

CA Final
Test Paper-1
TOPICS: Supply & RCM

Time: 1 hr & 30 mins

Total: 50 marks

PART A: Multiple Choice Questions

Case Study – 1

M/s Stellar Devices Pvt. Ltd., a registered taxpayer under GST in Karnataka, is engaged in manufacturing and trading of specialized solar inverter systems. During September 2025, the company entered into a variety of transactions, are as follows:

Stellar Devices transferred stock of solar inverters worth ₹4,50,000 to its branch office in Tamil Nadu (separately registered under GST). No consideration was involved, and the movement was supported by an e-way bill and a tax invoice.

The company also disposed of damaged inverters (on which ITC was claimed earlier) by donating them to an NGO engaged in rural electrification. The goods were valued at ₹ 1,20,000, and no amount was recovered from the NGO. These were not part of a CSR obligation but were claimed as obsolete inventory.

In another transaction, the company purchased iron scrap worth ₹ 5,00,000 from a unregistered dealer located in Goa, who deals exclusively in scrap.

Further, Stellar Devices availed freight services from Speed Haul Logistics, a GTA registered in Karnataka, who charged 5% GST without ITC. The freight charges amounted to ₹ 1,80,000. The consignment was used for inward transportation of raw materials.

The company also hired a law firm based in Delhi (registered), for representing them in a tax dispute. The bill raised was ₹ 2,50,000, and GST was not charged, stating that the recipient is liable to pay tax under RCM.

In a unique promotional deal, Stellar Devices supplied demo inverter units worth ₹2,00,000 to one of its unrelated resellers located in Kerala free of cost, under a written contract that the units will not be resold. The company had claimed ITC on these units earlier.

Lastly, the company sponsored a renewable energy conference hosted by Event Works Ltd., a GST-registered event management company based in Karnataka. The sponsorship amount paid was ₹ 90,000. Based on above, Answer the questions from (1) to (5) given below:

1. What is the tax implication of the stock transfer to Tamil Nadu branch?
 - a) Not taxable since it's an internal transfer
 - b) Taxable under CGST + SGST
 - c) Taxable under IGST as it is between distinct persons
 - d) Exempt supply under Schedule III

(2 M)

2. Donation of damaged inverters (ITC claimed earlier) to the NGO will be: **(2 M)**
- Not taxable since it's a donation
 - Exempt under charitable activity provisions
 - Taxable as deemed supply under Schedule I
 - Taxable only if part of CSR
3. Purchase of scrap from the Goa dealer is liable to: **(1 M)**
- IGST under reverse charge
 - CGST + SGST under forward charge
 - No tax, as scrap is exempt
 - IGST under forward charge (supplier must collect)
4. Legal services availed from the law firm in Delhi are: **(1 M)**
- Exempt from GST
 - Taxable under forward charge
 - Liable to CGST + SGST under RCM
 - Liable to IGST under RCM
5. Supply of demo units to the reseller free of cost will be: **(2 M)**
- Not taxable as there's no consideration
 - Deemed supply under Schedule I if ITC was claimed
 - Exempt supply if not resold
 - Taxable only if value exceeds ₹ 2,50,000
6. Mr. Varun, an unregistered person, owns two commercial shops in Pune. Shop 1 is rented to a partnership firm, which is registered under GST & have not opted for Composition Levy, for running a crockery business. Shop 2 is rented to a Proprietorship Concern which is paying GST under Composition Levy. Determine who is liable to pay GST in the following cases: **(2 M)**
- Renting of commercial property is exempt from GST.
 - The Partnership Firm is liable to pay tax under RCM for Rent of Shop 1 & there is no GST payable for Rent of Shop 2.
 - Mr. Varun is liable to pay tax under forward charge & accordingly has to get registered under GST.
 - None of the above.
7. GST is not payable by recipient of services in the following cases: **(2 M)**
- Services provided by way of sponsorship by Partnership firm to ABC Ltd. located in India.
 - Services supplied by a director (registered under GST) of Galaxy Ltd. to Mr. Krishna
 - Services by Department of Posts by way of speed post to MNO Ltd. located in India.
 - Services supplied by a recovering agent to SNSP Bank located in India.
 - Services provided by way of Sponsorship by a Body Corporate to ABC Ltd. located in India.
- (i), (ii) & (iii)
 - (i), (iv) & (v)
 - (ii), (iii) & (v)
 - (ii) & (iv)

8. Alcoholic liquor for human consumption & undenatured extra neutral alcohol or rectified spirit used for its manufacture is: **(1 M)**
- exempt from GST.
 - subject to both GST and central excise duty.
 - outside the realm of GST.
 - subject to GST only.

9. M/s. Jolly Electronics (P) Ltd., is an authorized dealer of M/s. GG Micro Ltd., located and registered in Lucknow, Uttar Pradesh. It has sold following items to Mr. Alla Rakha (a consumer): **(2 M)**

Product	Amount (₹)
Refrigerator (500 litres) taxable@18%	40,000
Stabilizer for refrigerator taxable @12%	5,000
LED television (42 inches) taxable @12%	30,000
Split air conditioner (2 tons) taxable @28%	35,000
Stabilizer for air conditioner taxable @12%	5,000
Total	1,15,000

M/s. Jolly Electronics (P) Ltd. has given a single invoice, indicating price of each item separately to Mr. Alla Rakha. Mr. Alla Rakha has given a single cheque of Rs. 1,00,000/- for all the items as a composite discounted price. State the type of supply and the tax rate applicable on the same.

- Composite supply, Highest tax rate applicable to split air conditioner, i.e. 28%
 - Mixed supply, Highest tax rate applicable to split air conditioner, i.e. 28%
 - Supply other than composite and mixed supply, Highest tax rate applicable to split air conditioner i.e. 28%
 - Supply other than composite and mixed supply, respective tax rate applicable to each item.
10. Korelal Printon (P) Ltd., a registered person under GST in the State of Jammu & Kashmir, is engaged in the business of offset printing and is providing services to various book publishers. A publisher situated in the State of Himachal Pradesh, a registered person under GST, sent content of the books to be printed by Korelal Printon (P) Ltd. in PDF format. The publisher also sent paper worth ₹ 4.00 lakh (excluding GST) to the printer, free of cost for the purposes of printing its books on 10th February. Korelal Printon (P) Ltd. raised an invoice of ₹ 1.50 lakh (excluding GST) against printing of books and returned the printed books through challan to the publisher on 20th August. The Proper Officer intercepted the vehicle and claimed that Korelal Printon (P) Ltd. should have sent the invoice of ₹ 5.50 lakh, i.e. including the value of free of cost paper supplied by the publisher. You may suitably advice which one of the following is the correct option: **(2 M)**
- The value of supply of paper for job work is to be included in the invoice in terms of section 15 of the CGST Act, 2017.
 - The goods sent for job work i.e. paper sent for printing is a composite supply
 - Korelal Printon (P) Ltd. has entered into an agreement of printing books. Therefore, he is liable to pay tax on the gross value of ₹ 5.50 lakh.
 - Korelal Printon (P) Ltd. has entered into an agreement of printing books. Therefore, he is liable to pay tax on the net value of ₹ 1.50 lakh.

PART B: Descriptive Questions

Question 1:

(12 Marks)

State, with reason, the person liable to pay GST in each of following independent cases:-

Assume recipient is located in taxable territory.

- a) XYZ Ltd. availed services of Vimal Goods transport agency for transportation of goods by road from factory located in New Delhi to its Jaipur depot and paid freight of ₹1,00,000 where the GST is charged at the rate applicable. Vimal Goods transport agency is registered under GST & has exercised the option to pay tax under forward charge.
What will be your answer if GTA has not exercised the option to pay tax under forward charge?
- b) Mr. Arun Kumar, an individual based in Delhi, owns a commercial office space in Connaught Place. He is not registered under GST, as his total turnover falls below the prescribed threshold. Mr. Arun rents out this commercial property to M/s TechNova Pvt. Ltd., a GST-registered private limited IT company that uses the premises for business purposes. Determine who is liable to pay tax.
Would your answer, differ if M/s TechNova Pvt. Ltd. opt for Composition Scheme.
- c) Amco India Ltd. a trader engaged in supply of goods & services at the intra state level. Its aggregate turnover for the PFY was ₹ 12.75 lakhs. In CFY upto the month of September 20XX the aggregate turnover of outward supply of Amco Ltd. was ₹ 10.35 lakhs.
Amco Ltd. does not get itself registered under GST as the threshold limit does not crosses the limit of ₹ 20 lakhs.
In the meanwhile, it has availed the service by way of renting of motor vehicle from Mr. Poonawala for the total consideration of ₹ 1.5 lakhs on 5th October 20XX (including cost of fuel).
Mr. Poonawala opted for paying tax @ 5% (i.e. 2.5% CGST & 2.5% SGST) and avail input tax credit of input service received from supplier who is also engaged in same line of business. Examine the tax liability in this case and the person who is liable to pay such tax.
Would your answer differ, if such service by way of renting of motor vehicle was provided by Mr. Poonawala to Mr. Ayush instead of Amco India Ltd.?
- d) Sponsorship services provided by a partnership firm to an individual.

Question 2:

(6 Marks)

Decide with reason whether following independent transactions amount to supply or not as per the provision, rules, circulars and notification issued under the GST law:

- (i) Satyam has lent securities to Kala Enterprises for a consideration of ₹ 10,000 towards lending of securities under the Securities Lending Scheme, 1997 through an approved intermediary. Ignore the transaction between Satyam and intermediary.
- (ii) Patta Limited made supply of goods to its agent, Romi, without consideration. Romi issued invoice for the further supply of goods to the customers in his own name. Romi also disclosed the name of principal in the invoice issued.
- (iii) Dilasa Limited recruited Miss Chhaya as senior relationship manager. At the time of joining as senior relationship manager, the company paid ₹ 3,00,000 towards "Not joining" Milan Limited, a stiff competitor of Dilasa Limited.

Question 3:**(5 Marks)**

Mr. Happy has a huge residential property located at a prime location in Mumbai, Maharashtra. He has let out the 1st and 2nd floor to Mr. Peace for residential purposes in April. Mr. Peace surrenders his tenancy rights to Mr. Serene for a tenancy premium of ₹ 10,00,000 on 1st June. Mr. Serene has also paid the applicable stamp duty and registration charges on transfer of tenancy rights. Moreover, Mr. Serene has agreed to pay a monthly rent of ₹ 1,00,000 to Mr. Happy (unregistered under GST) from June. Determine the taxability of the transaction(s) involved in the given case, for the month of June.

Question 4:**(6 Marks)**

ABC Insurance Ltd., a registered insurer in Maharashtra, is engaged in providing insurance services. During the current financial year, the company entered into following transactions:

1. ABC Insurance Ltd. enters into a co-insurance agreement with XYZ Insurance Ltd. where ABC Insurance Ltd. is the lead insurer. The insured – Gyaati Industries- pays a total premium of ₹ 50,00,000 which is apportioned by the lead insurer - ABC Insurance Ltd. between itself and XYZ Insurance Ltd. in the ratio of 60:40 for the insurance services jointly supplied by them to Gyaati Industries. ABC Insurance Ltd. agrees to discharge the entire GST liability on the full amount of premium received from Gyaati Industries.
2. A large industrial plant needs an insurance worth ₹ 500 crore. It approaches ABC Insurance Ltd. for the same. However, since ABC Insurance Ltd. is unable to underwrite the entire risk alone, it enters into a reinsurance agreement with a reinsurer - PQR Insurance Ltd. The total premium charged is ₹ 50 lakh. The insurer - ABC Insurance Ltd. pays a reinsurance premium of ₹ 20 lakh to PQR Insurance Ltd. This allows ABC Insurance Ltd. to manage its risk and financial exposure. While paying this amount to PQR Insurance Ltd., ABC Insurance Ltd. deducts a ceding commission of ₹ 1,00,000 which it has charged for the services it provides to PQR Insurance Ltd. PQR Insurance Ltd. pays GST on the gross reinsurance premium including the ceding commission.

Based on the provisions of Schedule III of the CGST Act, 2017, discuss whether the following activities amount to supply:

- (a) Apportionment of co-insurance premium by ABC Insurance Ltd. to XYZ Insurance Ltd. for the insurance services jointly supplied by them to Gyaati Industries.
- (b) Services by ABC Insurance Ltd. to PQR Insurance Ltd. for which ceding commission is deducted from reinsurance premium paid by ABC Insurance Ltd. to PQR Insurance Ltd.

Question 5:**(4 Marks)**

M/s. Chand is a manufacturer of Paper products having factory at Pune, Maharashtra. M/s. Kela and M/s. Bela of Mumbai, Maharashtra are appointed as agents to sell the products on behalf of M/s. Chand with the conditions that both of them guarantee the realization of payment from buyers. Both M/s. Kela and M/s. Bela provide short-term borrowing facilities to buyers for timely payment of dues against supplies made to them and for this they charge interest from the ultimate buyer. While M/s. Kela raises invoices in the name of M/s. Chand and M/s. Bela raises invoices in its own name.

In light of provisions contained in Para 3 of Schedule I of CGST Act, kindly explain treatment of interest charged by M/s. Kela and M/s. Bela in above mentioned cases.