INTERMEDIATE COURSE

GROUP – I

REVISION TEST PAPERS

MAY, 2024

BOARD OF STUDIES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

New Delhi

Edition	:	February, 2024
Website	:	www.icai.org
E-mail	:	bosnoida@icai.in
Department/Committee	:	Board of Studies (Academic)
Price	:	
ISBN No.	:	
Published by	:	The Publication Department on behalf of The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi- 110 002, India. Typeset and designed at Board of Studies.
Printed by	:	

Contents

Page Nos.

REVISION TEST PAPER, MAY, 2024 – OBJECTIVE & APPROACH

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

I. Objective of Revision Test Paper

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

The primary objectives of the RTP are:

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

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

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

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

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

II. Planning and preparing for examination

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

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

Examination tips

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

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

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

III. Subject-wise Applicability

PAPER – 1 : ADVANCED ACCOUNTING

The April, 2023 edition of the Study Material, comprising of three modules, is applicable for the students appearing for May, 2024 Examination. For understanding the coverage of syllabus, it is important to read the Study Material carefully.

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

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

PAPER – 2: CORPORATE AND OTHER LAWS

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

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

The relevant amendments in the Companies Act, 2013 for the period 1st May 2023 to 31st October 2023 are covered under Part I of the RTP. These amendments have also been uploaded on the website at https://resource.cdn.icai.org/77836bos62488.pdf. For the ease of reference, the amendments have been grouped into chapters which correspond with the chapters of the Study Material.

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

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

PAPER – 3: TAXATION

Section A: Income-tax Law (50 Marks)

The Income-tax law, as amended by the Finance Act, 2023 and significant notifications, circulars and other legislative amendments upto 31.10.2023 are relevant for May, 2024 Examination. The relevant assessment year for May, 2024 examination is A.Y. 2024-25.

The June, 2023 edition of the Study Material, comprising of two modules (Modules 1 & 2), is based on the provisions of income-tax law, as amended by the Finance Act, 2023 and significant notifications and circulars issued upto 30.04.2023. Hence, the same is applicable for May, 2024 Examination. Further, a list of topic-wise exclusions from the syllabus and inclusions with reference to section 10 in the syllabus has been specified by way of **"Study Guidelines"** and the same has been webhosted at https://resource.cdn.icai.org/76864bos61928.pdf at BoS Knowledge Portal.

The above referred study material has to be read along with Statutory Update for May, 2024 Examination webhosted at https://resource.cdn.icai.org/77982bos62599.pdf at BoS Knowledge Portal, which contains the significant notifications/circulars issued between 01.05.2023 and 31.10.2023, which are also relevant for May, 2024 Examination.

You have to read the Study Material thoroughly to attain conceptual clarity. Tables, diagrams and flow charts have been extensively used to facilitate easy understanding of concepts. The amendments made by the Finance Act, 2023 and latest notifications and circulars have been given in *italics*/***bold italics***. Examples and Illustrations given in the Study Material would help you understand the application of concepts. Work out the exercise questions at the end of each chapter and then, compare your answers with the answers given to test your level of understanding. Thereafter, solve the MCQs and case scenarios based MCQs uploaded in MCQ Paper Practice Dashboard and assess your level of understanding.

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 Service Tax (50 Marks)

For Section B: Goods and Services Tax of Paper 3: Taxation, the provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2023, including significant notifications and circulars issued and other legislative amendments made, up to 31st October, 2023, are applicable for May 2024 examination.

Further, a list of topic-wise exclusions from the syllabus has been specified by way of **"Study Guidelines for May, 2024 Examination"**. The same is given as part of "**Applicability of Standards/Guidance Notes/Legislative Amendments etc. for May, 2024 - Intermediate Examination"** appended at the end of this Revision Test Paper.

The June, 2023 edition of the Study Material alongwith the Statutory updates for May, 2024 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 and IGST Act as amended upto 30.04.2023. The amendments in the GST law made between 01.05.2023 and 31.10.2023 are covered in the Statutory Updates for May 2024 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

QUESTIONS

PART – I: Multiple Choice Questions based on Case Scenarios

1. RTS Ltd, ("RTS" or the "Company"), is engaged in the business of manufacturing of equipments/components. The Company has a contract with the Indian Railways for a brake component which is structured such that:

   - The Company's obligation is to deliver the component to the Railways' stockyard, while the delivery terms are ex-works, the Company is responsible for engaging a transporter for delivery.
   - Railways sends an order for a defined quantity.
   - The Company manufactures the required quantity and informs Railways for carrying out the inspection.
   - Railways representatives visit the Company's factory and inspect the components, and mark each component with a quality check sticker.
   - Goods once inspected by Railways, are marked with a hologram sticker to earmark for delivery identification by the customer when they are delivered to the customer's location.
   - The Company raises an invoice once it dispatches the goods.

   The management of RTS is under discussion with the auditors of the Company in respect of accounting of a critical matter as regards its accounting with respect subsequent events i.e. events after the reporting period. They have been checking as to which one of the following events after the reporting period provide evidence of conditions that existed at the end of the reporting period?

i. Nationalisation or privatization by government

ii. Out of court settlement of a legal claim

iii. Rights issue of equity shares

iv. Strike by workforce

v. Announcing a plan to discontinue an operation

The Company has received a grant of ₹ 8 crores from the Government for setting up a factory in a backward area. Out of this grant, the Company distributed ₹ 2 crores as dividend. The Company also received land, free of cost, from the State Government but it has not recorded this at all in the books as no money has been spent.

RTS has a subsidiary, A Ltd, which is evaluating its production process wherein normal waste is 5% of input. 5,000 MT of input were put in process resulting in wastage of 300 MT. Cost per MT of input was ₹ 1,000. The entire quantity of waste was on stock at the end of the financial year.

i. When should RTS Ltd recognize revenue as per the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006? Would your answer be different if inspection is normally known to lead to no quality rejections?

   (a) Revenue should be recognized on dispatch of components. The assessment would not change even in case where inspection is normally known to lead to no quality rejections.

   (b) Revenue should be recognized on completion of inspection of components. The assessment would not change even in case where inspection is normally known to lead to no quality rejections.

   (c) Revenue should be recognized on dispatch of components. The assessment would change where inspection is normally known to lead to no quality rejections.

   (d) Revenue should be recognized on delivery of the component to the Railways' stockyard. The assessment would change where inspection is normally known to lead to no quality rejections.

ii. In respect of A Ltd, state with reference to Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, what would be value of the inventory to be recorded in the books of accounts?

(a) ₹ 4,700,000.

(b) ₹ 5,000,000.

(c) ₹ 4,950,000.

(d) ₹ 4,947,368.

iii. Please guide regarding the accounting treatment of both the grants mentioned above in line with the requirements of Accounting Standard 12.

(a) Distribution of dividend out of grant is correct. In the second case also not recording land in the books of accounts is correct.

(b) Distribution of dividend out of grant is incorrect. In the second case, not recording land in the books of accounts is correct.

(c) Distribution of dividend out of grant is correct. In the second case, land should be recorded in the books of accounts at a nominal value.

(d) Distribution of dividend out of grant is incorrect. In the second case, land should be recorded in the books of accounts at a nominal value.

General MCQs

2. Gyan Ltd. borrowed ₹ 10 crore for construction of a plant at the rate of 10% per annum (interest paid annually ₹ 1 crore). The construction was being carried on and out of the borrowings, ₹ 4 crore was temporarily placed in a fixed deposit at the rate of 6% per annum (interest earned

₹ 24 lakh). At the year end, how much cost of borrowing Gyan Limited will capitalise?

(a) Interest paid on ₹ 10 crore i.e. ₹ 1 crore

(b) Interest paid on ₹ 6 crore as only this amount was utilized i.e. ₹ 60 Lakh.

(c) Interest paid less income on temporary investment i.e. ₹ 76 lakh

(d) Nothing will be capitalized

Part II - Descriptive Questions

Introduction to Accounting Standards

3. What do you mean by Carve outs/ins in Ind AS? Explain

Framework for Preparation and Presentation of Financial Statements

4. Shiva started a business on 1st April 2022 with ₹ 15,00,000 represented by 80,000 units of ₹ 25 each. During the financial year ending on 31st March, 2023, he sold the entire stock for ₹ 35 each. In order to maintain the capital intact, calculate the maximum amount, which can be withdrawn by Shiva in the year 2022-23 if Financial Capital is maintained at historical cost.

Applicability of Accounting Standards

5. Based upon criteria for rating of non-corporate entity, categorize the following as Level I, Level II and Level III Level IV entities for the purpose of compliance of Accounting Standards in India.

(a) Rama Textiles whose turnover (excluding other income) exceeds ten crore but does not exceed rupees fifty crore in the immediately preceding accounting year.

(b) Star Industries is having borrowings (including public deposits) in excess of rupees two crore but not in excess of rupees ten crore at any time during the immediately preceding accounting year.

(c) Newman Industries is having borrowings (including public deposits) less than rupees fifty lakh at any time during the immediately preceding accounting year.

(d) SS Finance is a financial institution carrying its business in India since last 10 years.

(e) DD Finance, holding company of SS Finance. (Entity mentioned at Point (v) above)

(f) Reliable Co-op Bank, a co-operative bank, carrying banking operations since last 15 years.

AS 3 "Cash Flow Statements"

6. From the following particulars calculate cash flows from Operating activities:

Particulars	₹
Retained earning	17,000
Depreciation	4,000
Loss on Sale of Machinery	3,000
Provision for tax	7,000
Interim Dividend paid during the year	10,000
Dividend paid during the year	8,000
Premium payable on redeemable Preference Shares	2,000
Profit on sale of investment	10,000
Refund of tax	1,000

Additional Information:

	31. 3. 22 ₹	**31. 3. 23** ₹
Trade Receivable	10,000	12,000
Trade Payable	7,000	15,000
Provision for Tax	4,000	7,000
Prepare Expenses	2,000	1,000
Outstanding Expenses	1,400	1,000

AS 18 "Related Party Disclosures"

7. (i) A Ltd. enter into an agreement with Mr. Bhola for running a business for a fixed amount payable to the later every year. The contract states that the day-to-day management of the business will be handled by Mr. Bhola, while all financial and operating policy decisions are taken by the Board of Directors of the Company. Mr. Bhola does not own any voting power in A Limited.

   (ii) Shri Manoj a relative of key management personnel received remuneration of ₹ 3,50,000 for his services in the company for the period from 1st April, 2022 to 30th June, 2022. On 1st July, 2022, he left the service.

   You are required to suggest how the above transactions will be treated as at the closing date i.e. on 31st March, 2023 for the purposes of AS 18-Related Party Disclosures.

AS 24 "Discontinuing Operations"

8. Arzoo Ltd. is in the business of manufacture of passenger cars and commercial vehicles. The company is working on a strategic plan to shift from the passenger car segment to the commercial vehicles segment over the coming 5 years. However, no specific plans have been drawn up for sale of neither the division nor its assets. As part of its plan, it has planned that it will reduce the production of passenger cars by 20% annually. It also plans to commence another new factory for the manufacture of commercial vehicles plus transfer of employees in a phased manner. These plans have not approved from the Board of Directors and the new factory for manufacture of commercial vehicles has not yet started. You are required to comment if mere gradual phasing out in itself can be considered as a 'Discontinuing Operation' within the meaning of AS 24.

AS 13 "Accounting for Investments"

9. ABC Ltd. holds 2,000, 15% Debentures of ₹ 100 each in XYZ Ltd. as on April 1, 2022 at a cost of ₹ 2,50,000.

   Interest is payable on June, 30 and December, 31 each year.

Following are the details of 15% Debentures purchased and sold during the year 2022-23.

Particulars
On May 1, 2022, 1,000 debentures are purchased cum-interest at ₹ 1,05,000.
On November 1, 2022, 1200 debentures are sold ex-interest at ₹ 1,28,200.
On November 30, 2022, 500 debentures are purchased ex-interest at ₹ 54,500.
On December 31, 2022, 900 debentures are sold cum-interest for ₹ 1,18,000

You are required to prepare the investment Account showing value of holdings on March 31, 2023 at cost, using FIFO Method.

AS 16 "Borrowing Costs"

10. H Ltd. began the construction of a new building on 1st April 2022. It obtained a special loan of ₹ 6,00,000 on 1st April 2022 at an interest of 12% to finance the construction of the building.

    The company's other outstanding two non-specific loans on 1st April, 2022 were as follows:

Amount in ₹	Rate of Interest
30,00,000	14%
54,00,000	16%

The expenditure incurred on the building project was as per detail given below:

	Amount in ₹
1st May, 2022	12,00,000
1st July, 2022	15,00,000
1st October, 2022	27,00,000
1st March, 2023	7,20,000

The building was completed by 31st March 2023.

Following the provisions of Accounting Standard 16, you are required to calculate the amount of interest to be capitalized and also give one Journal Entry for capitalizing the cost and borrowing cost in respect of the building.

AS 19 "Leases"

11. Sooraj Limited wishes to obtain a machine costing ₹ 30 lakhs by way of lease. The effective life of the machine is 14 years, but the company requires it only for the first 3 years. It enters into an agreement with Star Ltd., for a lease rental for ₹ 3 lakhs p.a. payable in arrears and the implicit rate of interest is 15%. The chief accountant of Sooraj Limited is not sure about the treatment of these lease rentals and seeks your advice. (use annuity factor at @ 15% for 3 years as 2.28)

AS 14 "Accounting for Amalgamations"

12. Naresh Ltd. had the following transactions during the financial year 2022-2023:

    (i) Naresh Ltd. acquired running business of Sunil Ltd. for ₹ 10,80,000 on 15th May, 2022. The fair value of Sunil Ltd.'s net assets was ₹ 5,16,000. Naresh Ltd. is of the view that due to popularity of Sunil Ltd.'s product in the market, its goodwill exists.

    (ii) Naresh Ltd. had taken a franchise on July 2022 to operate a restaurant from Sankalp Ltd. for ₹ 1,80,000 and at an annual fee of 10% of net revenues (after deducting expenditure). The franchise expires after 6 years. Net revenues were ₹ 60,000 during the financial year 2022-2023.

    (iii) On 20th August, 2022, Naresh Ltd, incurred costs of ₹ 2,40,000 to register the patent for its product. Naresh Ltd. expects the patent's economic life to be 8 years.

    Naresh Ltd. follows an accounting policy to amortize all intangibles on straight line basis over the maximum period permitted by accounting standards taking a full year amortization in the year of acquisition.

Goodwill on acquisition of business to be amortized over 5 years (SLM) as per AS 14.

Prepare a schedule showing the intangible assets section in Naresh Ltd. Balance Sheet at 31st March, 2023.

AS 15 "Employee Benefits"

13. Hello Limited belongs to the manufacturing industry. The company received an actuarial valuation for the first time for its pension scheme which revealed a surplus of ₹ 12 lakhs. It wants to spread the same over the next 2 years by reducing the annual contribution to ₹ 4 lakhs instead of ₹ 10 lakhs. The average remaining life of the employees is estimated to be 6 years. You are required to advise the company on the following items from the viewpoint of finalization of accounts, taking note of the mandatory accounting standards.

AS 4 "Contingencies and Events occurring after the balance sheet date"

14. Surya Limited follows the financial year from April to March. It has provided the following information.

    (i) A suit against the Company's Advertisement was filed by a party on 5th April, 2023, claiming damages of ₹ 5 lakhs.

    (ii) Company sends a proposal to sell an immovable property for ₹ 45 lakhs in March 2023. The book value of the property is ₹ 30 lakhs as on year end date. However, the Deed was registered on 15th April, 2023.

    Keeping in view the provisions of AS-4, you are required to state with reasons whether the above events are to be treated as Contingencies, Adjusting Events or Non-Adjusting Events occurring after Balance Sheet date.

AS 7 "Construction Contracts"

15. The following data is provided for M/s. Raj Construction Co.

    (i) Contract Price - ₹ 85 lakhs

    (ii) Materials issued - ₹ 21 Lakhs out of which Materials costing ₹ 4 Lakhs is still lying unused.at the end of the period.

(iii) Labour Expenses for workers engaged at site - ₹ 16 Lakhs (out of which ₹ 1 Lakh is still unpaid)

(iv) Specific Contract Costs = ₹ 5 Lakhs

(v) Sub-Contract Costs for work executed - ₹ 7 Lakhs, Advances paid to Sub-Contractors - ₹ 4 Lakhs

(vi) Further Cost estimated to be incurred to complete the contract - ₹ 35 Lakhs

You are required to compute the Percentage of Completion, the Contract Revenue and Cost to be recognized as per AS-7.

AS 9 "Revenue Recognition"

16. Following information of BS Products Ltd. is given:

(i) Goods of ₹ 2,00,000 sold to Den Ltd. on 20-03-2023 but at the request of the buyer these were delivered on 10-04-2023. ·

(ii) On 15-01-2023 goods of ₹ 3,00,000 were sent on consignment basis, of which 20% of the goods unsold are lying with the consignee as on 31-03-2023.

(iii) ₹ 4,00,000 worth of goods were sold on approval basis on 01-12-2022. The period of approval was 3 months after which they were considered as sold. Buyer sent approval for 75% goods upto 31-01-2023 and no approval or disapproval received for the remaining goods till 31-03-2023.

(iv) Apart from the above, BS Products Ltd. sells goods to dealers also. One of the condition of sale is that interest is payable @ 2% p.m. for delayed payments by dealers. Percentage of interest recovery is only 10% i.e. ₹ 50,000 on such overdue outstanding due to various reasons. During the year 2022-23, company wants to recognize the entire interest receivable of ₹ 60,000.

You are required to advise the accountant of BS Products Ltd., with valid reasons, the amount to be recognized as revenue in above cases in the context of AS-9 and also determine the total revenue to be recognized for the year ending 31-03-2023.

AS 21 "Consolidated Financial Statements"

17. Zoom Ltd. acquired 70% shares of Star Ltd. @ ₹ 30 per share. Following is the extract of Balance Sheet of Star Ltd.:

	₹
15,00,000 Equity Shares of ₹ 10 each	1,50,00,000
15% Debentures	15,00,000
Trade Payables	82,50,000
Property, Plant and Equipment	1,05,00,000
Investments	67,50,000
Current Assets	1,02,00,000
Loans and Advances	33,00,000

On the same day Star Ltd. declared dividend at 20% and as agreed between both the companies Property, Plant and Equipment were to be depreciated @ 10% and investment to be taken at market value of ₹ 90,00,000. Calculate the Goodwill or Capital Reserve to be recorded in Consolidated Financial Statements.

Preparation of Financial Statements of Companies

18. Aqua ltd. has authorized capital of ₹ 50 lakhs divided into 5,00,000 equity shares of ₹ 10 each. Their books show the following ledger balances as on 31st March, 2023:

	₹		₹
Inventory 1.4.2022	6,65,000	Bank Current Account (Dr. balance)	20,000
Discounts & Rebates allowed	30,000	Cash in hand	11,000
Carriage Inwards	57,500		
Purchases	12,32,500	Calls in Arrear @ ₹ 2 per share	10,000
Rate, Taxes and Insurance	55,000	Equity share capital	20,00,000

Furniture & Fixtures	1,50,000	(2,00,000 shares of ₹ 10 each)	
Business Expenses	56,000	Trade Payables	2,40,500
Wages	14,79,000	Sales	36,17,000
Freehold Land	7,30,000	Rent (Cr.)	30,000
Plant & Machinery	7,50,000	Transfer fees received	6,500
Engineering Tools	1,50,000	Profit & Loss A/c (Cr.)	67,000
Trade Receivables	4,00,500	Repairs to Building	56,500
Advertisement Expenses	15,000	Bad debts	25,500
Commission & Brokerage Expenses	67,500		

The inventory (valued at cost or market value, which is lower) as on 31st March, 2023 was ₹ 7,05,000. Outstanding liabilities for wages ₹ 25,000 and business expenses ₹ 36,500.

Charge depreciation on written down values of Plant & Machinery @ 5%, Engineering Tools @ 20% and Furniture & Fixtures @10%. Provide ₹ 25,000 as doubtful debts for trade receivables. Provide for income tax @ 30%. It was decided to transfer ₹ 10,000 to reserves.

You are required to prepare Statement of Profit & Loss for the year ended 31st March, 2023 and Balance Sheet as at that date.

Buy back of Securities

19. Mukti Ltd. (a non-listed company) provide the following information as on 31.3.2023:

	(₹)
Land and Building	21,50,000
Plant & Machinery	15,00,000
Non-current Investment	2,00,000
Trade Receivables	5,50,000
Inventories	1,80,000

Cash and Cash Equivalents	40,000
Share capital:1,00,000 Equity Shares of ₹ 10 each fully paid up	10,00,000
Securities Premium	3,00,000
General Reserve	2,50,000
Profit & Loss Account (Surplus)	1,50,000
10% Debentures (Secured by floating charge on all assets)	20,00,000
Unsecured Loans	8,00,000
Tarde Payables	1,20,000

On 21st April, 2023 the Company announced the buy back of 15,000 of its equity shares @ ₹ 15 per share. For this purpose, it sold all its investment for ₹ 2.50 lakhs.

On 25th April, 2023, the company achieved the target of buy back. On 1st May, 2023 the company issued one fully paid up share of ₹ 10 each by way of bonus for every eight equity shares held by the equity shareholders.

You are required to pass necessary Journal Entries for the above transactions.

Accounting for Reconstruction of companies

20. As a part of the reconstruction scheme of Getting better Ltd, the following terms were agreed upon-

    1. The shareholders to receive in lieu of their present holdings (viz. 10,000 shares of ₹ 50 each), the following-

        (a) 15,000 Fully paid equity shares of ₹ 10 each;

        (b) 12% fully paid preference shares to the extent of 2/5 of total equity shares;

        (c) To pay them ₹ 50,000 and transfer the remaining to the reconstruction account.

    2. 8% Preference share capital - ₹ 3,00,000

To write down the value of preference shares to ₹ 50 (original face value ₹ 100).

3. 14% debentures of the nominal value of ₹ 2,00,000 along with accrued interest ₹ 56,000 was waived off for three fourths of the total amount, and the remaining being paid in cash.

Show the necessary journal entries in the books of Getting better company based on the above scheme.

SUGGESTED ANSWERS/HINTS

Answer to Case Scenario and MCQ

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

Descriptive Answers

3. Certain changes have been made in Ind AS considering the economic environment of the country, which is different as compared to the economic environment presumed to be in existence by IFRS. These differences are due to differences in economic conditions prevailing in India. These differences which are in deviation to the accounting principles and practices stated in IFRS, are commonly known as 'Carve-outs'. Additional guidance given in Ind AS over and above what is given in IFRS, is termed as 'Carve in'.

4.

Particulars	**Financial Capital Maintenance at Historical Cost (₹)**
Closing equity (₹ 35 x 80,000 units)	28,00,000 represented by cash

Opening equity	80,000 units x ₹ 25 = 20,00,000
Permissible drawings to keep Capital intact	8,00,000 (28,00,000 – 20,00,000)

5. (a) Level III Entity – Rama textiles, whose turnover (excluding other income) exceeds rupees ten crore but does not exceed rupees fifty crore in the immediately preceding accounting year.

(b) Level III Entity – Star industries is having borrowings (including public deposits) in excess of rupees two crore but not in excess of rupees ten crore at any time during the immediately preceding accounting year.

(c) Level IV Entity– Newman Industries is having borrowings (including public deposits) less than rupees fifty lakhs at any time during the immediately preceding accounting year.

(d) Level I Entity – SS is a financial institutions carrying its business in India since last 10 years.

(e) Level I Entity – DD finance, Holding company of SS finance (Entity mentioned in point (d) above).

(f) Level I Entity – Reliable co-operative banks carrying on banking business since last 15 years.

6. **Calculation of Cash Flow from Operating Activities**

Particulars	**Amount ₹**
Retained earnings	17,000
Add: Depreciation	4,000
Add: Loss on sale of Machinery	3,000
Add: Premium Payable on redeemable Preference Shares	2,000
Add: Dividend paid	8,000
Add: Interim dividend paid during the year	10,000
Add: provision for tax made during the current year	7,000
Less: Refund of tax	(1,000)

Less: Profit on Sale of Investment	(10,000)
Operating Profit before Working Capital Changes	40,000
Add: Decrease in Prepaid Expenses	1,000
Less: Increase in Trade receivable	(2,000)
Add: Increase in Trade Payable	8,000
Less: Decrease in Outstanding Expenses	(400)
Cash generated from (Net of refund) operation	46,600
Less: Income tax paid (4,000 – 1,000)	(3,000)
Net Cash flow operating activities	43,600

7. **(i)** Mr. Bhola will not be considered as a related party of A Ltd. in view of provisions of AS 18 "Related Party Disclosures" which states, "individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual are related parties".

In the given case, in the absence of share ownership, Mr. Bhola would not be considered to exercise significant influence on A Limited, even though there is an agreement giving him the power to manage the company. Further, the fact that Mr Bhola does not have the ability to direct or instruct the board of directors does not qualify him as a key management personnel.

(ii) According to AS 18 on 'Related Party Disclosures', parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Hence, Shri Manoj, a relative of key management personnel should be identified as related party for disclosure in the financial statements for the year ended 31.3.2023 as he received remuneration for his services in the company for the period from 1st April,2022 to 30th June,2022.

8. Mere gradual phasing out is not considered as discontinuing operation as defined under AS 24, 'Discontinuing Operations'.

Examples of activities that do not necessarily satisfy criterion of the definition, but that might do so in combination with other circumstances, include:

(1) Gradual or evolutionary phasing out of a product line or class of service;

(2) Discontinuing, even if relatively abruptly, several products within an ongoing line of business;

(3) Shifting of some production or marketing activities for a particular line of business from one location to another; and

(4) Closing of a facility to achieve productivity improvements or other cost savings.

In view of the above, mere gradual phasing out in itself cannot be considered as discontinuing operation. The companies' strategic plan also has no final approval from the board through a resolution and there is no specific time bound activities like shifting of assets and employees. Moreover, the new segment i.e. commercial vehicle production line in a new factory has not started.

9. **In the Books of ABC Ltd**

15% Debentures (Investment) Account

Particulars		Face Value	Interest	Principal	Particulars		Face Value	Interest	Principal
		₹	₹	₹			₹	₹	₹
1.4.22	To Balance b/d	2,00,000	7,500	2,50,000	30.6.22	By Bank A/c		22,500	
					1.11.22	By Bank A/c	1,20,000	6,000	1,28,200
1.5.22	To Bank A/c	1,00,000	5,000	1,00,000	1.11.22	By P&L A/c			21,800
					31.12.22	By Bank A/c	90,000	6,750	1,11,250
30.11.22	To Bank A/c	50,000	3,125	54,500	31.12.22	By Bank A/c		10,500	

31.12.22	To P&L A/c			1,250	31.3.23	By Balance c/d	1,40,000	5,250	1,44,500
31.3.23	To P&L A/c (Transfer)		35,375						
		3,50,000	51,000	4,05,750			3,50,000	51,000	4,05,750

1. Loss on sale of debentures on 1.11.22

   Cost = 2,50,000/2,000X 1,200 = ₹ 1,50,000

   Sale proceeds = ₹ 1,28,200

   Loss = ₹ 1,50,000 less ₹ 1,28,200 = ₹ 21,800

2. Profit on sale of debentures on 31.12.22

   Cost = 2,50,000/2,000X 800 + 1,00,000/1,000X 100 = ₹ 1,10,000 (1,00,000+10,000)

   Sale proceeds = ₹ 1,11,250

   Loss = ₹ 1,11,250 less ₹ 1,10,000 = ₹ 1,250

3.

Calculation of closing balance:	**Units**		**₹**
Debentures in hand remained in hand at 1.4.23			
Purchased on 1st May, 22	900	1,00,000 x 9/10	90,000
Purchased on 30th Nov. 22	500	54,500	54,500
	1,400		1,44,500

10. Interest amount to be capitalized

		₹
Specific borrowings (₹ 6,00,000 x 12%)	=	72,000
Non-specific borrowings [₹ 30,35,000 (₹ 36,35,000 – ₹ 6,00,000) x 15.29%*]	=	4,64,052
Amount of interest to be capitalized	=	5,36,052

Journal Entry for capitalizing cost and borrowing cost

Date	Particulars		Dr. (₹)	Cr. (₹)
31.3.2023	Building account (Cost of building ₹ 61,20,000 + borrowing cost ₹ 5,36,052) To Bank account (Being amount of cost of building and borrowing cost thereon capitalized)	Dr.	66,56,052	 66,56,052

Working notes:

(i) Computation of average accumulated expenses

		₹
₹ 12,00,000 x 11 / 12	=	11,00,000
₹ 15,00,000 x 9 / 12	=	11,25,000
₹ 27,00,000 x 6 / 12	=	13,50,000
₹ 7,20,000 x 1 / 12	=	60,000
61,20,000		36,35,000

(ii) Calculation of average interest rate other than for specific borrowings

Amount of loan (₹)	Rate of interest		Amount of interest (₹)
30,00,000	14%	=	4,20,000
54,00,000	16%	=	8,64,000
84,00,000			12,84,000
Weighted average rate of interest $\left(\frac{12,84,000}{84,00,000} \times 100\right)$		=	15.29%* (Rounded off)

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

Annuity Factor (Year 1 to Year 3)	2.28
Present Value of minimum lease payments (₹ 3 lakhs each year)	₹ 6.84 lakhs

Thus present value of minimum lease payments is ₹ 6.84 lakhs and the fair value of the machine is ₹ 30 lakhs. In a finance lease, lease term should be for the major part of the economic life of the asset even if title is not transferred. However, in the given case, the effective useful life of the machine is 14 years while the lease is only for three years. Therefore, lease agreement is an operating lease. Lease payments under an operating lease should be recognized as an expense in the statement of profit and loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

12. **Naresh Ltd.**

Balance Sheet (Extract relating to intangible asset) as on 31st March 2023

	Note No.	₹
Assets		
(1) Non-current assets		
Intangible assets	1	8,11,200

Notes to Accounts (Extract)

		₹	₹
1.	Intangible assets		
	Goodwill (Refer to note 1)	4,51,200	

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

	Franchise (Refer to Note 2)	1,50,000	
	Patents (Refer to Note 3)	2,10,000	8,11,200

Working Notes:

		₹
(1)	Goodwill on acquisition of business	
	Cash paid for acquiring the business (purchase consideration)	10,80,000
	Less: Fair value of net assets acquired	(5,16,000)
	Goodwill	5,64,000
	Less: Amortisation as per AS 14 ie. over 5 years (as per SLM)	(1,12,800)
	Balance to be shown in the balance sheet	4,51,200
(2)	Franchise	1,80,000
	Less: Amortisation (over 6 years)	(30,000)
	Balance to be shown in the balance sheet	1,50,000
(3)	Patent	2,40,000
	Less: Amortisation (over 8 years as per SLM)	(30,000)
	Balance to be shown in the balance sheet	2,10,000

13. According to AS 15 (Revised 2005) 'Employee Benefits', actuarial gains and losses should be recognized immediately in the statement of profit and loss as income or expense. Therefore, surplus amount of ₹ 12 lakhs is required to be credited to the profit and loss statement of the current year.

14. Accordingly, the treatment as per AS -4 "Events occurring after the balance sheet date" is:

(i) Suit filed against the company is a contingent liability but it was not existing as on date of balance sheet date as the suit was filed on 5th April after the balance sheet date. As per AS 4, 'Contingencies' is restricted to conditions or situations at the balance sheet date, the financial effect of which is to be determined by future events which may or may not occur.

However, it may be disclosed with the nature of contingency, being a contingent liability.

This event does not pertain to conditions on the balance sheet date. Hence, it will have no effect on financial statement and will be a non-adjusting event.

(ii) In this case, no adjustment to assets and liabilities is required as the event does not affect the determination and the condition of the amounts stated in the financial statements for the year ended 31st March, 2023. There was just a proposal before 31st March, 2023 and hence sale cannot be shown in the financial statements for the year ended 31st March, 2023.

Sale of immovable property is an event occurring after the balance sheet date is a non-adjusting event.

15. Computation of contract cost

	₹ Lakh	**₹ Lakh**
Material cost incurred on the contract (net of closing stock)	21-4	17
Add: Labour cost incurred on the contract (including outstanding amount)		16
Specified contract cost	given	5
Sub-contract cost (advances should not be considered)		7
Cost incurred (till date)		45
Add: further cost to be incurred		35
Total contract cost		80

Percentage of completion = Cost incurred till date/Estimated total cost

= ₹ 45,00,000/₹ 80,00,000

= 56.25%

Contract revenue and costs to be recognized

Contract revenue (₹ 85,00,000x56.25%) = ₹ 47,81,250

Contract costs = ₹ 45,00,000

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

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

Case (i)

The sale is complete but delivery has been postponed at buyer's request. BS Products Ltd. should recognize the entire sale of ₹ 2,00,000 for the year ended 31st March, 2023.

Case (ii)

20% goods lying unsold with consignee should be treated as closing inventory and sales should be recognized for ₹2,40,000 (80% of ₹ 3,00,000). In case of consignment sale revenue should not be recognized until the goods are sold to a third party.

Case (iii)

In case of goods sold on approval basis, revenue should not be recognized until the goods have been formally accepted by the buyer or the buyer has done an act adopting the transaction or the time period for rejection has elapsed or where no time has been fixed, a reasonable time has elapsed. Therefore, revenue should be recognized for the total sales amounting ₹ 4,00,000 as the time period for rejecting the goods had expired.

Case (iv)

As per the standard, "where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising any claim, the revenue recognition is postponed to the extent of uncertainty involved. In such cases, the revenue is recognized only when it is reasonably certain that the ultimate collection will be made". In this case, interest should be recognized only if the ultimate collection is certain and the company expects to realize interest for the delayed payments for ₹ 50,000 only. Hence, based on the past experience, the realization of interest for the delayed payments by the agent is certain only to the extent of this amount and not ₹ 60,000. Therefore, the interest income of ₹ 50,000 should be recognized in the books for the year ended 31st March, 2023.

Thus total revenue amounting ₹ 8,90,000 (2,00,000 + 2,40,000 + 4,00,000 + 50,000) will be recognized for the year ended 31st March, 2023 in the books of BS Products Ltd.

17. As per para 13 of AS 21 any excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, should be described as goodwill to be recognised as an asset in the consolidated financial statements. When the cost to the parent of its investment in a subsidiary is less than the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, the difference should be treated as a capital reserve in the consolidated financial statements.

Since dividend is declared by Star Ltd. on the date of acquisition itself, it would be out of the divisible profits of Star Ltd. existing on the date of acquisition i.e., pre-acquisition profits from the perspective of Zoom Ltd. Accordingly, as per para 12 of AS 13, such pre-acquisition dividend would be reduced from the cost of investment, as seen below in the determination of Goodwill on the date of acquisition.

Calculation of Goodwill or Capital Reserve	₹	₹
Cost of Investment in Star Ltd. (70% stake):		
15,00,000 Equity Shares x 70% x ₹ 30 per share	3,15,00,000	
Less: Pre-acquisition dividend: 10,50,000 shares x ₹ 2	(21,00,000)	2,94,00,000

Less: Share of Zoom Ltd. in Net Assets of Star Ltd (W.N)		(1,55,40,000)
Goodwill on Date of Acquisition		1,38,60,000

Working Note:

Calculation of net asset	₹	₹
Assets		
Property, Plant and Equipment	1,05,00,000	
Less: Value written off (₹ 105 lakhs x 10%)	(10,50,000)	
	94,50,000	
Investments at Market Value	90,00,000	
Current Assets	1,02,00,000	
Loans and Advances	33,00,000	3,19,50,000
Less: Liabilities		
Trade Payables	82,50,000	
15% Debentures	15,00,000	(97,50,000)
Net Assets of Star Ltd.		2,22,00,000
Share of Zoom Ltd. in Net Assets of Star Ltd.: 70%		1,55,40,000

Note: In the absence of information about the reserves, it is presumed that the given extract of the Balance Sheet of Star Ltd. is after considering the effects of the dividend declared on the date of acquisition.

18. (a) Balance Sheet of Aqua ltd. as at 31st March, 2023

		Particulars	Note No.	(₹)
I	**Equity and Liabilities**			
	(1)	**Shareholders' Funds**		
		(a) Share Capital	1	19,90,000
		(b) Reserves and Surplus	2	3,82,000

			Note No.	₹
	(2)	**Current Liabilities**		
		(a) Trade Payables		2,40,500
		(b) Other Current Liabilities	3	61,500
		(c) Short-Term Provisions	4	1,35,000
		Total		28,09,000
II	**ASSETS**			
	(1)	**Non-Current Assets**		
		(a) Property, Plant and Equipment	5	16,97,500
	(2)	**Current Assets**		
		(a) Inventories		7,05,000
		(b) Trade Receivables	6	3,75,500
		(c) Cash and Cash Equivalents	7	31,000
		Total		28,09,000

Statement of Profit and Loss of Aqua Ltd.

for the year ended 31st March, 2023

	Particulars	**Note No.**	**(₹)**
I	Revenue from Operations		36,17,000
II	Other Income	8	36,500
III	**Total Revenue [I + II]**		36,53,500
IV	Expenses:		
	Cost of purchases		12,32,500
	Changes in Inventories [6,65,000-7,05,000]		(40,000)
	Employee Benefits Expenses	9	15,04,000
	Depreciation and Amortization Expenses		82,500
	Other Expenses	10	4,24,500
	Total Expenses		32,03,500

V	**Profit before Tax (III-IV)**		4,50,000
VI	**Tax Expenses @ 30%**		(1,35,000)
VII	**Profit for the period**		3,15,000

Notes to Accounts:

1. Share Capital

Authorized Capital	
5,00,000 Equity Shares of ₹ 10 each	50,00,000
Issued Capital	
2,00,000 Equity Shares of ₹ 10 each	20,00,000
Subscribed Capital and fully paid	
1,95,000 Equity Shares of ₹10 each	19,50,000
Subscribed Capital but not fully paid	
5,000 Equity Shares of ₹10 each ₹ 8 paid	40,000
(Call unpaid ₹10,000)	19,90,000

2. Reserves and Surplus

General Reserve		10,000
Surplus i.e. Balance in Statement of Profit & Loss:		
Opening Balance	67,000	
Add: Profit for the period	3,15,000	
Less: Transfer to Reserve	(10,000)	3,72,000
		3,82,000

3. Other Current Liabilities

Outstanding Expenses [25,000+36,500]	61,500

4. Short-term Provisions

Provision for Tax	1,35,000

5. Property, Plant and Equipment

Particulars	Value given (₹)	Depreciation rate	Depreciation Charged (₹)	Written down value at the end (₹)
Land	7,30,000		-	7,30,000
Plant & Machinery	7,50,000	5%	37,500	7,12,500
Furniture & Fixtures	1,50,000	10%	15,000	1,35,000
Engineering Tools	1,50,000	20%	30,000	1,20,000
	17,80,000		82,500	16,97,500

6. Trade Receivables

Trade receivables	4,00,500
Less: Provision for doubtful debts	(25,000)
	3,75,500

7. Cash & Cash Equivalent

Cash Balance	11,000
Bank Balance in current A/c	20,000
	31,000

8. Other Income

Miscellaneous Income (Transfer fees)	6,500
Rental Income	30,000
	36,500

9. Employee benefits expenses

Wages	14,79,000
Add: Outstanding wages	25,000
	15,04,000

10. Other Expenses

Carriage Inwards	57,500
Discount & Rebates	30,000
Advertisement	15,000
Rate, Taxes and Insurance	55,000
Repairs to Buildings	56,500
Commission & Brokerage	67,500
Miscellaneous Expenses [56,000+36,500] (Business Expenses)	92,500
Bad Debts	25,500
Provision for Doubtful Debts	25,000
	4,24,500

19. **In the books of Mukti Ltd.**

Journal Entries

Date	Particulars		Dr.	Cr.
2023			₹	₹
April 21	Bank A/c	Dr.	2,50,000	
	To Investment A/c			2,00,000
	To Profit on sale of investment			50,000
	(Being investment sold on profit)			
April 25	Equity share capital A/c	Dr.	1,50,000	
	Securities premium A/c	Dr.	75,000	
	To Equity shares buy back A/c			2,25,000
	(Being the amount due to equity shareholders on buy back)			
	Equity shares buy back A/c	Dr.	2,25,000	
	To Bank A/c			2,25,000
	(Being the payment made on account of buy back of 15,000 Equity Shares)			

	General Reserve A/c OR P&L A/c Dr.	1,50,000	
	To Capital redemption reserve A/c		1,50,000
	(Being amount equal to nominal value of buy back shares transferred from free reserves to capital redemption reserve account as per the law)		
May 1	Capital redemption reserve A/c Dr.	1,06,250	
	To Bonus to equity shareholder A/c (W.N.1)		1,06,250
	(Being the utilization of capital redemption reserve to issue bonus shares)		
	Bonus to equity shareholder A/c Dr.	1,06,250	
	To Equity share capital A/c		1,06,250
	(Being issue of one bonus equity share for every ten equity shares held)		

Working Note:

Amount of bonus shares = $\left[(1{,}00{,}000 - 15{,}000) \times \frac{1}{8}\right] \times 10$

= ₹ 1,06,250

20. **Journal entries in the books of Getting better Co.**

Date	Particulars		Dr.	Cr.
			₹	₹
	Share capital A/c (₹50)	Dr.	5,00,000	
	To Share capital A/c (₹10)			1,50,000
	To 12% Preference share capital A/c			2,00,000
	To Bank A/c			50,000
	To Reconstruction A/c			1,00,000
	(Being 15,000 equity shares of ₹ 10 and 12% preference shares issued,			

	paid in cash and remaining forgone as a part of Reconstruction Scheme dated...)			
	Preference Share capital A/c (₹ 100) To Preference share capital A/c (₹ 50) To Reconstruction A/c (Being the preference share capital reduced and forfeited as per reconstruction scheme)	Dr.	3,00,000	 1,50,000 1,50,000
	14% Debenture A/c Interest accrued on Debentures A/c To Bank A/c To Reconstruction A/c (Being the debenture holders paid their interest and amount foregone as per reconstruction scheme)	Dr. Dr.	2,00,000 56,000	 64,000 1,92,000
	Reconstruction A/c To Capital Reserve A/c (Being the balance in reconstruction ac transferred to capital reserve as per reconstruction scheme)	Dr.	4,42,000	 4,42,000

PAPER – 2: CORPORATE AND OTHER LAWS

PART – I: ANNOUNCEMENTS STATING APPLICABILITY FOR MAY, 2024 EXAMINATIONS

Applicability for May, 2024 examinations

The Study Material (April 2023 edition) is applicable for May, 2024 examinations. This study material is updated for all amendments till 30th April, 2023.

Further, all relevant amendments/ circulars/ notifications etc. in the Company law part for the period 1st May, 2023 to 31st October, 2023 are mentioned below:

<u>THE COMPANIES ACT, 2013</u>

<u>I. Chapter 3: Prospectus and Allotment of Securities</u>

<u>Notification S.O. 4744(E) dated 30th October, 2023</u>

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

<u>Amendment:</u>

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

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

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

[Enforcement Date: 30th October, 2023]

(Pg 3.6)

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

II. Chapter 7: Management and Administration

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

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

Amendment:

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

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

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

(i) a company secretary, if there is a requirement of appointment of such company secretary under the Act and the rules made thereunder; or

(ii) a key managerial personnel, other than the company secretary; or

(iii) every director, if there is no company secretary or key managerial personnel.

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

(i) company secretary, if there is a requirement of appointment of such company secretary under the Act and the rules made thereunder; or

(ii) every Managing Director or Manager, in case a company secretary has not been appointed; or

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

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

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

Old Law (Pg 7.13) Sub- rule (4), (5), (6), (7) and (8) of Rule 9 is newly inserted

PART – II: QUESTIONS AND ANSWERS

QUESTIONS

DIVISION A: MULTIPLE CHOICE QUESTIONS

Case Scenario 1

Golden Limited is a listed company which is incorporated in 2013 having its registered office at Delhi and corporate office in Noida. It is registered with an authorised share capital of ₹ 20 crore divided into 2 crore equity shares of ₹ 10/- each. The paid-up share capital of the company is ₹ 10 crore divided into 1 crore equity shares of ₹ 10/- each. The company is in construction activities like construction of buildings, roads, etc.

On 8th January, 2022, the company incorporated a wholly owned subsidiary, D Limited which is involved in supplying of construction materials like steel, iron, cement, bricks, etc. D Limited elects to choose to prepare its first financial statements for the period from 8th January, 2022 to 31st March, 2022.

On 2nd January, 2022, Golden Limited incorporated a new wholly owned subsidiary, E Limited for providing project management consultancy service to its customers or to parent company. On 5th January, 2022, Golden Limited through its subsidiary, E Limited acquired 100% partnership interest in XYZ & Co., partnership firm. E Limited elects to choose to prepare its first financial statements for the period from 2nd January, 2022 to 31st March, 2023 and conducted its Annual General Meeting on 16th August, 2023.

On 1st July, 2022, the subsidiary company, D Limited incorporated a new wholly owned subsidiary, F Limited.

Golden Limited prepared its standalone financial statements for the year 2021-22 and presented before the Board of Directors of the company on 25th August, 2022 for their approval and the same were adopted by the shareholders in the Annual General Meeting held on 2nd September, 2022.

Golden Limited prepared its standalone and consolidated financial statements for the year 2022-23 and presented before the Board of Directors of the company on 20th August, 2023 for their approval and the same were adopted by the shareholders in the Annual General Meeting held on 26th September, 2023.

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

1. What is the last date for conducting AGM for E Limited?
   - (a) 30th September, 2022
   - (b) 31st December, 2022
   - (c) 30th September, 2023
   - (d) 31st December, 2023
2. What is the due date for conducting AGM for Golden Limited for the year ended March 31, 2023?
   - (a) 30th September, 2023
   - (b) 31st October, 2023
   - (c) 30th November, 2023
   - (d) 31st December, 2023
3. The Companies Act, 2013 provides that in addition to standalone financial statement, the company shall also prepare consolidated financial statements which shall also be presented at AGM. Accordingly,

the consolidated financial statements of Golden Limited for the financial year ended 31st March, 2022 includes, financial statements:

(a) Golden Limited and D Limited

(b) Golden Limited, D Limited and E Limited

(c) Golden Limited, D Limited, E Limited and XYZ & Co., partnership firm

(d) Golden Limited, D Limited, E Limited, F Limited and XYZ & Co., partnership firm

4. The Companies Act, 2013 provides that in addition to standalone financial statement, the company shall also prepare consolidated financial statements which shall also be presented before AGM. Accordingly, the consolidated financial statements of Golden Limited for the financial year ended 31st March, 2023 includes:

(a) Golden Limited and D Limited

(b) Golden Limited, D Limited and E Limited

(c) Golden Limited, D Limited, E Limited and XYZ & Co., partnership firm

(d) Golden Limited, D Limited, E Limited, F Limited and XYZ & Co., partnership firm

5. Please select which is the correct option/ which is the most correct statement:

(a) Golden Limited had given the notice for holding AGM in Mumbai on Monday, 26th September, 2023 at 11.00 A.M.

(b) Golden Limited had given the notice for holding AGM in Delhi on Monday, 26th September, 2023 at 11.00 A.M.

(c) Golden Limited had given the notice for holding AGM in Noida on Tuesday, 27th September, 2023 at 11.00 A.M.

(d) Golden Limited had given the notice for holding AGM in Delhi on Monday, 26th September, 2023 at 8.30 A.M.

Case Scenario 2

Omx Software Private Limited is a private company and having its registered office in Bangalore and is a wholly owned subsidiary of Omx Software Inc, situated in USA. Mr. Rajat Kapoor, Mr. Shubham and Mr. Peter are directors of Omx Software Private Limited. Mr. Rajat and Mr. Shubham are Indian residents while Mr. Peter is a non-resident and stays in USA. Mr. Peter is also a director in Omx Software Inc.

Mr. Rajat left India on 2nd November, 2021 for the purpose of looking after the business of Omx Software Inc. Mr. Rajat came to back to India on 12th February, 2022 to meet his family and left India on 26th February, 2022 and went back to USA to look after the business of Omx Software Inc. Mr. Rajat again visited India on 25th August, 2022 and stays in India for the whole year.

Omx Software Private Limited had availed a consultancy service from a company situated in USA for development of software for the purpose of rendering service to its customers situated in India.

Mr. Rajat had purchased a residential property in USA on 27th April, 2022 which was self-occupied by him for his residential use.

6. Considering the provisions of the Foreign Exchange Management Act, 1999, which of the following options correctly determines the residential status of Mr. Rajat Kapoor:

   (a) Mr. Rajat Kapoor to be treated as resident in India for Financial Year (FY) 2022-2023 and FY 2023-2024 since he stays in India for more than 182 days

   (b) Mr. Rajat Kapoor to be treated as non-resident in India for FY 2022-2023 since he left India for the purpose of carrying business of Omx Software Inc and resident for FY 2023-2024

   (c) Mr. Rajat Kapoor to be treated as non-resident for FY 2022-2023 and FY 2023-2024

   (d) Mr. Rajat Kapoor to be treated as resident in India for FY 2022-2023 since he stays in India for more than 182 days and non-resident for FY 2023-2024

7. Considering the provisions of the Foreign Exchange Management Act, 1999, how much amount can company remit outside India:

   (a) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 1,000,000 per project

   (b) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 100,000 per project

   (c) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 200,000 per project

   (d) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 2,000,000 per project

8. Considering the provisions of the Foreign Exchange Management Act, 1999, in respect of purchase of residential property by Mr. Rajat in USA which of the following statement is correct?

   (a) Purchase of residential property by Mr. Rajat is a current account transaction

   (b) Mr. Rajat has to sell his property before returning to India permanently as he becomes resident in subsequent years

   (c) Purchase of residential property by Mr. Rajat is neither capital account transaction nor current account transaction

   (d) Purchase of residential property by Mr. Rajat is a capital account transaction

9. Bhavesh, Yash and Chirag incorporated a Limited Liability Partnership for doing the business of trading of timber under the name Solid Lakkad LLP. Chirag has shifted his residence from 12, Block C, Kamla Nagar, Agra to 808, Sector 1, Bodla, Agra on 16th November, 2023. Chirag informed the firm about change of his address on 20th November, 2023 sending a written notice. Now, by which date Solid Lakkad LLP is required to file a notice with the registrar?

(a) 01st December, 2023

(b) 05th December, 2023

(c) 16th December, 2023

(d) 20th December, 2023

10. Druk Software Company Inc., a company incorporated in Australia, proposes to establish a place of business at Mumbai. The list of the Directors includes (i) Mr. Arun – Managing Director, (ii) Mr. Ranveer – Director, (iii) Mr. Ramesh Malik - Director and (iv) Mr. Navaaz - Director. Ms. Lavina has been appointed as the Secretary of Druk Software Company Inc. It is to be noted that Mr. Ramesh Malik and Mr. Navaaz, resident in India, are the persons who have been authorised by Druk Software Company Inc. to accept on behalf of the company service of process, notices or other documents required to be served on Druk Software Company Inc. In relation to the company's establishment, you are required to enlighten the Druk Company Inc. with respect to whose, a declaration will be required to be submitted to the Registrar of Companies by Druk Software Company Inc. for not being convicted or debarred from formation of companies in or outside India.

(a) Mr. Arun, Mr. Ranveer, Mr. Ramesh Malik, Mr. Navaaz and Ms. Lavina

(b) Mr. Arun, Mr. Ramesh Malik, Mr. Navaaz and Ms. Lavina

(c) Mr. Ramesh Malik and Mr. Navaaz

(d) Mr. Arun, Mr. Ranveer, Mr. Ramesh Malik and Mr. Navaaz

DIVISION B: DESCRIPTIVE QUESTIONS

PART I: COMPANY LAW

The Companies Act, 2013

11. Ram Pvt. Ltd. is the holding company of Laxman Pvt. Ltd. As per the last profit and loss account for the year ending 31st March, 2023 of Laxman Pvt. Ltd., its turnover was ₹ 1.80 crore; and paid up share capital was ₹ 80 lakh. The Board of Directors wants to avail the status of a small company. The Company Secretary of the company advised the directors that the company cannot be categorized as a small company. In the light

of the above facts and in accordance with the provisions of the Companies Act, 2013, you are required to examine whether the contention of Company Secretary is correct, explaining the relevant provisions of the Act.

12. Prakash and some of his friends are members of Focus Limited, a company with a paid-up share capital of ₹ one crore. They all intend to propose a resolution at the forthcoming General Meeting of the company which is going to be held in CP, New Delhi i.e. the place where Registered Office of Focus Limited is situated.

    (i) Kindly provide guidance to Prakash and his friends on the requisite minimum paid-up share capital they should hold to initiate a members' resolution.

    (ii) What are the other requirements that Prakash and his friends need to keep in mind for moving a members' resolution.

13. PQR Private Limited operates as a manufacturing company, generating a turnover of ₹ 150 crore and holds an outstanding loan of ₹ 75 crore from a public financial institution solely in the previous financial year (with a total loan availed of ₹ 110 crore, but ₹ 35 crore were repaid during the same year). The company's Board has delegated the authority to Chief Executive Officer (CEO) to designate an internal auditor to conduct internal audit. However, the CEO believes that the company is not legally obligated to have an internal auditor. Analyse the accuracy of the CEO's perspective by referring to the provisions outlined in the Companies Act, 2013. What would be your response if the Board of Directors wanted to appoint the Mr. Nagendra (an ex- employee who is a qualified Chartered Accountant) as an internal auditor?

14. The Governments of Tamil Nadu and Andhra Pradesh collectively hold 60% of the paid-up Equity Share Capital of Orange Limited. The audited financial statements of Orange Limited for the financial year 2022-23 were presented at its Annual General Meeting convened on 17th August, 2023. However, pending the comments of the Comptroller and Auditor General of India (CAG) on the said accounts the meeting was adjourned without adoption of the accounts. Therefore, the company did not file its financial statements with the Registrar of Companies. Afterwards, on receipt of CAG comments on the accounts, the adjourned annual

general meeting was held on 20th September, 2023 whereat the accounts were adopted. Thereafter, Orange Limited filed its financial statements relevant to the financial year 2022-23 with the Registrar of Companies on 29th September, 2023.

Examine, with reference to the applicable provisions of the Companies Act, 2013, whether, Orange Limited has complied with the statutory requirement regarding filing of accounts with the Registrar.

15. NOP Limited, since its incorporation in 2002, is engaged in the production of premium quality glass bottles. According to financial results of the company as on 31.3.2023 net worth of the company was ₹ 90 crore and turnover for the year 2022-23 was ₹ 510 crore. The company proposed to accept the deposits as on 1st February, 2024, which would be due for repayment on 30th September, 2028 from the public for expansion and redevelopment programs of company.

    Furthermore, the company has accepted a loan of ₹ 1.5 crore from Mr. P Kishore (Director) and the loan was to be repaid after 24 months. Company in its books of account, records the receipt as a loan under non-current liabilities. At the time of advancing loan, Mr. P Kishore affirms in writing that such amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and complete details of such loan transaction is furnished in the boards' report.

    On the basis of above facts answer the following questions:

    (i) Whether company was eligible to accept deposit from public? What is the criteria for acceptance of deposit and tenure for which deposit can be accepted? Whether the tenure decided by company was in accordance with provisions of the Companies Act, 2013?

    (ii) With reference to the loan advanced by Mr. P Kishore to company, state whether the same is to be classified as a deposit or not?

16. Fine Publishers, registered in Tokyo, began operating in India during the financial year 2009. The company has duly submitted all necessary documents to the registrar within the specified due date. On 1st March, 2023, Fine Publishers has shifted its principal office in Tokyo. Is Fine

Publishers required to undertake any steps due to change in address of principal office. Give your answer in reference to the provisions of the Companies Act, 2013.

Limited Liability Partnership Act, 2008

17. Mohit is a creditor of ABC LLP. He has a claim of ₹ 10,00,000 against the LLP. However, the assets of the LLP are valued at only ₹ 7,00,000. Now, Mohit seeks to hold the partners of the LLP personally accountable for the shortfall of ₹ 3,00,000. Under the provisions of the Limited Liability Act, 2008, can Mohit demand for the deficit from the partners of ABC LLP?

PART II: OTHER LAWS

The General Clauses Act, 1897

18. Yogveer Singh has a mango orchard at Manchanga Village, Bilaspur. The orchard has more than one hundred Mango trees. Yogveer Singh has sold orchard along with all the mango trees. Explain, in the lights of provisions of the General Clauses Act 1897, whether the sale of trees will be considered as sale of Immovable Property?

Interpretation of Statutes

19. What does the principle of "reading the statute as a whole" imply in the interpretation of statutes? Explain with the help of an example.

The Foreign Exchange Management Act, 1999

20. Mr. Shivesh, an Indian National desires to obtain Foreign Exchange for the following purposes:

    (i) Remittance of US Dollar 50,000 out of winnings on a lottery ticket.

    (ii) US Dollar 100,000 for sending a cultural troupe on a tour of U.S.A.

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

SUGGESTED ANSWERS/HINTS

1. **(d)**
2. **(a)**
3. **(c)**
4. **(d)**
5. **(b)**
6. **(b)**
7. **(a)**
8. **(c)**
9. **(c)**
10. **(d)**
11. As per section 2(85) of the Companies Act, 2013, small company means a company, other than a public company:

    (i) paid-up share capital of which does not exceed four crore rupees, and

    (ii) turnover of which as per profit and loss account for the immediately preceding financial year does not exceed forty crore rupees:

    Provided that nothing in this clause shall apply to—

    (A) a holding company or a subsidiary company;

    (B) a company registered under section 8; or

    (C) a company or body corporate governed by any special Act.

    In the instant case, as per the last profit and loss account for the year ending 31st March, 2023 of Laxman Pvt. Ltd., its turnover was to the extent of ₹ 1.80 crore, and paid-up share capital was ₹ 80 lakh. Though Laxman Pvt. Ltd., as per the turnover and paid-up share capital norms, qualifies for the status of a 'small company' but it cannot be categorized as a ‘small company’ because it is the subsidiary of another company (Ram Pvt. Ltd.).

Hence, the contention of the Company Secretary is correct.

12. **(i)** In terms of section 111 of the Companies Act, 2013, the members of a company are given a statutory right to propose resolutions for consideration at the general meetings. According to sub-section (1), the number of members required to make a requisition for moving resolution shall be same as required to requisition a general meeting as per section 100 (2). The requirement is as under:

"In case of a company having share capital, such number of members who hold minimum 1/10th of the paid-up share capital that carries right of voting shall be eligible to make a requisition for moving a resolution at the general meeting."

Accordingly, Prakash and his friends must hold minimum $1/10^{th}$ of paid-up share capital (*i.e.* ₹ 10 lakh worth of share capital carrying right to vote) of Focus Limited in order to be eligible for moving a resolution at the general meeting.

(ii) The other requirements as per section 111 for making a requisition to move a resolution at the general meeting which Prakash and his friends should keep in mind are as under:

(a) Two or more copies of the requisition are required to contain signatures of all the requisitionists i.e. Prakash and friends.

(b) The requisition must be deposited by them at CP where the registered office of Focus Limited is situated.

(c) In the case of a requisition requiring notice of a resolution, it needs to be deposited by them not less than six weeks before the meeting.

(d) In case of any other resolution, the same is to be deposited by them not less than two weeks before the meeting.

(e) A sum reasonably sufficient to meet the expenses to be incurred by Focus Limited in giving effect to proposing the resolution shall also be deposited by Prakash and his friends along with the requisition.

13. According to the provisions of section 138 of the Companies Act, 2013, read with Rule 13 of the Companies (Accounts) Rules, 2014, every private company having—

(A) turnover of 200 crore rupees or more during the preceding financial year; or

(B) outstanding loans or borrowings from banks or public financial institutions exceeding 100 crore rupees or more at any point of time during the preceding financial year.

shall be required to appoint an internal auditor which may be either an individual or a partnership firm or a body corporate.

Internal Auditor shall either be a Chartered Accountant or a Cost Accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

The internal auditor may or may not be an employee of the company.

Thus, PQR Private Limited is required to appoint an internal auditor as the outstanding loans from public financial institutions during the year have exceeded 100 crore (irrespective of the fact that the outstanding loan during the year is 75 crore rupees).

Hence, the advice of CEO is not correct.

Internal Auditor may be any professional as decided by the Board and may be even an employee of the company. Hence, the Board of Directors may appoint Mr. Nagendra, an ex- employee who is a qualified Chartered Accountant, as an internal auditor.

14. According to first provision to section 137(1) of the Companies Act, 2013, where the financial statements are not adopted at Annual General Meeting (AGM) or adjourned AGM, such unadopted financial statements along with the required documents shall be filed with the Registrar within thirty days of the date of Annual General Meeting and the Registrar shall take them in his records as provisional till the financial statements are filed with him after their adoption in the adjourned Annual General Meeting for that purpose.

According to second proviso to section 137(1) of the Companies Act, 2013, financial statements adopted in the adjourned AGM shall be filed with the Registrar within thirty days of the date of such adjourned AGM with such fees or such additional fees as may be prescribed.

In the instant case, the accounts of Orange Limited were adopted at the adjourned AGM held on 20th September, 2023 and filing of financial statements with Registrar was done on 29th September, 2023 i.e. within 30 days of the date of adjourned AGM. However, Orange Limited has not filed its unadopted financial statements within 30 days of the date of the Annual General Meeting held on 17th August, 2023.

Hence, Orange Limited has not complied with the statutory requirement regarding filing of unadopted accounts with the Registrar, but has certainly complied with the provisions by filing of adopted accounts within the due date with the Registrar.

15. **(i)** As per Rule 2(1)(e) of the Companies (Acceptance of Deposits) Rules, 2014, the term "eligible company" means a public company as referred to in section 76(1) of the Companies Act, 2013, which is 'eligible' to accept deposits from the public at large only if it meets the below-mentioned criteria. Accordingly:

- It should be a public company.
- It should have net worth of minimum ₹ 100 crore or a turnover of minimum ₹ 500 crore.
- It has obtained the prior consent by means of a special resolution passed in general meeting.
- The special resolution has been filed with the Registrar of Companies.
- An ordinary resolution is sufficient if an eligible company is accepting deposits within the limits specified under section 180 (1) (c).

In the instant case, the turnover of NOP Limited is ₹ 510 crore, hence it is eligible to accept deposits from the public.

Tenure for which Deposits can be Accepted: A company is not permitted to accept or renew deposits (whether secured or unsecured) which is repayable on demand or in less than six months. Further, the maximum period of acceptance of deposit cannot exceed thirty-six months.

The tenure for the proposed deposits dated 1st February, 2024 which would be due for repayment on 30th September, 2028, is not valid, as the maximum period of acceptance of deposit cannot exceed 36 months. Hence, it is not in compliance with the provisions of the Companies Act, 2013.

(ii) In terms of Rule 2(1)(c)(viii) of the Companies (Acceptance of Deposits) Rules, 2014, any amount received from a person who is director of the company at the time of giving loan to the company shall not be treated as deposit if such director furnishes to the company at the time of giving money, a written declaration to the effect that the amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and further, the company shall disclose the details of money so accepted in the Board's report.

In the given case, the said deposits by Mr. P Kishore shall not be treated as deposit.

16. Section 380 (3) of the Companies Act, 2013, provides that where any alteration is made or occurs in the documents delivered to the Registrar under section 380, the foreign company shall, within 30 days of such alteration, deliver to the Registrar for registration, a return containing the particulars of the alteration in the prescribed form. The Companies (Registration of Foreign Companies) Rules, 2014, has prescribed that the return containing the particulars of the alteration shall be filed along with prescribed fees. Accordingly, Fine Publishers is required to submit to the Registrar the new address of the principal office (in Tokyo) of the company within 30 days of such alteration.

17. A limited liability partnership is a body corporate formed and incorporated under the Limited Liability Partnership Act, 2008 and is a legal entity separate from that of its partners. The LLP itself will be liable for the full extent of its assets but the liability of the partners will be limited. Creditors of LLP shall be the creditors of LLP alone. In other words, creditors of LLP cannot claim from partners. The liability of the partners will be limited to their agreed contribution in the LLP. Hence, the creditors of ABC LLP are the creditors of ABC LLP only. Partners of LLP are not personally liable towards creditors. Thus, Mohit can not claim his deficiency of ₹ 3,00,000 from the partners of ABC LLP.

PART II: OTHER LAWS

18. According to section 3(36) of the General Clauses Act 1897, 'Movable Property' shall mean property of every description, except immovable property. While section 3(26) provides, 'Immovable Property' shall include:

(i) Land,

(ii) Benefits to arise out of land, and

(iii) Things attached to the earth, or

(iv) Permanently fastened to anything attached to the earth.

In the given question, Yogveer Singh has sold mango orchard along with all the mango trees. In the lights of provisions of the Act, as trees are benefits arise out of the land and attached to the earth, hence, mango trees are immovable property.

19. It is the elementary principle that construction of a statute is to be made of all its parts taken together and not of one part only. The deed must be read as a whole in order to ascertain the true meaning of its several clauses, and the words of each clause should be so interpreted as to bring them into harmony with other provisions – if that interpretation does no violence to the meaning of which they are naturally susceptible. And the same approach would apply with equal force with regard to Acts and Rules passed by the legislature.

One of the safest guides to the construction of sweeping general words is to examine other words of like import in the same enactment or instrument to see what limitations must be imposed on them. If we find that a number of such expressions have to be subjected to limitations and qualifications and that such limitations and qualifications are of the same nature, that circumstance forms a strong argument for subjecting the expression in dispute to a similar limitation and qualification.

Example: If one section of an Act requires 'notice' should be given, then a verbal notice would generally be sufficient. But, if another section provides that 'notice' should be 'served' on the person or 'left' with him, or in a particular manner or place, then it would obviously indicate that a written notice was intended.

20. Under provisions of section 5 of the Foreign Exchange Management Act, 1999 certain Rules have been made for drawal of Foreign Exchange for Current Account transactions. As per these Rules, Foreign Exchange for some of the Current Account transactions is prohibited. As regards some other Current Account transactions, Foreign Exchange can be drawn with prior permission of the Central Government while in case of some Current Account transactions, prior permission of Reserve Bank of India is required.

(i) Remittance out of lottery winnings is prohibited as the same is included in First Schedule to the Foreign Exchange Management (Current Account Transactions) Rules, 2000. Hence, Mr. Shivesh cannot withdraw Foreign Exchange for this purpose.

(ii) Foreign Exchange for meeting expenses of cultural tour can be withdrawn by any person after obtaining permission from Government of India, Ministry of Human Resources Development, (Department of Education and Culture) as prescribed in Second Schedule to the Foreign Exchange Management (Current Account Transactions) Rules, 2000. Hence, Mr. Shivesh can withdraw the Foreign Exchange after obtaining such permission.

In all the cases, where remittance of Foreign Exchange is allowed, either by general or specific permission, the remitter has to obtain the Foreign Exchange from an Authorised Person as defined in Section 2(c).

PAPER – 3: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance Act, 2023, including significant notifications/circulars issued upto 31st October, 2023, is applicable for May, 2024 examination. The relevant assessment year for May, 2024 examination is A.Y.2024-25. The June, 2023 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance Act, 2023 and significant notifications/circulars issued upto 30.04.2023, and hence, the same is relevant for May, 2024 examination. The Statutory Update containing significant notifications/circulars issued between 1.5.2023 and 31.10.2023 which are relevant for May, 2024 examination is webhosted at https://resource.cdn.icai.org/77982bos62599.pdf

QUESTIONS

Case Scenario

Mr. Akash (aged 47 years) is a CEO of BAC Enterprises (P) Ltd. During the P.Y.2023-24, he has earned the following income -

- Salary of ₹ 45 lakhs
- long-term capital gain on sale of listed equity shares (STT paid) amounting to ₹ 6,54,000
- dividend of ₹ 12,00,000 from shares of Indian companies
- interest on saving bank account with SBI of ₹ 16,000
- interest on fixed deposits with BOB of ₹ 45,000

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

- Medical premium for his spouse aged 43 years: ₹ 13,500 (by cheque)
- Medical premium for his mother aged 65 years: ₹ 26,670 (by cheque)
- Preventive health check-up of ₹ 5,500 each for his wife and mother in cash.

Mr. Akash also incurred medical expenses, by credit card, of ₹ 17,000 for the treatment of his mother and of ₹ 27,000 for his father who is 67 years old.

He has multiple life insurance policies. The details of such policies are given hereunder:

Particulars	X	Y	Z	A	B (Term insurance policy)
Date of issue	1.4.2017	1.4.2023	1.4.2025	1.4.2024	1.3.2023
Annual premium (excluding GST)	₹ 40,000	₹ 3,00,000	₹ 2,00,000	₹ 2,50,000	₹ 80,000
GST@18%	₹ 7,200	₹ 54,000	₹ 36,000	₹ 45,000	14,400
Total premium	₹ 47,200	₹ 3,54,000	₹ 2,36,000	₹ 2,95,000	₹ 94,400
Date of maturity	31.3.2026	31.3.2032	31.3.2034	31.3.2033	28.3.2056
Consideration received on maturity (including bonus)	₹ 7,00,000	₹ 36,00,000	₹ 28,00,000	₹ 30,00,000	-
Sum assured	₹ 5,00,000	₹ 33,00,000	₹ 25,00,000	₹ 27,00,000	₹ 2,00,00,000

On the basis of the facts given above, choose the most appropriate answer to Q.1 to Q.5 below, based on the provisions of the Income-tax Act, 1961 -

1. Which are the life insurance policies in respect of which Mr. Akash would be eligible for exemption under section 10(10D) in respect of maturity proceeds? Choose the option most beneficial to Mr. Akash.

(a) X, Y and Z

(b) X and Y

(c) X, Z and A

(d) Y and Z

2. What would be your answer to MCQ 1, if Mr. Akash surrendered LIC A in A.Y. 2026-27 and claimed exemption under section 10(10D) in respect of such LIC? This information is only for the purpose of this MCQ.

   (a) X, Y and Z

   (b) X and Y

   (c) X, Z and A

   (d) Y and Z

3. What would be the amount of deduction available to Mr. Akash under Chapter VI-A for the A.Y. 2024-25 if he has exercised the option to shift out of the default tax regime?

   (a) ₹ 82,170

   (b) ₹ 78,500

   (c) ₹ 2,28,500

   (d) ₹ 2,32,170

4. What is Mr. Akash's tax liability for A.Y.2024-25 under the default tax regime under section 115BAC?

   (a) ₹ 16,97,350

   (b) ₹ 16,80,190

   (c) ₹ 18,41,270

   (d) ₹ 18,84,170

5. What is Mr. Akash's tax liability for A.Y.2024-25 if he has exercised the option to shift out of the default tax regime?

   (a) ₹ 17,30,470

   (b) ₹ 18,93,720

(c) ₹ 17,29,210

(d) ₹ 17,27,500

6. Mr. Anil started business of manufacturing tables in February 2024. He follows mercantile system of accounting. He purchased wood from Mr. A, Mr. B and Mr. C. The details of purchases and payment made are as under:

Buyer	Date of purchase	Purchase amount (₹)	Payment due as per written agreement, if any	Date of payment
Mr. A, a micro enterprise	15.02.2024	5 lakhs	Within 30 days from the date of purchase	29.03.2024
Mr. B, a small enterprise	17.03.2024	7 lakhs	No written agreement	15.04.2024
Mr. A, a medium enterprise	25.03.2024	8 lakhs	Within 40 days from the date of purchase	30.11.2024

How much deduction would be available to Mr. Anil in A.Y. 2024-25 in respect of purchases made during the P.Y. 2023-24 while computing business income?

(a) Nil

(b) ₹ 5 lakhs

(c) ₹ 13 lakhs

(d) ₹ 12 lakhs

7. Mr. Sunil took an education loan of ₹ 8 lakhs on 1.7.2023 from State Bank of India, Mumbai, for his son's MBA from University of Oxford, UK and remitted the said amount through the same bank, which is an authorised dealer, under the Liberalised Remittance Scheme of RBI (LRS). He, further, remitted ₹ 2 lakhs on 15.10.2023 to his son for his personal

expenditure, out of his personal savings, through Bank of India, Mumbai which is also an authorised dealer, under LRS. Mr. Sunil also remitted ₹ 6 lakhs on 28.3.2024, out of his personal savings, under LRS through Union Bank of India, Mumbai, for his sister's medical treatment in London.

Mr. Sunil has furnished undertaking containing the details of earlier remittance to Bank of India and Union Bank of India.

What is the amount of tax to be collected from Mr. Sunil in respect of the remittance of amounts to his son and sister?

(a) TCS@0.5% of ₹ 1 lakh in respect of remittance for son's education; @5% of ₹ 2 lakhs in respect of remittance for son's personal expenditure and 5% of ₹ 6 lakhs in respect of remittance for sister's medical treatment.

(b) TCS@0.5% of ₹ 1 lakh in respect of remittance for son's education; @20% of ₹ 2 lakhs in respect of remittance for son's personal expenditure and 5% of ₹ 6 lakhs in respect of remittance for sister's medical treatment.

(c) TCS@0.5% of ₹ 1 lakh in respect of remittance for son's education; no TCS in respect of remittance for son's personal expenditure and sister's medical treatment since each transaction is of less than ₹ 7 lakhs.

(d) TCS@0.5% of ₹ 1 lakh in respect of remittance for son's education; @5% of ₹ 1 lakh in respect of remittance for sister's medical treatment.

8. Mr. Garg, aged 45 years and a resident in India, is having a total income of ₹ 5,70,000 comprising of long term capital gains taxable under section 112 of ₹ 70,000, long term capital gains taxable under section 112A of ₹ 1,50,000, short term capital gains taxable under section 111A of ₹ 1,00,000 and other income of ₹ 2,50,000. Compute his tax liability for A.Y. 2024-25 under the default tax regime under section 115BAC.

(a) Nil

(b) ₹ 5,200

(c) ₹ 9,360

(d) ₹ 19,760

9. Ms. Rita, an Indian citizen and an MBA from Howard University, was employed in AFL LLP of Country A since June, 2016. She came to India on 15.11.2023 and joined as CEO of Autofit Ltd. Ms. Rita was in India before she left for overseas education in May, 2012 and was subsequently employed outside India and never visited India thereafter. There is no income-tax in Country A. She has earned interest income of ₹ 2,40,000 (net) in Country A and salary income from AFL LLP of ₹ 15 lakhs up to the date of her return to India in the financial year 2023-24.

   Salary income (computed) of Ms. Rita from Autofit Ltd. up to 31.03.2024 is ₹ 13,50,000 and she earned dividend of ₹ 3,00,000 from shares of an Indian company.

   What would be the residential status of Ms. Rita and her total income for the A.Y. 2024-25?

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

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

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

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

11. Mr. Rajkumar bought a residential house for ₹ 5 crores in March 2016. He entered into an agreement for sale of the said residential house with Ms. Nikita (not a relative) in July 2023 for ₹ 17 crores. The sale proceeds were to be paid in the following manner:

(i) 10% through account payee bank draft on the date of agreement.

(ii) 80% on the date of the possession of the property.

(iii) Balance after the completion of the registration of the title of the property.

Ms. Nikita was handed over the possession of the property on 10.11.2023 and the registration process was completed on 05.02.2024. She paid the sale proceeds as per the sale agreement.

Value of property for stamp duty in July 2023 was ₹ 19 crores. Subsequently, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 20 crores on 05.02.2024. Mr. Rajkumar paid 1% as brokerage on sale consideration received.

Subsequent to sale, he purchased another residential house for ₹ 13 crores in Mumbai in March 2024.

You are required to compute the capital gains chargeable to tax in the hands of Mr. Rajkumar for A.Y. 2024-25.

What would be the capital gain, if any, in A.Y. 2025-26 if Mr. Rajkumar transfers the new residential house in December 2024 for ₹ 15 crores?

CII: 2015-16: 254; 2023-24: 348

12. Mr. Rajesh is a working partner in M/s Sunflower Associates, a partnership firm. Mr. Rajesh has contributed ₹ 15 lakhs as capital in the firm.

Partnership deed authorises payment of interest to partners @ 13% and also payment of remuneration to partners @20,000 per month. Whole of the remuneration is allowable as deduction to M/s Sunflower Associates.

Mr. Rajesh has set up a unit in SEZ in May, 2017. The total turnover, export turnover and net profit for the year ended 31.3.2024 were ₹ 120 lakhs, ₹ 45 lakhs and ₹ 7.5 lakhs respectively. Out of the export turnover of ₹ 45 lakhs, only ₹ 40 lakhs has been received in convertible foreign exchange by 30.9.2024.

During the P.Y. 2023-24, Mr. Rajesh has commenced a business of warehousing facility for storage of edible oil. The net profit of this business as per profit & loss account is ₹ 7,50,000. The following items are debited to Profit & Loss Account:

(i) Personal drawings ₹ 70,000

(ii) Advance income-tax paid ₹ 1,00,000

(iii) Purchase of warehouse building of ₹ 10 lakhs on 10.6.2023 for the purpose of storage of edible oil.

The following items are credited to Profit & Loss account:

(i) Interest on saving bank account with post office ₹ 15,000

(ii) Interest on fixed deposit with SBI ₹ 20,000

(iii) Dividend from Indian companies (Gross) ₹ 32,000

He has paid the premium of ₹ 60,000 on life insurance policy in the name of her married daughter. The policy was taken on 1.10.2018 and the sum assured being ₹ 5,00,000.

Compute the total income and tax payable by Mr. Rajesh for the A.Y. 2024-25 under default tax regime and normal provisions of the Act.

13. Mr. Rahul, an Indian citizen residing in Mumbai, files his return of income every year on time. He has Aadhaar number as well. He has not intimated his Aadhaar number to the prescribed authority till August 2023. He approached you on 1.9.2023 and asked you the consequences for not doing so and the effective date form which those consequences would become effective?

    What would be your answer if Mr. Rahul wants to intimate his Aadhaar number to the prescribed authority now?

SUGGESTED ANSWERS/HINTS

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

MCQ No.	Most Appropriate Answer
5.	(a)
6.	(c)
7.	(b)
8.	(b)

9. Determination of residential status of Ms. Rita for the A.Y. 2024-25

As per section 6(1), in order to be a resident of India in the P.Y.2023-24, Ms. Rita should satisfy either of the following two conditions -

(1) Her stay in India should be for a period of 182 days or more in the P.Y.2023-24; or

(2) Her stay in India should be for a period of 60 days or more in the P.Y.2023-24 and for a period of 365 days or more in the four immediately preceding previous years.

Ms. Rita's stay in India in the P.Y.2023-24 is 138 days (i.e., 16 days + 31 days +31 days + 29 days + 31 days). She left India in May, 2012 and never visited India thereafter. Her stay in India in the four immediately preceding previous years would be Nil.

Therefore, she does not satisfy either condition (1) or condition (2) for being a resident.

As per section 6(1A), an individual who is a citizen of India would be deemed to be a resident of India if his total income, other than income from foreign sources, exceed ₹ 15 lakh during the relevant previous year and he is not liable to tax in any other country by reason of his domicile or residence or any other criteria of similar nature.

Ms. Rita's total income, other than income from foreign sources, would be ₹ 16,50,000 for A.Y.2024-25 as shown below -

Particulars	₹
Salary income from Autofit Ltd. [Computed] [Accrues or arises in India]	13,50,000
Dividend from shares of an Indian company [Accrues or arises in India]	3,00,000
	16,50,000

Since Ms. Rita is a citizen of India who is not liable to pay income-tax in Country A and her total income, other than income from foreign sources, exceed ₹ 15 lakhs, she would be deemed resident in India under section 6(1A) for A.Y.2024-25. A deemed resident is, by default, a resident but not ordinarily resident.

In case of a resident but not ordinarily resident, income accrues or arises, deemed to accrue or arise and received or deemed to be received in India, is taxable. In addition, Income which accrues or arises outside India would also be taxable if it is derived from a business controlled in or a profession set up in India.

Ms. Rita's total income for A.Y. 2024-25

Particulars	₹
Salary income from AFL LLP [Not taxable since it accrues or arises outside India]	-
Salary income from Autofit Ltd. [Computed]	13,50,000
Interest income in Country A [Not taxable since it accrues or arises outside India]	-
Dividend from shares of an Indian company	3,00,000
Total Income	**16,50,000**

10. Computation of total income of Mr. Raj for A.Y. 2024-25 under default tax regime

Particulars	₹	₹
I. Salaries		
Gross salary	18,00,000	
Less: Standard deduction under section 16(ia)	50,000	17,50,000
II. Income from house property		
Rented property at Delhi		
Step I - Computation of Expected Rent		
Expected Rent = Higher of Municipal Value of ₹ 2,05,000 and Fair Rent of ₹ 1,95,000, but restricted to Standard Rent of ₹ 1,72,000	1,72,000	
Step II - Actual Rent		
Actual rent received or receivable (₹ 15,000 x 12)	1,80,000	
Step III – Computation of Gross Annual Value		
GAV is the higher of Expected Rent and Actual rent received/ receivable	1,80,000	
Gross Annual Value	**1,80,000**	
Less: Municipal taxes (5% of ₹ 2,05,000)	10,250	
Net Annual value	**1,69,750**	
Less: Deductions under section 24 -		
(i) 30% of net annual value	50,925	
(ii) Interest on loan (₹ 35 lakhs x 12%)	4,20,000	(3,01,175)
Self occupied property at Kanpur		
Annual value [No deduction for municipal taxes is allowed in respect of self-occupied property]	Nil	

Less: Deduction under section 24 -		
Interest on borrowed capital [Not allowable under section 115BAC]	Nil	Nil
Income from house property		(3,01,175)
Gross Total Income [Loss from house property is not allowed to be set off against income under any other head while computing income under section 115BAC]		17,50,000
***Less:* Deduction under section 80EEA** [Not allowable under section 115BAC]		Nil
Total Income		**17,50,000**

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

	Particulars	₹	₹
I.	**Salaries**		
	Gross salary	18,00,000	
	Less: Standard deduction under section 16(ia)	50,000	17,50,000
II.	**Income from house property**		
	<u>Rented property at Delhi</u>		
	Step I - Computation of Expected Rent		
	Expected Rent = Higher of Municipal Value of ₹ 2,05,000 and Fair Rent of ₹ 1,95,000, but restricted to Standard Rent of ₹ 1,72,000	1,72,000	
	Step II - Actual Rent		
	Actual rent received or receivable (₹ 15,000 x 12)	1,80,000	

Step III – Computation of Gross Annual Value		
GAV is the higher of Expected Rent and Actual rent received/ receivable	1,80,000	
Gross Annual Value	**1,80,000**	
Less: Municipal taxes (5% of ₹ 2,05,000)	10,250	
Net Annual value	**1,69,750**	
Less: Deductions under section 24 -		
(i) 30% of net annual value	50,925	
(ii) Interest on loan (₹ 35 lakhs x 12%) [₹ 4,20,000 - ₹ 1,50,000, being the interest for which deduction under section 80EEA is claimed]	2,70,000	(1,51,175)
Self occupied property at Kanpur		
Annual value [No deduction for municipal taxes is allowed in respect of self-occupied property]	Nil	
Less: Deduction under section 24 -		
Interest on borrowed capital [₹ 2,50,000 (₹ 25,00,000 x 10%) *plus* pre construction interest of ₹ 37,500, being 1/5th of (₹ 25,00,000 x 10% x 9/12)] [₹ 2,87,500, restricted to ₹ 2,00,000]	2,00,000	(2,00,000)
Income from house property		(3,51,175)
Gross Total Income [As per section 71(3A), loss from house property can be set off against income under any other head to the extent of ₹ 2,00,000 only. Balance loss of ₹ 1,51,175 to be carried forward to A.Y. 2025-26]		15,50,000

Less: **Deduction under section 80EEA** [Since the loan is sanctioned between 1.4.2019 and 31.3.2022 and the stamp duty value of the property does not exceed ₹ 45 lakhs, deduction of ₹ 1,50,000 is allowed in respect of interest on loan for Delhi house]		1,50,000
Total Income		**14,00,000**

11. Computation of capital gains of Mr. Rajkumar for A.Y. 2024-25

Particulars	₹ (in crores)
Actual sale consideration ₹ 17 crores Value adopted by Stamp Valuation Authority ₹ 19 crores [Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C. However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or through prescribed electronic modes on or before the date of agreement. In this case, since advance of ₹ 1.7 crores is received by account payee bank draft, stamp duty value on the date of agreement can be adopted as the full value of consideration.	
Gross Sale consideration (Stamp duty value on the date of agreement, since it exceeds 110% of the actual consideration)	19

Less: Brokerage @1% of sale consideration (1% of ₹ 17 crores)	0.17
Net Sale consideration	18.83
Less: Indexed cost of acquisition [₹ 5 crores x 348/254]	6.85
Long term capital gains [Since the residential house property was held by Mr. Rajkumar for more than 24 months immediately preceding the date of its transfer, the resultant gain is a long-term capital gain]	11.98
***Less:* Exemption under section 54** Where long-term capital gains exceed ₹ 2 crore, the capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India, one year before or two years after the date of transfer of original asset. However, if the cost of new residential house exceeds ₹ 10 crores, the amount exceeding ₹ 10 crore would not be taken into account for exemption. Therefore, in the present case, the exemption would be available in respect of the residential house acquired in Mumbai and to the extent of ₹ 10 crores only.	10
Long term capital gains chargeable to tax	**1.98**

Computation of capital gains of Mr. Rajkumar for A.Y. 2025-26

Particulars	**₹ (in crores)**
Sale consideration	15
Less: Cost of acquisition (-) capital gains exempt in A.Y. 2024-25 (₹ 13 – ₹ 10)	3
Short term capital gains chargeable to tax Since the residential house property was held by Mr. Rajkumar for not more than 24 months immediately preceding the date of its transfer]	2

12. Computation of total income of Mr. Rajesh for the A.Y. 2024-25 under default tax regime under section 115BAC

	Particulars	Amount (in ₹)	
I	**Profits and gains of business and profession**		
	Income from firm M/s Sunflower Associates		
	Interest on capital@13% p.a. on ₹ 15 lakhs, restricted to 12%, which is the maximum deduction allowable in the hands of the firm	1,80,000	
	Salary to Mr. Rajesh as a working partner, which is allowable as deduction in the hands of firm (₹ 20,000 x 12)	2,40,000	4,20,000
	Profit from SEZ unit		
	Net profit from SEZ unit		7,50,000
	Income from warehousing facility for storage of edible oil		
	Net profit as per profit and loss account	7,50,000	
	Less: **Income credited to profit and loss account but taxable under the head 'Income from Other Sources'**		
	Interest on savings bank A/c with post office	15,000	
	Interest on fixed deposit with SBI	20,000	
	Dividend from Indian companies (Gross)	32,000	
		6,83,000	

	***Add:* Payments not allowable as deduction**		
	Advance income-tax paid disallowed u/s 40(a)(ii)	1,00,000	
	Personal drawings disallowed u/s 37	70,000	
	Purchase of building	10,00,000	
		18,53,000	
	Less: Depreciation on building [₹ 10,00,000 x 10%]	1,00,000	17,53,000
II	**Income from Other Sources**		
	Interest on savings bank A/c with post office 15,000		
	Less: Exempt under section 10(15) 3,500	11,500	
	Interest on fixed deposit with SBI	20,000	
	Dividend from Indian companies (Gross)	32,000	63,500
	Gross Total Income/ Total Income		29,86,500
	[No deduction under section 80C, 80TTA and 10AA would be allowable]		

Computation of tax payable under default tax regime for A.Y. 2024-25

	₹	₹
Tax on total income of ₹ 29,86,500		
On first ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 6,00,000 [@5% of ₹ 3 lakhs]	15,000	
₹ 6,00,001 – ₹ 9,00,000 [@10% of ₹ 3 lakhs]	30,000	
₹ 9,00,001 – ₹ 12,00,000 [@15% of ₹ 3 lakhs]	45,000	
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	

₹ 15,00,001 - ₹ 29,86,500 [@30% of ₹ 14,86,500]	4,45,950	
		5,95,950
Add: Health and Education cess @4%		23,838
		6,19,788
Less: Advance income-tax paid		1,00,000
Tax payable		5,19,788
Tax Payable (Rounded off)		5,19,790

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

Particulars	Amount (in ₹)	
Gross Total Income as per section 115BAC	29,86,500	
***Less:* Deduction under section 10AA** [₹ 7,50,000 x 40,00,000/ ₹ 1,20,00,000 x 50%, being seventh year of operation]	1,25,000	**28,61,500**
***Less:* Deduction under Chapter VI-A**		
Deduction under section 80C		
Life insurance premium [maximum 10% of sum assured]	50,000	
Deduction under section 80TTA		
Interest on saving bank account with post office, restricted to	10,000	60,000
Total Income		**28,01,500**

Computation of tax payable by Mr. Rajesh for A.Y. 2024-25 under the regular provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 28,01,500		
Upto ₹ 2,50,000	Nil	

₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakhs]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5 lakhs]	1,00,000	
₹ 10,00,001 - ₹ 28,01,500 [@30% of ₹ 18,01,500]	5,40,450	6,52,950
Add: Health and education cess@4%		26,118
Total tax liability		**6,79,068**
Less: Advance income-tax paid		1,00,000
Tax payable		5,79,068
Tax payable (rounded off)		**5,79,070**

Computation of adjusted total income and AMT of Mr. Rajesh for A.Y. 2024-25

Particulars	₹	₹
Total Income (computed above as per regular provisions of income tax)		**28,01,500**
Add: Deduction under section 10AA		1,25,000
Adjusted Total Income		**29,26,500**
Alternative Minimum Tax@18.5%		5,41,403
Add: Health and education cess@4%		21,656
Total tax liability		**5,63,059**
Less: Advance income-tax paid		1,00,000
Tax payable		**4,63,059**
Tax payable (rounded off)		**4,63,060**

Since alternate minimum tax payable is less than the regular income-tax payable, tax payable under normal provisions of the Act is ₹ 5,79,070.

13. Where a person, who has been allotted PAN and is required to intimate his Aadhaar number, has failed to intimate the same on or before the 31.3.2022, the PAN of such person shall become inoperative.

Consequences of failure to intimate Aadhar Number

A person, whose PAN has become inoperative, would be liable for further consequences for the period commencing from the date specified by the Board till the date it becomes operative, namely –

(i) refund of any amount of tax or part thereof, due under the provisions of the Act shall not be made;

(ii) interest shall not be payable on such refund for the period, beginning with the date specified and ending with the date on which it becomes operative;

(iii) where tax is deductible under Chapter XVIIB in case of such person, such tax shall be deducted at higher rate, in accordance with provisions of section 206AA;

(iv) where tax is collectible at source under Chapter XVII-BB in case of such person, such tax shall be collected at higher rate, in accordance with provisions of section 206CC.

The consequences specified above will be effective from 1.7.2023.

If Mr. Rahul wants to intimate his Aadhaar number to the prescribed authority on 1.9.2023, he would be liable to pay a fee of ₹ 1,000 as specified under section 234H. His PAN would become operative within 30 days from the date of intimation of Aadhaar number and would not be liable for the above consequences once his PAN becomes operative.

SECTION B: GOODS AND SERVICES TAX

QUESTIONS

(1)	**All questions should be answered on the basis of the position of GST law as amended up to 31.10.2023.**
(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.**

ABC Ltd. has its manufacturing unit in the State of Rajasthan. Further, it has ancillary units in the State of Madhya Pradesh and Gujarat and is registered in each of these States. Moreover, ABC Ltd. owns and operates a hotel in Udaipur, Rajasthan.

In addition to the aforesaid, ABC Ltd. owns a commercial space which is rented out to a registered person at the monthly rent of ₹ 50,000. The maintenance of the premises is the responsibility of ABC Ltd. In pursuance of the same, during the month of April, ABC Ltd. incurred certain expenses on the purchase of maintenance related materials. The said expenses are recoverable from the tenant alongwith the invoice issued for rent. The rate of tax applicable on the material used for maintenance was 5%.

During the year, ABC Ltd. agreed to provide the hotel to Mr. X for a business conference to be held at Udaipur. Mr. X is an unregistered person residing in Maharashtra.

ABC Ltd. made a supply of machinery in the month of June, details of which are as follows-

- Basic price of the machinery before TCS under Income Tax Act, 1961– ₹ 45,000

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

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

During the scrutiny proceedings in the State of Gujarat, jurisdictional GST officer asked ABC Ltd to submit the copy of audited financial statements for Gujarat and was of the view that ABC Ltd. is required to get his accounts audited by a Chartered Accountant separately under GST Law for filing annual return and reconciliation statement in each State.

All above amounts are exclusive of GST, wherever applicable. The rate of GST on all inward and outward supplies is 18%, unless otherwise mentioned.

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

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

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

   (a) The rate of GST on rent and maintenance material related recovery shall be 18%.

   (b) The rate of GST on rent shall be 18% and, on the material, shall be 5%.

   (c) No GST shall be charged on the recovery related to material used in maintenance. Rate of GST on rent shall be 18%.

   (d) The rate of GST on rent and maintenance material related recovery shall be 5%.

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

   (a) ₹ 45,000

(b) ₹ 47,500

(c) ₹ 48,500

(d) ₹ 51,000

3. With respect to the hotel accommodation service provided to Mr. X, GST payable by ABC Ltd. is ___________.

   (a) nil, GST on accommodation service is payable by the recipient, Mr. X, under reverse charge

   (b) nil, GST on accommodation services provided to an unregistered person is exempt from GST

   (c) in the nature of CGST and SGST

   (d) in the nature of IGST

4. Which of the following options is correct with regard to the availability of ITC to ABC Ltd. in respect of GST paid on the procurement of goods meant for the purpose of corporate social responsibility activity?

   (a) The amount of ITC related to such procurement of goods is not available to ABC Ltd.

   (b) The amount of ITC related to such procurement of goods is available to ABC Ltd.

   (c) The amount of ITC only to the extent of 50% of amount of such procurement of goods is available to ABC Ltd.

   (d) The amount of ITC shall be available to the registered person to whom such goods are distributed under CSR activity.

5. Which of the following options is correct with regard to the advice given by GST officer in respect of auditing of accounts?

   (a) There is no requirement of separate audit of the financial statements from the perspective of GST provisions.

   (b) Only reconciliation statement shall be audited by a Chartered Accountant.

   (c) The annual return as well as the reconciliation statement shall be audited by a Chartered Accountant.

(d) Separate audit of financial statements at each State level is required by ABC Ltd. under the GST law.

6. M/s Cute & Co., a partnership firm, registered supplier under GST in Bengaluru (Karnataka State), has provided the following information for the month of October, 2023:

S. No.	Details of transactions	Amount (₹)
(i)	Intra-State taxable supply of Direct Selling Agent (DSA) service to public sector Bank.	2,50,000
(ii)	Services provided to a Governmental authority by way of sanitation conservancy.	99,900
(iii)	Rent paid to a residential dwelling taken for running an office for providing DSA services; Owner of the residential property was not registered under GST; This is an intra-State supply availed.	25,000
(iv)	Purchased a car for the official use of managing partners of the Firm for business use (Inter-State purchase).	9,00,000
(v)	Availed Information Technology services for their business from Partner's friend Mr Allan Waugh from Melbourne, Australia. Mr. Waugh refused to take any consideration. Open Market value of said service was ₹ 1,25,000. (Inter-State transactions).	Nil
(vi)	Provided training and performance appraisal services in Bengaluru to following persons: (a) ABC Private Limited, a registered supplier in the State of Kerala (b) Babu Cones, a proprietorship concern of Rajasthan, which was not registered under GST	 3,00,000 1,00,000

Note:

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

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

(iii) All the conditions necessary for availing the ITC have been fulfilled.

(iv) There was no opening balance of any input tax credit.

(v) The turnover of M/s Cute & Co was ₹ 2 crore in the previous financial year.

Compute the net GST payable in cash, by M/s Cute & Co. for the month of October, 2023. Correct legal provisions should form part of your answer.

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

(i) It issued coupon on 20.06.2023, worth ₹ 2,000 redeemable against purchase of specific plastic items. This coupon was redeemed on 31.07.2023.

(ii) It issued coupon on 01.08.2023 worth ₹ 3,000 which is redeemable against purchase of any item. This coupon was redeemed on 18.08.2023.

(iii) It received interest of ₹ 10,000 for late payment from a customer on 11.11.2023 for supply of goods which was originally made on 24.06.2023.

8. With reference to GST law, Determine the place of supply with reasons in the following independent circumstances:-

(i) Miss Kanika of Kolkata (West Bengal) visited to Jodhpur Law University (Rajasthan) and paid her college fees by purchasing a demand draft from a bank located in the University campus. Miss Kanika did not have any account with the bank.

(ii) Mizu Machine Ltd., registered in the State of Andhra Pradesh, supplied a machinery to Keyan Wind Farms Ltd., registered in the State of Karnataka. However, this machinery was assembled and installed at the wind mill of Keyan Wind Farms Ltd., which was located in the State of Tamilnadu.

9. (a) Happy Constructions Ltd., a registered builder under GST in Bengaluru, Karnataka has got permission to build five floors from the

Municipal Projects for one of its projects at Suraj Nagar. Aditya Constructions, a neighbouring housing project approached Happy Constructions Limited to discuss regarding blockage of sun light issue arising out of construction of five floors and asked it to build only three floors for which ₹ 20 lakh was offered as compensation. Happy Constructions Limited agreed to the offer. It may be noted that Aditya Constructions is not ready to pay any further amount to Happy Constructions Ltd. in addition to the amount already agreed.

Briefly explain with correct legal provision whether the above amount received as compensation is liable to GST or not? And if considered as taxable, then calculate the total GST payable by Happy Constructions Ltd. Assume the applicable rate of CGST and SGST is 9% each.

Also state the conditions to be complied with.

(b) The aggregate turnover of M/s Mangal & Co., a registered person, for the financial year 2022-2023 was ₹ 8 Crores. It approaches you as GST Consultant for the issue of e-invoicing.

Advice whether it is mandatory to issue e-invoice?

Also list out the entities which are exempt from the mandatory requirement of e-invoicing.

10. (a) Ramlala Enterprises, registered in Delhi, is engaged in supply of interior decoration services to Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh). The total contract value inclusive of GST is Rs 15,50,000 and payment for the same is due in October, 2023.

You are required to determine amount of tax, if any, to be deducted in the above case assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively.

Will your answer be different, if Ramlala Enterprises is registered under composition scheme?

(b) Examine the implications of GST on supply of food and beverages at cinema halls.

SUGGESTED ANSWERS/HINTS

Question No.	Answer	
1.	**(a)**	The rate of GST on rent and maintenance material related recovery shall be 18%.
2.	**(a)**	₹ 45,000
3.	**(c)**	in the nature of CGST and SGST
4.	**(a)**	The amount of ITC related to such procurement of goods is not available to ABC Ltd.
5.	**(a)**	There is no requirement of separate audit of financial statements from the perspective of GST provisions.

6. Computation of net GST payable in cash

Particulars	**CGST @ 9% (₹)**	**SGST @ 9% (₹)**	**IGST @ 18% (₹)**
Output tax liability [Refer Working Note 1]	31,500	31,500	54,000
Less: ITC available [Refer Working Note 2]	2,250	2,250	-
Net GST payable	29,250	29,250	54,000
Add: Tax Payable under reverse charge to be paid in cash [The amount available in the electronic credit ledger may be used for making any payment towards output tax. Further, output tax means the tax chargeable on taxable supply of goods and/or services but excludes tax payable	2,250	2,250	

on reverse charge basis. Thus, tax liability under reverse charge has to be paid in cash]			
Total GST Payable in cash	**31,500**	**31,500**	**54,000**

Working Notes

1. **Computation of total value of taxable supplies made by M/s Cute & Co. for the month of October, 2023**

Particulars	**Amount (₹)**	**CGST (₹)**	**SGST (₹)**	**IGST (₹)**
Taxable under Forward Charge				
Intra-State taxable supply of DSA service [Since DSA services are provided by partnership firm, so taxable under forward charge]	2,50,000	22,500	22,500	
Services provided to a Governmental authority by way of sanitation conservancy [Specifically exempt under GST]	99,900	-	-	
Information Technology services [Import of services from a non-related person without consideration, in the course or furtherance of business is not a supply.]	Nil			
Training and performance appraisal services to ABC Private Limited [Taxable; the place of supply of services in relation to training and	3,00,000			54,000

performance appraisal to a registered person, shall be the location of such person. Thus, place of supply is Kerala and hence an inter-State transaction.]				
Training and performance appraisal services to Babu Cones. [Taxable, the place of supply of services in relation to training and performance appraisal to an unregistered person, shall be the location where the services are actually performed. Thus, place of supply is Bengaluru, hence Intra-State transaction]	1,00,000	9,000	9,000	
	7,49,900	**31,500**	**31,500**	**54,000**
Taxable under Reverse Charge				
Rent paid for residential unit [Service by way of renting of residential dwelling to a registered person is taxable under reverse charge mechanism]	25,000	2,250	2,250	
	7,74,900	**33,750**	**33,750**	**54,000**

2. Computation of ITC that can be availed by M/s Cute & Co. for the month of October, 2023

Particulars	**CGST (₹)**	**SGST (₹)**	**IGST (₹)**
Rent paid to residential dwelling for providing DSA services	2,250	2,250	-

[ITC is available as services are used in the course or furtherance of business.]			
Purchase of car [Blocked credit in terms of section 17(5) of the CGST Act, 2017]			Nil
Total ITC	**2,250**	**2,250**	**-**

7. As per section 12(4) of the CGST Act, 2017, the time of supply of vouchers exchangeable for goods is-

- Date of issue of the voucher, if the supply that it covers is identifiable at that point, or
- Date of redemption of the voucher in other cases.

  (i) In the given case, supply can be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their issue i.e. 20.06.2023.

  (ii) In the given case, supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption i.e. 18.08.2023.

  (iii) Section 12(6) of the CGST Act, 2017 prescribes that time of supply in case of addition in value on account of interest/ late fee/penalty for delayed payment of consideration for goods is the date on which the supplier receives such addition in value. Therefore, time of supply in the given case is 11.11.2023.

8. **(i)** Section 12(12) of the IGST Act, 2017 provides that the place of supply of banking and other financial services, including stock broking services to any person is the location of the recipient of services in the records of the supplier of services. However, if the location of recipient of services is not available in the records of the supplier, the place of supply is the location of the supplier of services.

Therefore, since the location of recipient is not available in the records of the supplier, the place of supply is the location of the supplier of services, i.e. Rajasthan (or Jodhpur).

(ii) Section 10(1)(d) of the IGST Act, 2017 provides that if the supply involves goods which are to be installed or assembled at site, the place of supply is the place of such installation or assembly.

Thus, the place of supply is the site of assembly of machine, i.e. Tamilnadu.

9. (a) Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act has been specifically declared to be a supply of service vide para 5(e) of Schedule II of the CGST Act, 2017 if the same constitutes a supply as per the CGST Act, 2017.

In the given case, Happy Constructions Limited has agreed to build only three floors, even though it is permitted to construct five floors by the Municipal Authorities, for a compensation of ₹ 20 lakh. This results in supply of service.

The conditions to be complied with for the above supply will be

(a) There must be an expressed or implied agreement or contract must exist.

(b) Consideration must flow in return to this contract/ agreement.

Since Aditya Constructions is not ready to pay any further amount to Happy Constructions Limited in addition to the amount already agreed, the amount received ₹ 20 lakh shall be treated as inclusive of GST and the GST payable will be ₹ 20,00,000 x 9/118 = ₹ 1,52,542.37 or ₹ 1,52,542 (rounded off) as CGST and SGST each.

(b) E-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than ₹ 5 crore in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports.

Hence, it is mandatory for M/s Mangal & Co. to issue e-invoices.

Following entities are exempt from the mandatory requirement of e-invoicing:

- Special Economic Zone units
- Insurer or banking company or financial institution including NBFC
- GTA supplying services in relation to transportation of goods by road in a goods carriage
- Supplier of passenger transportation service
- Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- Government Department and a local authority

Further, the above taxpayers exempted from the mandatory requirement of e-invoicing are required to provide a declaration on the tax invoice stating that though their aggregate turnover exceeds the notified aggregate turnover for e-invoicing, they are not required to prepare an e-invoice.

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ₹ 5 crore in the preceding financial year from 2017-18 onwards but are required to provide a declaration as discussed above.

10. **(a)** As per section 51 of the CGST Act, 2017 read with section 20 of the IGST Act, 2017 and *Notification No. 50/2018 CT 13.09.2018,* following persons are required to deduct CGST @ 1% [Effective tax 2% (1% CGST + 1% SGST/UTGST)] or IGST @ 2% from the payment made/credited to the supplier (deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds ₹ 2,50,000:

(a) a department or establishment of the Central Government or State Government; or

(b) local authority; or

(c) Governmental agencies; or

(d) an authority or a board or any other body, -

(i) set up by an Act of Parliament or a State Legislature; or

(ii) established by any Government,

with 51% or more participation by way of equity or control, to carry out any function; or

(e) Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or

(f) Public sector undertakings.

Further, for the purpose of deduction of tax, the value of supply shall be taken as the amount excluding CGST, SGST/UTGST, IGST and GST Compensation Cess indicated in the invoice.

Proviso to section 51(1) of the CGST Act, 2017 stipulates that no tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.

Section 12(3) of the IGST Act, 2017, *inter alia,* stipulates that the place of supply of services, directly in relation to an immovable property, including services provided by interior decorators, shall be the location at which the immovable property is located or intended to be located. Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi.

Since the location of the supplier (Ramlala Enterprises) and the place of supply is Delhi and the State of registration of the recipient i.e. Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.

The answer will remain unchanged even if Ramlala Enterprises is registered under composition scheme.

(b) Eating joint is a wide term which includes refreshment or eating stalls/ kiosks/ counters or restaurant at a cinema also.

The cinema operator:

(i) may run these refreshment/eating stalls/kiosks/counters/ restaurant themselves

or

(ii) they may give it on contract to a third party.

The customer may like to avail the services supplied by these refreshment/snack counters or choose not to avail these services. Further, the cinema operator can also install vending machines, or supply any other recreational service such as through coin-operated machines etc. which a customer may or may not avail.

It is hereby clarified vide *Circular No. 201/13/2023 GST dated 01.08.2023* that:

(i) supply of food or beverages in a cinema hall is taxable as 'restaurant service' as long as:

  (a) the food or beverages are supplied by way of or as part of a service, and

  (b) supplied independent of the cinema exhibition service.

(ii) where the sale of cinema ticket and supply of food and beverages are clubbed together, and such bundled supply satisfies the test of composite supply, the entire supply will attract GST at the rate applicable to service of exhibition of cinema, the principal supply.

Applicability of Standards/Guidance Notes/Legislative Amendments etc. for May, 2024 Examination

Intermediate Level

Paper 2: Corporate and Other Laws

The provisions of the Companies Act, 2013 and the Limited Liability Partnership Act, 2008 along with significant Rules / Notifications / Circulars / Clarification / Orders issued by the Ministry of Corporate Affairs, and the laws covered under Part II: Other Laws, as amended by concerned authority, including significant notifications and circulars issued up to 31.10.2023 are applicable for May 2024 examination.

The Study Material has to be read along with the 'Relevant Legislative amendments for May 2024 examinations' for the period of 1.5.2023 to 31.10.2023.

Paper 3: Taxation

Section A: Income-tax Law

The provisions of income-tax law, as amended by **the Finance Act, 2023**, including significant circulars, notifications, press releases issued and legislative amendments made **upto 31.10.2023**, are applicable for May, 2024 examination. The relevant assessment year for income-tax is **A.Y. 2024-25**.

The Study Material for Intermediate Paper 3A, based on the provisions of income-tax law, as amended by the Finance Act, 2023, is relevant for May, 2024 examination. The Study Material has to be read along with the **Statutory Update** covering significant notifications and circulars issued between 1.5.2023 to 31.10.2023. Statutory Update for May, 2024 examination has been webhosted at https://resource.cdn.icai.org/77982bos62599.pdf

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

Section B: Goods and Services Tax

Applicability of the GST law

The provisions of the CGST Act, 2017 and the IGST Act, 2017 as amended by the Finance Act, 2023 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 31.10.2023, are applicable for May 2024 examination.

The amendments made by the Annual Union Finance Acts in the CGST Act, 2017 and IGST Act, 2017 are made effective from the date notified subsequently. Thus, only those amendments made by the relevant Finance Acts which have become effective till 31.10.2023 are applicable for May 2024 examination. Accordingly, all the amendments made by the Finance Act, 2023 are applicable for May 2024 examination.

Further, ***since the amendments made by the Central Goods and Services Tax (Amendment) Act, 2023 and Integrated Goods and Services Tax (Amendment) Act, 2023, (enacted as on 18.08.2023) have become effective from 01.10.2023, the same are also applicable for May 2024 examination.***

The Study Guidelines given below specify the exclusions from the syllabus for May 2024 examination.

List of topic-wise exclusions from the syllabus

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

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

	input tax credit	**2017** (i) Manner of determination of input tax credit in respect of inputs or input services and reversal thereof [Rule 42]. (ii) Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases [Rule 43]. (iii) Input tax credit provisions in respect of inputs and capital goods sent for job work. (iv) Input tax credit provisions relating to distribution of credit by Input Service Distributor [ISD]. (v) Manner of recovery of credit distributed in excess. (vi) Manner of reversal of credit of additional duty of customs in respect of Gold dore bar.

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

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

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

The entire content included in the Study Material and the Statutory Update for May 2024 examination shall 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 May 2024 examination alone shall be relevant for the said examination. Statutory Update has been webhosted at the following link:

https://resource.cdn.icai.org/77999bos62625.pdf

Though the Statutory Update for May 2024 examination shall provide the precise scope and coverage of the amendments, for the sake of clarity, it may be noted that the amendments made in the various provisions of the GST law for providing relief to the taxpayers of Manipur shall not be applicable for May 2024 examination.