India cannot be termed as conducting business activity in India. Hence, it is not a foreign company.

- 15.** According to Rule 14 (2) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, an offer or invitation to subscribe securities under private placement shall not be made to persons more than two hundred in the aggregate in a financial year.

It is provided that any offer or invitation made to qualified institutional buyers, or to employees of the company under a scheme of employees' stock option as per provisions of clause (b) of sub-section (1) of section 62 shall not be considered while calculating the limit of two hundred persons.

As per Explanation given in this Rule, it is clarified that the restrictions aforesaid would be reckoned individually for each kind of security that is equity share, preference share or debenture.

Here, in the given case, Devarshi Ltd. had made a private placement of its equity shares as well as of the debentures.

The limit of 200 persons would be counted separately for both such type of security and in that also securities offered to persons under employees' stock option shall not be counted.

Accordingly, on that basis, further number of persons to whom Devarshi Ltd., could have offered its securities under private placement during F.Y. 2023-24, would be as follows:

Type of Security	Number of persons to whom securities offered	Further persons to whom securities could have been offered under private placement
Equity Shares	190 (210 – 20 persons, to whom offered under employees' stock option)	10
Debentures	50	150

- 16.** As per the provisions of section 2(16) of the Companies Act, 2013, "charge" means an interest or lien created on the property or assets of a company or any of its undertakings or both as security and includes mortgage.

- (i) Whenever a company borrows money by way of loans including term loans or working capital loans from financial institutions or banks or any other person by offering its property or assets as security or any of its undertakings, then a charge is created on such property or assets in favour of the lender.

Hence, Chaman (Private) Limited is required to create a charge on such property or assets in favour of the lender. Thus, for ₹ 30 Lakh working capital loan, it is required to create a charge on it.

- (ii) As per the provisions of section 77 of the Companies Act, 2013, in case the above charge was not registered within 30 days of

creation of the charge, the Registrar may, on an application by the company, allow such registration to be made within a period of 60 days of such creation (i.e. another 30 days are granted after the expiry of original 30 days), on payment of additional fees as prescribed.

Procedure for Extension of Time Limit: For seeking extension of time, the company is required to make an application to the Registrar in the prescribed form. It should be supported by a declaration from the company signed by its company secretary or a director that such belated filing shall not adversely affect the rights of any other intervening creditors of the company.

The application so made must satisfy the Registrar that the company had sufficient cause for not filing the particulars and the instrument of charge, if any, within the original period of thirty days. Only then he will allow registration of charge within the extended period. Further, requisite additional fee or advalorem fee, as applicable, must also be paid.

17. As per section 42 of the Limited Liability Partnership Act, 2008,
- (1) The rights of a partner to a share of the profits and losses of the limited liability partnership and to receive distributions in accordance with the limited liability partnership agreement are transferable either wholly or in part.
 - (2) The transfer of any right by any partner pursuant to sub-section (1) does not by itself cause the disassociation of the partner or a dissolution and winding up of the limited liability partnership.
 - (3) The transfer of right pursuant to this section does not, by itself, entitle the transferee or assignee to participate in the management or conduct of the activities of the limited liability partnership, or access information concerning the transactions of the limited liability partnership.

In the given question, Raman has transferred 40% of his share of profits in RSM & Co. to his friend Arjun.

In view of the above provisions and facts of the question:

- (i) Transfer of rights does not by itself cause the disassociation of the partner or a dissolution and winding up of the limited liability partnership. Hence, Raman's partial transfer of rights will not lead to disassociation or dissolution of the LLP.
- (ii) Transfer of right pursuant does not, by itself, entitle the transferee or assignee to participate in the management in the activities of the limited liability partnership. Hence, Arjun is not entitled to participate in the management of RSM & Co.

- 18.** According to section 8 of the General Clauses Act, 1897, where this Act or Central Act or Regulation made after the commencement of this Act, repeals and re-enacts, with or without modification, any provision of a former enactment, then references in any other enactment or in any instrument to the provision so repealed shall, unless a different intention appears, be construed as references to the provision so re-enacted.

Also decided in case of Gauri Shankar Gaur v. State of U.P. that every Act has its own distinction. If a later Act merely makes a reference to a former Act or existing law, it is only by reference and all amendments, repeals new law subsequently made will have effect unless its operation is saved by the relevant provision of the section of the Act.

In this case, section 25 of the Companies Act, 1956 (dealing with non-profit companies) has been repealed and re-enacted as Section 8 of the Companies Act, 2013. Though section 2(18)(aa) of the Income-tax Act, 1961 still mentions "companies registered under section 25 of the Companies Act, 1956", by virtue of section 8 of the General Clauses Act, 1897, the reference shall be deemed to mean "companies registered under section 8 of the Companies Act, 2013".

- 19. Associated Words to be Understood in Common Sense Manner:** When two words or expressions are coupled together one of which generally excludes the other, obviously the more general term is used in a meaning excluding the specific one. On the other hand, there is the concept of '*Noscitur A Sociis*' ('it is known by its associates'), that is to say 'the meaning of a word is to be judged by the company it keeps'. When two or more words which are capable of analogous (similar or parallel) meaning are coupled together, they are to be understood in their cognate sense (i.e. akin in origin, nature or quality). They take, as it

were, their colour from each other, i.e., the more general is restricted to a sense analogous to the less general. It is a rule wider than the rule of *ejusdem generis*, rather *ejusdem generis* is only an application of the *noscitur a sociis*. It must be borne in mind that *noscitur a sociis*, is merely a rule of construction and it cannot prevail in cases where it is clear that the wider words have been deliberately used in order to make the scope of the defined word correspondingly wider.

- 20.** As per Schedule III of the Foreign Exchange Management (Current Account Transactions) Rules, 2000, remittances by persons other than individuals shall require prior approval of the Reserve Bank of India in the following cases- Remittances exceeding USD 10,000,000 per project for any consultancy services in respect of infrastructure projects and USD 1,000,000 per project, for other consultancy services procured from outside India.

In this scenario:

The proposed remittance of USD 12 million for consultancy on a highway infrastructure project exceeds the USD 10 million threshold. Therefore, Startech Pvt. Ltd. must seek prior approval from the RBI for this payment.

The remittance of USD 900,000 for software consultancy on a different project does not exceed USD 1 million, so no RBI approval is required for this transaction.



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 30th June, 2025, is applicable for January, 2026 examination. The relevant assessment year for January, 2026 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. The said study material has to be read along with the Statutory Update containing notifications and circulars issued upto 30.06.2025 but not covered in the study material webhosted at <https://resource.cdn.icai.org/87604bos-aps2049-int-p3a-su-jan2026.pdf>.



QUESTIONS

Case Scenario

Mr. Vivek Malhotra, an Indian resident, has four residential properties in India. Two of them are in Delhi, of which one is self-occupied and second is let out for monthly rent of ₹ 1,40,000 to Mr. Sushil, a salaried individual. The other two properties are in Mumbai. To reduce his tax liability, he gifted one of the residential house properties in Mumbai to his wife, Mrs. Anika and second one to his minor daughter, Ms. Pooja, without adequate consideration in April 2024. Expected monthly rent of self-occupied property in Delhi is ₹ 50,000 and expected monthly rent of property in Mumbai is ₹ 75,000 each. He paid municipal taxes amounting to ₹ 1,20,000 for let out property.

In addition, Vivek sold a plot of land in Bengaluru on 19.12.2024 for ₹ 49 lakhs for which he has paid 1% as brokerage on sale consideration. The stamp duty value on the date of sale was ₹ 55 lakhs. This plot of land was purchased by him in 1992 for ₹ 3 lakhs. The fair market value and stamp duty value of this plot of land as on 1st April 2001 were ₹ 7.2 lakhs and ₹ 7 lakhs, respectively. Mr. Vivek invested ₹ 12 lakhs in RECL bonds on 15.07.2025.

Further, he has taken life insurance policy "A" on 15.05.2023 and policy "B" on 1.7.2023 for 10 years with a sum assured of ₹ 35 lakhs and ₹ 25 lakhs, respectively. The annual premium payable on this policy is ₹ 3.5 lakhs and ₹ 2.5 lakhs, respectively.

Mr. Vivek has opted out of the default tax regime under section 115BAC.

CII for F.Y. 2001-02: 100; F.Y. 2024-25: 363

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

1. Compute the income taxable under the head "Income from House Property" in the hands of Mr. Vivek?
 - (a) ₹ 10,92,000
 - (b) ₹ 15,12,000
 - (c) ₹ 17,22,000
 - (d) ₹ 17,20,500
2. Compute the income taxable under the head "Capital Gains" in the hands of Mr. Vivek?
 - (a) ₹ 29,04,000
 - (b) ₹ 29,10,000
 - (c) ₹ 35,51,000
 - (d) ₹ 47,51,000
3. Determine the amount of tax credit to be available to Mr. Vivek for F.Y. 2024-25 if tax has been deducted by the deductor(s)?
 - (a) ₹ 88,600
 - (b) ₹ 58,800

- (c) ₹ 55,000
- (d) Nil
4. In F.Y. 2033-34, Mr. Vivek received the maturity proceeds from both the policies of ₹ 40 lakhs and ₹ 27 lakhs, respectively. Considering the most beneficial to Mr. Vivek, which of the following statements is correct?
- (a) The maturity proceeds from both the policies "A" and "B" is exempt under section 10(10D).
- (b) The maturity proceeds from policy "A" is exempt but from policy "B" is taxable.
- (c) The maturity proceeds from policy "B" is exempt but from policy "A" is taxable
- (d) The maturity proceeds from both the policies "A" and "B" is taxable since the annual premium payable exceeds ₹ 5 lakhs.
5. Compute the tax liability of Mr. Vivek for A.Y. 2025-26?
- (a) ₹ 7,74,370
- (b) ₹ 9,32,330
- (c) ₹ 9,18,750
- (d) ₹ 8,35,220
6. Ms. Aanchal, an Indian Citizen, is a government employee working for the Indian Government. She submits the following information for the previous year ending on 31.03.2025:

		₹
1	Salary income received in Malaysia for services rendered there	2,00,000
2	Profits from business carried on in Chennai	80,000
3	Loss from business carried on in Vadodara	(20,000)
4	Loss from business carried on in USA (though profits are not received in India, business is controlled from Rishikesh)	(46,000)
5	Unabsorbed depreciation of business in USA	(16,000)

6	Profits from business in Bali (controlled from Delhi) and 60% of profit deposited in a bank in Bali and 40% received in India	70,000
7	Rent from house property situated in USA and received in USA	1,92,000

Determine the gross total income of Ms. Aanchal for the A.Y. 2025-26 assuming that she has opted out from the provisions of section 115BAC on the assumption that she is:

- (1) Resident but not ordinarily resident in India
- (2) Non-resident in India

7. Ms. Ashima, aged 45 years, has been the HR manager for the past 15 years in Shipra Ltd. She gives you the following particulars for F.Y. 2024-25:

Basic Salary ₹ 70,000 p.m.

Dearness Allowance ₹ 24,000 p.m. (30% of which forms part of retirement benefits)

Bonus ₹ 21,000 p.m.

Ms. Ashima contributes 18% of basic salary as contribution to RPF. Her employer contributes the same amount to her RPF account.

The company pays medical insurance premium of ₹ 20,000 to effect insurance on the health of Ms. Ashima.

She received arrears of salary of ₹ 3,35,000. The details of arrears of salary are as follows:

Previous year	Total Income (₹)	Arrears now received (₹)
2021 – 2022	9,50,000	1,20,000
2022 – 2023	10,90,000	1,10,000
2023 – 2024	12,10,000	1,05,000

Compute the relief available under section 89 and the tax payable for the A.Y. 2025-26. Assume that Ms. Ashima exercises the option of

shifting out of the default tax regime provided under section 115BAC(1A) for A.Y. 2025-26.

For A.Y. 2022-23 and A.Y. 2024-25, Ms. Ashima has paid tax as per section 115BAC. However, for A.Y. 2023-24, she has paid tax under normal provisions of the Act.

Note: Rates of Tax

The rates of tax under normal provisions of the Act for A.Y. 2022-23, A.Y. 2023-24 and A.Y. 2024-25 are same as for A.Y. 2025-26. The rates of tax as per section 115BAC for different years are as follows:

Assessment Year	Slab rates of income-tax	
	Slabs	Rate
2022-23	Upto ₹ 2,50,000	Nil
	₹ 2,50,001 - ₹ 5,00,000	5%
	₹ 5,00,001 - ₹ 7,50,000	10%
	₹ 7,50,001 - ₹ 10,00,000	15%
	₹ 10,00,001 - ₹ 12,50,000	20%
	₹ 12,50,001 - ₹ 15,00,000	25%
	Above ₹ 15,00,000	30%
2023-24	Upto ₹ 2,50,000	Nil
	₹ 2,50,001 - ₹ 5,00,000	5%
	₹ 5,00,001 - ₹ 7,50,000	10%
	₹ 7,50,001 - ₹ 10,00,000	15%
	₹ 10,00,001 - ₹ 12,50,000	20%
	₹ 12,50,001 - ₹ 15,00,000	25%
	Above ₹ 15,00,000	30%
2024-25	Upto ₹ 3,00,000	Nil
	₹ 3,00,001 - ₹ 6,00,000	5%
	₹ 6,00,001 - ₹ 9,00,000	10%
	₹ 9,00,001 - ₹ 12,00,000	15%
	₹ 12,00,001 - ₹ 15,00,000	20%
	Above ₹ 15,00,000	30%

8. Mr. K is a 48-year-old resident individual. The details of income earned for the P.Y. 2024-25 from diversified businesses and investment portfolio are as under:
- (i) He runs two businesses:
 - A manufacturing business with profit of ₹ 10,00,000.
 - A speculative business with loss of ₹ 7,00,000.
 - (ii) He incurred a loss of ₹ 2,15,000 from a let-out property and also earned an income of ₹ 50,000 from the activity of owning and maintaining race horses. For earning this income, he incurred an expense of ₹ 5,000.
 - (iii) He has earned short-term capital gains of ₹ 50,000 from equity shares sold on 10.05.2024 on which STT was paid, and long-term capital loss of ₹ 75,000 from other assets sold on 15.10.2024.
 - (iv) Mr. K took divorce from his wife in April 2024 and the custody of their minor son is given to Mrs. K. Following the divorce, he transferred ownership of house property to his wife. During the financial year, the property generated rental income of ₹ 5,00,000.
 - (v) Mr. K deposits cash of ₹ 50,000 every month into the bank account of his minor son. During the P.Y. 2024-25, interest income of ₹ 25,000 is generated in his son's bank account.
 - (v) He has also contributed a sum of ₹ 2 lakh to an electoral trust and incurred expenditure of ₹ 30,000 on advertisement in a brochure of a political party.
 - (vi) He authored an investment portfolio book and received royalty income of ₹ 4,10,000 during the P.Y. 2024-25 from a publisher in Germany. The royalty is calculated at 16% of book sales value. He incurred ₹ 60,000 as expenditure for earning this income. Out of the total royalty, ₹ 2,90,000 was remitted to India by 31st August 2025, and the balance remained in abroad till 30.9.2025.

Compute the total income of Mr. K assuming that he exercises the option of shifting out of the default tax regime. Assume Mr. K's total income, excluding the minor's income, is higher than that of his wife.

9. Examine the applicability and determine the amount of tax deduction at source as per the Income-tax Act, 1961 for the A.Y. 2025-26 in the following situations:
- (i) ABC Ltd., having its registered office in Noida, organized its annual company function at its Gurgaon office. For this purpose, the company engaged Beta Pvt. Ltd. to arrange road transport for its employees from Noida to Gurgaon and back, for which a payment of ₹ 25,000 has to be made. Further, ABC Ltd. also entered into a separate contract with Beta Pvt. Ltd. for providing catering services at the function, for ₹ 90,000.
 - (ii) Vijay Health Solutions Ltd., a Third-Party Administrator (TPA), makes payments to various hospitals across India towards settling cashless medical insurance claims on behalf of insurance companies. During the financial year 2024-25, the total payment made by Vijay Health Solutions Ltd. to LifeCare Hospital for cashless claims is ₹ 12,00,000.
10. Mr. Vaibhav, a resident individual aged 46 years, engaged in the business of plywood and sculptures, maintains his books of account under section 44AB. He follows the mercantile system of accounting and regularly files his return of income. The profit and loss account for the year ended on 31.3.2025 shows a net profit of ₹ 51,42,000 after debiting/crediting the following:
- (i) During the year, Mr. Vaibhav had taken professional services from a lawyer in relation to a business dispute. The legal fees was amounted to ₹ 1,00,000. Tax has been deducted on time but did not deposit it with the government within the due date. The TDS was later on deposited on 15th November 2025.
 - (ii) Vaibhav had renovated his office by engaging in the services of his brother, as the existing office premises had become very old and required refurbishment. The total payment made for the renovation amounted to ₹ 2,50,000 which is reasonable to the extent of ₹ 1,50,000.
 - (iii) He purchased goods worth ₹ 30,000 from Vishnu & Co., a micro enterprise, on March 01, 2025. According to the written agreement

between them, the payment was to be made by 05th April 2025. However, he made payment to Vishnu & Co on 15th April 2025.

- (iv) Depreciation as per profit and loss account is ₹ 13,66,000.

Additional Information:

- (a) As per restructuring agreement with the bank, the bank has converted unpaid interest of ₹ 6,00,000 into a new loan account repayable in 20 equal annual installments. The first installment was paid in March 2025.

Vaibhav claimed the entire interest amount of ₹ 6,00,000 as an expense while computing his business income.

- (b) Depreciation as per Income-tax Rules, 1962 is ₹ 12,00,000.
- (c) He contributed ₹ 50,000 towards Tier I account of NPS during the year. Further, he has invested in five-year term deposit of ₹ 1.5 lakhs.
- (d) He employed 90 new employees during the P.Y. 2024-25, the details of whom are as follows:

No. of employees	Date of employment	Regular / Casual	Total monthly emoluments per employee (₹)
20	1.4.2024	Regular	24,000
25	1.5.2024	Casual	24,500
30	1.8.2024	Regular	26,000
15	1.9.2024	Casual	23,500

The regular employees participate in recognized provident fund while the casual employees do not.

- (e) Mr. Vaibhav had sculptures in the form of capital assets acquired in January 2015, for ₹ 1,80,000. Later on, in F.Y. 2023-24, he started sculpture business and converted these capital assets into stock-in-trade for his business. Fair market value at the time of conversion was ₹ 3,50,000. Subsequently, he sold the

stock-in-trade on June 10, 2024, for ₹ 5,00,000. No entry has been made in books for conversion and sale of converted sculptures.

You are required to compute the total income and tax liability of Mr. Vaibhav for the A.Y. 2025-26 if he opts out of the default tax regime.

CII for F.Y. 2014-15: 240; F.Y. 2023-24: 348; F.Y. 2024-25: 363


SUGGESTED ANSWERS

Question No.	Answer
1.	(b) ₹ 15,12,000
2.	(d) ₹ 47,51,000
3.	(a) ₹ 88,600
4.	(b) The maturity proceeds from policy "A" is exempt but from policy "B" is taxable.
5.	(c) ₹ 9,18,750

6. Computation of gross total Income of Ms. Aanchal for the A.Y. 2025-26 under normal provisions of the Act

Particulars of income		Resident but not ordinarily Resident (₹)	Non-Resident (₹)
1	Salary income received in Malaysia for services rendered there (Note 1)	2,00,000	2,00,000
	Less: Standard deduction under section 16(ia)	50,000	50,000
		1,50,000	1,50,000
2	Profits from business carried on in Chennai [Since it accrues or arises in India]	80,000	80,000

3	Loss from business carried on in Vadodara [Since it accrues or arises in India]	(20,000)	(20,000)
4	Loss from business carried on in USA (business is controlled from Rishikesh)	(46,000)	Nil
5	Unabsorbed depreciation of business in USA	(16,000)	Nil
6	Profit from business in Bali (business is controlled from Delhi and only 40% is received in India)	70,000	28,000
7	Rent from property situated in USA and received in USA	Nil	Nil
Gross Total Income		2,18,000	2,38,000

Note 1 - Income from "Salaries" payable by the Government to a citizen of India for services rendered outside India is deemed to accrue or arise in India as per section 9(1)(iii). Standard deduction under section 16(ia) is allowable, irrespective of residential status.

Note 2 – In case of a non-resident, only income received or deemed to be received in India and income accruing or arising or deemed to accrue or arise in India is chargeable to tax. However, in case of a resident but not ordinarily resident, income derived from a business controlled in or profession set up in India is also taxable even though it accrues or arises outside India.

Therefore, income referred to in S. No. 1, 2 and 3 are taxable in the hands of Ms. Aanchal in both cases if she is a resident but not ordinarily resident or if she is a non-resident.

Loss of business carried on in USA, unabsorbed depreciation of business in USA and Profit from business in Bali would be fully chargeable to tax in India if she is a resident but not ordinarily resident as it derived from a business controlled in India. However, Profit from business in Bali is taxable in case of non-resident to the extent of such profits received in India.

7. Computation of total income of Ms. Ashima for A.Y.2025-26 under normal provisions of the Act

Particulars	₹
Basic Salary [₹ 70,000 x 12]	8,40,000
Arrears of salary	3,35,000
Dearness allowance [₹ 24,000 x 12]	2,88,000
Bonus [₹ 21,000 x 12]	2,52,000
Employer's contribution to recognized provident fund in excess of 12% of salary = 18% x [₹ 70,000 x 12] – 12% x {[₹ 70,000 + ₹ 7,200 (being 30% of ₹ 24,000)] x 12} = ₹ 1,51,200 – ₹ 1,11,168 [Salary = Basic Salary + Dearness allowance, to the extent it forms part of pay for retirement benefits]	40,032
Medical insurance premium of ₹ 20,000 paid by the employer to effect insurance on the health of an employee is an exempt perquisite	-
Gross salary	17,55,032
Less: Standard deduction under section 16(ia)	<u>50,000</u>
Salary chargeable to tax/ Gross Total Income	17,05,032
Less: Deduction under section 80C	
Own contribution of ₹ 151,200 to RPF but restricted to ₹ 1,50,000	<u>1,50,000</u>
Total Income	15,55,032
Total Income (Rounded off)	15,55,030

Computation of tax payable by Ms. Ashima for the A.Y.2025-26 under normal provisions of the Act

Particulars	Incl. arrears of salary (₹)	Excl. arrears of salary (₹)
Total Income	15,55,030	15,55,030
Less: Arrears of salary	-	3,35,000
Total Income	15,55,030	12,20,030

Income-tax thereon	2,79,009	1,78,509
Add: Health and education cess @4%	11,160	7,140
Tax payable	2,90,169	1,85,649

Computation of tax payable on arrears of salary if charged to tax in the respective AYs

Particulars	A.Y. 2022-23		A.Y. 2023-24		A.Y. 2024-25	
	Incl. arrears (₹)	Excl. arrears (₹)	Incl. arrears (₹)	Excl. arrears (₹)	Incl. arrears (₹)	Excl. arrears (₹)
Taxable salary	9,50,000	9,50,000	10,90,000	10,90,000	12,10,000	12,10,000
Add: Arrears of salary	1,20,000	-	1,10,000	-	1,05,000	-
Taxable salary	10,70,000	9,50,000	12,00,000	10,90,000	13,15,000	12,10,000
Tax on the above	89,000	67,500	1,72,500	1,39,500	1,13,000	92,000
Add: HEC@ 4%	3,560	2,700	6,900	5,580	4,520	3,680
Tax payable	92,560	70,200	1,79,400	1,45,080	1,17,520	95,680

Computation of relief under section 89

	Particulars	₹	₹
i	Tax payable in A.Y.2025-26 on arrears:		
	Tax on income including arrears	2,90,169	
	Less: Tax on income excluding arrears	1,85,649	1,04,520
ii	Tax payable in respective years on arrears:		
	Tax on income including arrears (₹ 92,560 + ₹ 1,79,400 + ₹ 1,17,520)	3,89,480	
	Less: Tax on income excluding arrears (₹ 70,200 + ₹ 1,45,080 + ₹ 95,680)	3,10,960	78,520
	Relief under section 89 - difference between tax on arrears in A.Y. 2025-26 and tax on arrears in the respective years		26,000

Tax payable for A.Y.2025-26 after relief under section 89

Particulars	₹
Income-tax payable on total income including arrears of salary	2,90,169
Less: Relief under section 89 as computed above	26,000
Tax payable after claiming relief	2,64,169
Tax payable (Rounded off)	2,64,170

8. Computation of total income of Mr. K for the A.Y.2025-26 under normal provision of the Act

Particulars	₹	₹
I House Property Rental Income of ₹ 5 lakhs shall be taxable in the hands of Mrs. K since it is a case of transfer of house property to his spouse in connection with an agreement to live apart. In such case, the transferee shall be the owner of the house property and rental income will be taxed in the hands of transferee. Set off of loss from house property to be restricted to ₹ 2 lakhs by virtue of section 71(3A). Balance loss of ₹ 15,000 has to be carried forward to A.Y. 2026-27		-
II Income from business Income from manufacturing business Loss from speculation business As per section 73(1), loss from speculation business can be set off only against profit from any other speculation business. Therefore,	10,00,000 -	

	loss from speculation business of ₹ 7,00,000 has to be carried forward to A.Y. 2026-27		
	<i>Less:</i> Set off of loss from house property to the extent of ₹ 2 lakhs	<u>2,00,000</u>	8,00,000
III	Capital Gains		
	Short-term capital gain u/s 111A	50,000	
	Long term capital loss	<u>—</u>	50,000
	As per section 74(1), long term capital loss can be set off only against long term capital gain. Therefore, long term capital loss of ₹ 75,000 has to be carried forward to A.Y. 2026-27		
IV	Income from Other Sources		
	Royalty Income	3,50,000	
	[₹ 4,10,000 - ₹ 60,000]		
	Interest income from son's bank account [Income of the minor will be included in the income of Mrs. K as Mrs. K is maintaining the child.]	-	
	Income from the activity of owning and maintaining race horses	50,000	
	<i>Less:</i> Expenses incurred to earn this income	<u>5,000</u>	3,95,000
	Gross Total Income		12,45,000
	<i>Less:</i> Deduction under section 80GGC	2,00,000	
	Contribution to an electoral trust is allowed as deduction assuming it is paid otherwise than in cash. Expenditure of ₹ 30,000 incurred on advertisement in a		

brochure of political party is not eligible for deduction under section 80GGC		
Deduction under section 80QQB (Refer working note below)	<u>2,30,000</u>	4,30,000
Total Income		8,15,000

Working Note

Deduction allowable under section 80QQB for the A.Y.2025-26

Particulars	₹
Royalty ₹ 4,10,000 x 15/16 = ₹ 3,84,375	
Restricted to	
Amount brought into India in convertible foreign exchange within the prescribed time	2,90,000
Less: Expenses already allowed as deduction while computing royalty income	60,000
Deduction u/s 80QQB	2,30,000

9. (i) Any person responsible for paying any sum i.e. ₹ 30,000 in a single payment or ₹ 1,00,000 in the aggregate during a financial year to a resident contractor for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between the contractor and the contractee, tax has to be deducted at source u/s 194C at the time of payment of such sum or at the time of credit of such sum to the account of the contractor, whichever is earlier.

In the present case, ABC Ltd. has entered into separate contracts with Beta Pvt. Ltd. for arranging road transport and providing catering services, for ₹ 25,000 and ₹ 90,000, respectively. Both 'carriage of passengers' and 'catering' are expressly covered as "work" under section 194C. Even though the services are different, the aggregate payment to the contractor during the financial year is considered for the threshold limit.

Hence, TDS@2% is applicable on ₹ 1,15,000, being the aggregate amount paid to Beta Pvt. Ltd. The amount of tax to be deducted by ABC Ltd. would be ₹ 2,300.

- (ii) The payment by TPAs was made on behalf of insurance companies to hospitals for settlement of medical/insurance claims etc. under cashless claims which was on account of services rendered by hospitals to various patients. These services are primarily medical services and are liable to deduct tax at source under section 194J on all such payments to hospitals etc. as clarified by CBDT through Circular No. 8/2009 dated 24.11.2009.

In the present case, Vijay Health Solutions Ltd. is required to deduct tax u/s 194J @10% on payment of ₹ 12 lakhs. The amount of tax to be deducted by Vijay Health Solutions Ltd. would be ₹ 1,20,000.

10. Computation of total income of Mr. Vaibhav for A.Y. 2025-26 under normal provisions of the Act

Particulars		₹	₹	₹
I	Income from business or profession			
	Net profit as per profit and loss account		51,42,000	
	Add: Items of expenditure not allowable while computing business income			
	- Depreciation as per books of accounts	13,66,000		
	- Payment for professional services [Since the tax was deducted on time, but such tax has not been paid on or before the due date specified in section 139(1), ₹ 30,000]	30,000		

	[₹ 1,00,000 x 30%] has to be disallowed in F.Y. 2024-25 under section 40(a)(ia) and has to be added back]			
-	Payment for renovation of office [Unreasonable payment made to brother for renovating his office has to be added back as per section 40A(2)]	1,00,000		
-	Payment to M/s Vishnu & Co, a micro enterprise, for purchase of raw material [Not Allowable as per section 43B(h) since payment was made to a micro enterprise and the same was not within the time specified in the written agreement]	30,000		
-	Conversion of interest into loan [Conversion of unpaid interest into loan shall not be construed as payment of interest for the purpose of section 43B. The amount of unpaid interest so converted into loan shall be allowed as deduction only in the year in which the converted loan is actually paid.]	5,70,000		
	Accordingly, only ₹ 30,000 shall be			

	allowed as deduction in P.Y. 2024-25 [₹ 6 lakhs/ 20 installments]			
	- Payment received from sale of stock-in-trade converted from capital assets [Sale consideration - FMV as on date of conversion]	1,50,000	22,46,000	
	Less: Depreciation as income-tax Rules, 1962		73,88,000 12,00,000	61,88,000
II	Capital Gains			
	Sale consideration		3,50,000	
	Less: Indexed cost of acquisition [₹ 1,80,000 x 348/ 240]		2,61,000	
	Long term capital gains [Indexation benefit is available since the property is transferred before 23.7.2024]			89,000
	Gross Total Income			62,77,000
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	- Investment in five-year deposit		1,50,000	
	Deduction under section 80CCD(1B)			
	- Contribution in NPS		50,000	
	Deduction under section 80JJAA (See working note below)		17,28,000	19,28,000
	Total Income			43,49,000

Computation of tax liability of Mr. Vaibhav for A.Y. 2025-26 under normal provisions of the Act

Particulars	₹	₹
Tax @20% on LTCG of ₹ 89,000 on sale of Sculptures [Since the property is transferred before 23.7.2024]		17,800
Tax at slab rate on balance income of ₹ 42,60,000		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001 - ₹ 42,60,000 [@ 30% of ₹ 32,60,000]	9,78,000	10,90,500
		11,08,300
Add: Health and education cess@4%		44,332
Tax liability		11,52,632
Tax liability (Rounded off)		11,52,630

Computation of adjusted total income and AMT of Mr. Vaibhav for A.Y. 2025-26

Particulars	₹	₹
Total Income		43,49,000
Add: Deduction under section 80JJAA		17,28,000
Adjusted Total Income		60,77,000
Alternate Minimum Tax @18.5%		11,24,245
Add: Surcharge @10% since adjusted total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore		1,12,425
		12,36,670
Add: Health and education cess@4%		49,467
Tax liability		12,86,137
Tax liability (Rounded off)		12,86,140

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof *plus* surcharge@10% and cess@4%. Therefore, tax liability as per section 115JC is ₹ 12,86,140.

AMT Credit to be carried forward under section 115JEE

	₹
Tax liability under section 115JC	12,86,140
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	11,52,630
	1,33,510

Working Note

Computation of Deduction under section 80JAA

Particulars	₹
Additional employee cost = ₹ 24,000 × 12 × 20 = ₹ 57,60,000	17,28,000
Deduction under section 80JAA = 30% of ₹ 57,60,000 Since casual employees do not participate in recognized provident fund, they do not qualify as additional employees. Further, 30 regular employees employed on 1.8.2024 also do not qualify as additional employees since their monthly emoluments exceed ₹ 25,000. Therefore, only 20 employees employed on 1.4.2024 qualify as additional employees, and the total emoluments paid or payable to them during the P.Y.2024-25 is deemed to be the additional employee cost.	

SECTION B: GOODS AND SERVICES TAX

- (1) *All questions should be answered on the basis of the position of GST law as amended up to 30.06.2025.*
- (2) *The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.*



QUESTIONS

Case Scenario

ABC Associates, engaged in the hospitality sector in Rajasthan under the trade name "Paradize Resorts", commenced operations on 01-04-2025. Its aggregate turnover crossed ₹ 20 lakh on 01-06-2025. The application for registration was filed on 15-06-2025, and registration was granted with effect from 01-07-2025. Consequent to the grant of registration, Paradize Resorts issued revised tax invoices for the period beginning with 15-06-2025.

For its hotel interiors, Paradize Resorts availed interior designing services free of cost from DEF Interiors, Japan, whose proprietor is the son of one of the partners of Paradize Resorts.

Other relevant transactions of Paradize Resorts include the following:

- (i) Mr. Ajay, a GST-registered person in Madhya Pradesh, availed lodging accommodation services at the resort for two nights and three days.
- (ii) For the New Year celebrations, Paradize Resorts engaged "Darohar Group", a classical music troupe, for a performance at an agreed consideration of ₹ 2.5 lakh.
- (iii) A marriage function was hosted at the hotel premises on 01-06-2025. The invoice for the same was issued on 28-06-2025, and consideration was received on 29-06-2025.

Owing to extensive compliance requirements, the management is also exploring the possibility of transferring the hotel business as a going concern.

On the basis of the facts given above, you are required to answer the Questions 1 to 5.

Multiple choice Questions

1. Whether issuance of revised tax invoices by Paradize Resorts is valid as per the relevant provisions of the GST Law?
 - (a) Yes, revised tax invoices may be issued for the period 15-06-2025 to 01-07-2025, within one month from 01-07-2025.
 - (b) No, revised tax invoices may be issued for the period 01-06-2025 to 01-07-2025, within one month from 01-07-2025.
 - (c) Yes, revised tax invoices may be issued for the period 15-06-2025 to 01-07-2025, within 15 days from 01-07-2025.
 - (d) No, revised tax invoices can be issued only after registration is granted, i.e., post 01-07-2025.
2. What is the GST treatment of the performance by Darohar Group?
 - (a) Entire consideration of ₹ 2.5 lakh is taxable.
 - (b) Only ₹ 1 lakh is taxable, as ₹ 1.5 lakh is exempt.
 - (c) Entire ₹ 2.5 lakh is exempt from GST.
 - (d) Only ₹ 50,000 is taxable, as ₹ 2 lakh is exempt for classical performances.
3. Whether there will be any GST liability on interior designing services provided free of cost by DEF Interiors? Which of the following statement(s) is most appropriate in this regard?
 - (a) Yes, since import of services from a related person in the course or furtherance of business will be treated as supply even if made without consideration.
 - (b) No, since no consideration was paid, the same is not taxable.
 - (c) No, import of services from a related person is exempt.

- (d) Yes, fully taxable irrespective of whether used for business or personal purposes.
4. What will be the time of supply in respect of the marriage function hosted on 01-06-2025?
- (a) 01-06-2025
(b) 28-06-2025
(c) 29-06-2025
(d) 30-06-2025
5. Which of the following statement(s) is/are correct?
- Statement 1: The place of supply of services provided to Mr. Ajay will be the location of the immovable property, i.e., Rajasthan.
- Statement 2: No GST is payable in case of transfer of business as a going concern.
- (a) Both statements are correct
(b) Only Statement 1 is correct
(c) Only Statement 2 is correct
(d) Both statements are incorrect
6. Mr. Prithviraj, registered under GST, is engaged in supplying services (as discussed in the table below) in Maharashtra. He has furnished the following information with respect to the services provided/ received by him, during the month of February:

S. No.	Particulars	Amount (₹)
(i)	Carnatic music performance given by Mr. Prithviraj to promote a brand of readymade garments	1,40,000
(ii)	Outdoor catering services availed for a marketing event organised for his prospective customers	50,000
(iii)	Services of transportation of students provided to Subhaskar College providing education as part of a curriculum for obtaining a recognised qualification	1,00,000

(iv)	Legal services availed for official purpose from an advocate located in Gujarat	1,75,000
(v)	Services provided to Wealth Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area	2,00,000
(vi)	Recovery agent's services provided to a car dealer	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes	40,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) All the transactions mentioned above are Intra-State unless information for determination of place of supply is given.
- (v) The turnover of Mr. Prithviraj was ₹ 2.5 crore in the previous financial year.

Compute the net GST payable in cash, by Mr. Prithviraj for the month of February.

7. Determine the place of supply in respect of following independent cases. Brief reason should form part of your answer.
 - (i) Mr. U from Mount Abu, Rajasthan (an unregistered person) ordered one laptop, as a gift for his father, from e-commerce site 'Zilu' (registered in Mumbai, Maharashtra) to be delivered at his parent house located at Ahmedabad, Gujarat. Mount Abu, Rajasthan was mentioned as permanent address of Mr. U at e-commerce site 'Zilu'.
 - (ii) Mr. Oman, a tourist from Australia visited India in the month of September. He got repaired his camera during his visit to Udaipur,

Rajasthan by Mr. R who also visited Udaipur at the same time. Mr. R is registered at New Delhi. Mr. Oman provided address of his friend who resides at Mumbai Maharashtra to be mentioned in the bill issued by Mr. R for repairing of camera.

8. Examine the taxability of supplies in the following independent cases in terms of the relevant provisions of the CGST Act, 2017. Brief reason should form part of your answer:
 - (i) Mr. Satya, a physiotherapist (registered with recognised paramedics authority), provided services to Mr. Dayal for restoring mobility after his spine surgery and charged ₹ 10,000 per month. Service comprises of regular home visit for physiotherapy session of 1 hour.
 - (ii) M/s Paushtik Aahaar provided services to Shishu Raksha, an anganwadi by way of serving of food (including mid-day meals) for ₹ 6,000 per month. Shishu Raksha served food to students in anganwadi under Mid-Day Meals scheme sponsored through donations from corporates.
 - (iii) Fees charged by Passport Seva Kendra to Dada Exports Limited for the issuance of passport to its employees to visit foreign countries for export business.
9. Mr. Bose took a health insurance policy for the coverage amount of ₹ 5,00,000 upon making payment of premium of ₹ 10,000 annually (exclusive of GST) from Swasthya Bima Insurance Co. on 01.10.2024. Mr Bose had no claim during 2024-25. On 01.10.2025 Swasthya Bima Insurance Co. offered a discount of 5% on the renewal premium amount to Mr Bose for having claim free year 2024-25 because the company has a policy of offering a discount of 5% on the renewal premium amount for every claim free year in form of no claim bonus. The Swasthya Bima Insurance Co. make the disclosure of the fact of availability of discount in form of NCB, subject to certain conditions, to Mr. Bose in the insurance policy document itself. Also, there is specific mention of the

discount in form of no claim bonus in the invoice issued by Swasthya Bima Insurance Co. to Mr. Bose.

As per Mr Bose's accountant, he has to pay GST on whole renewal premium amount without any deduction as no claim bonus is for agreeing to the obligation to refrain from the act of lodging insurance claim during 2024-25. Is the contention of the Accountant, correct? Reason for the same should form part of your answer.

10. Determine whether liability to obtain registration arises or not under GST law in the following independent cases:-
- (i) Mr. G from Delhi is dealing in the purchase and sale of securities in his own account from secondary market. He disclosed the transactions of purchase and sale of securities in Trading Account and treated the same as business income. Turnover from April to September is ₹ 75 lakh. Is he liable for registration?
 - (ii) KLJ Foundation from Jaipur, Rajasthan, a charitable trust registered under Section 12AB of the Income Tax Act, 1961 is engaged in the supply of various services by charitable trust. KLJ Foundation receipts for the preceding financial year was ₹ 30 lakh. Whether KLJ Foundation is required to take registration?



SUGGESTED ANSWERS/HINTS

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

6. Computation of GST payable

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable under forward charge				
Carnatic music performance given to promote a brand of readymade garments [Carnatic music performance by Mr. Prithviraj is not exempt from GST even though the consideration charged does not exceed ₹ 1,50,000 since said performance has been made by him as a brand ambassador.]	1,40,000	12,600	12,600	Nil
Services of transportation of students provided to Subhaskar College [Services of transportation of students provided to an educational institution other than an institution providing pre-school education or education up to higher secondary school, are not exempt.]	1,00,000	9,000	9,000	Nil
Services provided to Wealth Bank as a business correspondent [Services provided by a business correspondent to a banking company are not exempt when such services are provided with respect to accounts in its urban area branch.]	2,00,000	18,000	18,000	Nil

Services provided as a recovery agent [Tax is payable under forward charge since recovery agent's services are being provided to a person other than banking company/financial institution/non-banking financial company.]	15,000	1,350	1,350	Nil
Total GST payable under forward charge (A)		40,950	40,950	Nil
GST payable under reverse charge				
Legal services availed from an advocate [Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (₹ 20 lakh) are not exempt and tax on the same is payable under reverse charge. Further, since place of supply is Maharashtra, being the location of registered person, thus same is an Inter-State supply.]	1,75,000	Nil	Nil	31,500
Total GST payable under reverse charge (B)		Nil	Nil	31,500
Total GST payable [(A)+(B)]		40,950	40,950	31,500

Computation of total ITC available

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Outdoor catering services availed [ITC on outdoor catering services is blocked except when such services are (i) used by the taxpayer who is in the same line of business or (ii) provided by the employer to its employees under a statutory obligation.]	50,000	Nil	Nil	Nil
Legal services availed [ITC is available as said services are used in course or furtherance of business.]	1,75,000	Nil	Nil	31,500
General insurance taken on a car (seating capacity 5) used for official purposes [ITC on motor vehicles for transportation of persons with seating capacity \leq 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable	40,000	Nil	Nil	Nil

supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles.]				
Total ITC available		Nil	Nil	31,500

Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable under forward charge	40,950	40,950	Nil
Less: ITC of IGST ¹	(15,750) IGST	(15,750) IGST	-
	25,200	25,200	Nil
Add: GST payable under reverse charge in cash [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	<u>Nil</u>	<u>Nil</u>	<u>31,500</u>
Net GST payable in cash	25,200	25,200	31,500

7. (i) The place of supply in case of goods (particularly being supplied through e-commerce platform) to unregistered persons where billing address is different from the address of delivery of goods shall be address of delivery of goods recorded on the invoice.

¹ ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order. Therefore, there can be multiple ways of setting off of IGST credit against CGST and SGST liability and accordingly, in the given case, amount of net GST payable in cash under the heads of CGST and SGST will vary. However, total amount of net GST payable in cash will be ₹ 81,900 in each case.

In the given case, billing address of Mr. U in the online platform of Zilu is at Mount Abu, Rajasthan but for delivery of laptop he had given different delivery address as Ahmedabad, Gujarat. So, place of supply will be address of delivery of goods recorded on the invoice i.e. Ahmedabad, Gujarat.

- (ii) The place of supply of services, except the specified services, made to any person other than a registered person shall be the location of the recipient where the address on record exists.

Thus, the place of supply of repair services made to Mr. Oman is Mumbai, Maharashtra.

8. (i) Health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. Further, Paramedics are trained health care professionals, for example, nursing staff, physiotherapists, technicians, lab assistants etc.

Services by them in a clinical establishment would be in the capacity of employee and not provided in independent capacity and will thus be considered as services by such clinical establishment. Similar services in independent capacity are also exempted.

Thus, services provided by Mr. Satya to Mr. Dayal is exempt from GST.

- (ii) An anganwadi, *inter alia*, provides pre-school non-formal education. Hence, anganwadi is covered by the definition of educational institution (as pre-school). Any catering service provided to an educational institution (pre-school and schools) is exempt from GST and it includes mid- day meal service also.

It is further clarified that services provided to an educational institution by way of serving of food (catering including mid- day meals) is exempt from levy of GST irrespective of its funding from government grants or corporate donations.

Hence, serving of food to Shishu Raksha, an anganwadi shall be exempt from GST even though sponsored through donation from corporates.

- (iii) Services provided by the Central Government by way of issuance of passport are exempt from GST. Thus, fees charged by Passport Seva Kendra to Dada Exports Limited for the issuance of passport to its employees to visit foreign countries for export business is exempt from GST.

- 9.** The value of supply does not include any discount which is given before or at the time of supply if such discount has been duly recorded in the invoice issued in respect of such supply.

It is, therefore, clarified that no claim bonus (NCB) is a permissible deduction for the purpose of calculation of value of supply of the insurance services provided by the insurance company to the insured subject to the pre-disclosure of NCB amount in the policy documents and specific mention of the discount in form of NCB in the invoice.

No, the contention of the Accountant is not correct in view of the above-mentioned provisions.

Since the deduction on account of NCB is provided in the invoice issued by the insurer to the insured, GST shall be leviable on actual insurance premium amount, payable by Mr. Bose to the Swasthya Bima Insurance Co., after deduction of NCB mentioned on the invoice.

- 10.** (i) Any person engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax under CGST Act/IGST Act shall not be liable to registration. Shares is excluded from the definition of goods as well as services under the GST law. Supply of anything other than goods or services like money, securities etc. does not attract GST.

Thus, in the given case, Mr. G is not liable to obtain registration for sales of shares since shares are neither goods nor services under GST law.

- (ii) A charitable trust registered under section 12AB of the Income Tax Act, 1961 and exclusively engaged in supply of services by way of charitable activities are exempt from GST, so here KLJ Foundation from Jaipur, Rajasthan is not liable for registration as it is exclusively engaged in supplying services exempt from tax.

**Applicability of Standards/Guidance Notes/Legislative Amendments etc. for
January, 2026 Examination**

Intermediate Level

Paper 2: Corporate and Other Laws

The provisions of the Companies Act, 2013 and the Limited Liability Partnership Act, 2008 along with significant Rules/ Notifications/ Circulars/ Clarification/ Orders issued by the Ministry of Corporate Affairs, and the laws covered under Part II: Other Laws, as amended by concerned authority, including significant notifications and circulars issued up to 30.06.2025 are applicable for January 2026 examination.

The Study Material (July 2024 edition) has to be read along with the 'Relevant Legislative amendments for January 2026 examinations' for the period of 01.07.2024 to 30.06.2025.

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 30.6.2025**, are applicable for January, 2026 examination. The relevant assessment year for income-tax is **A.Y. 2025-26**.

The October 2024 edition of the Study Material for Intermediate Paper 3A, based on the provisions of income-tax law, as amended by the Finance (No. 2) Act, 2024 and Notifications and Circulars issued upto 30th September, 2024, is relevant for January, 2026 examination. The Study Material has to be read along with the **Statutory Update for January, 2026 examination** covering notifications and circulars issued upto 30.6.2025 but not covered in the study material.

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

- (i) 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 30.06.2025, are applicable for January 2026 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, those amendments made by the relevant Finance Acts which have become effective till 30.06.2025 are applicable for January 2026 examination. Accordingly, all the amendments made by the Finance (No. 2) Act, 2024 are applicable for January 2026 examination since they have become effective till 30.06.2025.

- (ii) The Study Guidelines given below specify the exclusions from the syllabus for January 2026 examination.

List of topic-wise exclusions from the syllabus
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(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
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***Rates specified for computing the tax payable under composition levy are included in the syllabus.**

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

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

The entire content included in the October 2024 edition of the Study Material (*except where it is expressly mentioned that the content is not relevant for the examination*) and the Statutory Update for January 2026 examination shall ALONE be relevant for the said examination. The amendments in the GST law made after the issuance of the Study Material - to the extent covered in the Statutory Update for January 2026 examination shall only be relevant for the said examination.