

CA Final
Test Paper-2
TOPICS: Supply, RCM, COMPOSITION & TOS

Time: 1 hr & 30 mins

Total: 50 marks

PART A: Multiple Choice Questions

Case Study – 1

ABC Pvt. Ltd., a company registered under GST in the State of Uttar Pradesh, manufactures products which are used in laboratories. The products are manufactured in the company's factory located in Lucknow, Uttar Pradesh and sold in various parts of Uttar Pradesh.

The company also provides repair and maintenance services for its products. The details of turnover of the company are as under:

Particulars	FY – 1 (₹)	FY – 2 (₹)
Turnover from supply of goods	75,00,000	1,02,00,000
Turnover from supply of services	7,10,000	9,25,000
Interest income from extending loans to others	5,25,000	6,26,000

The company procures service of M/s Ram Enterprises, a Goods Transport Agency, having its place of business in Lucknow, Uttar Pradesh, for transport of goods from its factory to customers' location.

M/s Ram Enterprises prepares a regular consignment note containing the details of consignor and consignee and other prescribed details. The services provided by M/s Ram Enterprises are chargeable to tax @ 5%.

Following details are provided by ABC Pvt. Ltd. for the month of July of FY-3 (current FY):

S.no	Particulars	Amount (₹)
(i)	Turnover from supply of goods	10,20,000
(ii)	Turnover from supply of services	92,550
(iii)	Interest income from extending deposit to others	5,000
(iv)	Amount charged for services received from M/s Ram Enterprises	50,000
(v)	Raw material received from other States	5,26,000
(vi)	Input services received	7,80,900

Following GST rates are applicable on the inward and outward supplies unless otherwise specified:

Particulars	CGST	SGST	IGST
Outward supply	9%	9%	18%
Inward supply	6%	6%	12%

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 3.

- Whether the service provided by M/s Ram Enterprises to ABC Pvt. Ltd. is chargeable to tax. If yes, who will discharge the tax liability? **(2 M)**
 - The service is chargeable to tax and M/s Ram Enterprises will bear the tax liability.
 - The service is chargeable to tax and ABC Pvt. Ltd. will discharge the tax liability.
 - The service is exempt under the CGST Act, 2017.
 - The service is chargeable to tax and M/s Ram Enterprises and ABC Pvt. Ltd. will discharge the tax liability in the ratio of 1:1.

2. Whether ABC Pvt. Ltd. could have opted for composition levy under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 for current financial year? **(2 M)**
- a) Yes. However, it could have provided services up to a value of ₹ 11,12,500 under composition levy during the current financial year.
 - b) No, it could not have opted for composition levy.
 - c) Yes. However, it could have provided services up to ₹ 5,00,000 under composition levy during the current financial year.
 - d) Yes. However, it could have provided services up to ₹ 11,75,100 under composition levy during the current financial year.
3. Assuming ABC Pvt. Ltd. has opted for composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017, What shall be the total GST liability of ABC Pvt. Ltd. in the State of Uttar Pradesh for the month of July? **(2 M)**
- a) No liability, ITC of ₹ 1,56,828 will be carried forward.
 - b) ₹ 45,931
 - c) ₹ 13,626
 - d) ₹ 2,02,759

Case Study – 2

M/s. Krishna Brothers, a partnership firm, is engaged in restaurant business. It is registered under the composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 for the current financial year. It's turnover in the State for the month of April was ₹ 12,00,000.

It received new orders in the month of May to run a mess facility for supplying food at:

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

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

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

M/s Krishna Brothers undertakes intra-State transactions only.

Based on the information given above, choose the most appropriate answer for the questions 4 to 6:

4. Compute the tax liability of M/s. Krishna Brothers for the month of April? **(2 M)**
- a) CGST & SGST of ₹ 6,000 each
 - b) CGST & SGST of ₹ 12,000 each
 - c) CGST & SGST of ₹ 30,000 each
 - d) CGST & SGST of ₹ 60,000 each

5. Time of supply of catering services provided to a Coral limited company is: (1 M)
- 3rd July
 - 25th July
 - 28th July
 - 2nd August
6. Which of the following statements is most appropriate in respect of next financial year for M/s Krishna Brothers? (1 M)
- M/s Krishna Brothers can continue to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
 - M/s Krishna Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
 - M/s Krishna Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017, but can avail benefit of composition levy under section 10(2A) of the CGST Act, 2017.
 - M/s Krishna Brothers can neither avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 nor under section 10(2A) of the CGST Act, 2017.

Case Study – 3

Jaskaran, a registered supplier of Delhi, is engaged in supplying a bouquet of taxable goods and services. He has made the following supplies in the month of January:

S.no	Particulars	Value of Service (₹)
1.	Supply of 20,000 packages at ₹ 30 each to Sukhija Gift Shop registered under GST in Punjab [Each package consists of 2 chocolates, 2 fruit juice bottles and a packet of toy balloons]	6,00,000
2.	500 packages each consisting of 1 chocolate and 1 fruit juice bottle given as free gift to Delhi customers on the occasion of Diwali [Cost of each package is ₹ 12, but the open market value of such package of goods and of goods of like kind and quality is not available. Input tax credit has not been taken on the items contained in the package]	
3.	Catering services provided to elder brother free of cost for his business function in Delhi [Cost of providing said services is ₹ 55,000, but the open market value of such services and of services of like kind and quality is not available.	

***excluding GST**

Following additional information has been furnished by Jaskaran:

- One of the old customers of Jaskaran – Mr. Bahubali - approached him requesting him to arrange the transportation of the goods purchased by him from a local supplier. Jaskaran arranged the transportation of said goods for Mr. Bahubali through a goods transport operator. Jaskaran did not issue a consignment note to Mr. Bahubali.
- Assume the rates of GST to be as under:

Goods / Services supplied	CGST	SGST	IGST
Chocolates	9%	9%	18%
Fruit Juice Bottles	6%	6%	12%
Toy Balloons	2.5%	2.5%	5%
Catering Service	9%	9%	18%

Based on the facts of the case scenario given above, choose the most appropriate answer to Q 7 to 9

7. GST on services of transportation of goods provided by Jaskaran to Mr. Bahubali: **(1 M)**
- is payable by Mr. Bahubali @ 5%.
 - is payable by Jaskaran @ 12%.
 - is payable by Mr. Bahubali @ 12%.
 - is not payable at all
8. Supply of 500 packages given as free gift to Delhi customers on the occasion of Diwali is **(1 M)**
- a mixed supply
 - not a supply
 - a composite supply
 - a separate supply of chocolate and fruit juice bottle
9. For the purposes of GST law, value of supply of catering services provided by Jaskaran to his elder brother free of cost for his business function in Delhi is **(1 M)**
- ₹ 60,500
 - ₹ 55,000
 - ₹ 60,500 or ₹ 55,000, whichever is lower
 - ₹ nil as catering services provided by Jaskaran to his elder brother is not a supply
10. Lalla (Pede Wala) owns a famous sweets shop located and registered under GST in Vrindavan, Uttar Pradesh. He received an order for 100 kg of sweets on 2nd May from Parindey Travels (P) Ltd., located in same locality of Vrindavan and registered under GST, for a total consideration of ₹ 50,000. Complete order of sweets was delivered to Parindey Travels (P) Ltd. on 5th May but without invoice, as accountant of Mr. Lalla was on leave on that day. However, the invoice was raised for the same on 6th May, when the accountant joined the office after leave. Payment in full was made on 7th May. Determine the time of supply of goods in this case. **(2 M)**
- 2nd May
 - 5th May
 - 6th May
 - 7th May
11. Mrs. Reena is a consultant. She has provided the following details relating to services provided and received by her: **(2 M)**
- Supply of management consultancy services for ₹ 5,00,000 p.a.
 - Supply of accounting services for ₹ 2,00,000 p.a.
 - Renting of immovable property for residential purposes for ₹ 10,000 p.m.
 - Management consultancy services provided to a hospital for ₹ 50,000 one time
 - Services provided to a client outside India for ₹ 50,000 p.m.
 - Services received from a lawyer for ₹ 1,00,000
- Note:** Assume that amounts given above are exclusive of GST, wherever applicable.
- What shall be her aggregate turnover for the financial year under GST provided her aggregate turnover during previous financial year was ₹ 24 lakh?
- ₹ 9,10,000
 - ₹ 15,70,000
 - ₹ 14,70,000
 - ₹ 8,20,000

PART B: Descriptive Questions

Question 1:

(15 Marks)

Answer the following independent cases:-

- a) XYZ Pvt. Ltd. received legal services from ABC Consultants who is not registered under GST on March 1, 20XX. The legal services are subject to GST under the RCM. XYZ Pvt. Ltd. issued an invoice for the services on March 10, 20XX & supplier has not issued the invoice as it is unregistered. XYZ Pvt. Ltd. made the payment for the legal services on May 02, 20XX. Determine Time of Supply. What would be your answer if ABC Consultants is registered under GST & invoice is issued by it only & not by XYZ Pvt. Ltd. on March 5, 20XX.
- b) Anuja checked in at the 'Welcome Tourist Lodge' in Madurai on 15th July, 20XX. The room rent for the same was ₹ 900 per day for a single room. She checked-out on 17th of July 20XX and payment in respect to the same was received by the lodge via cheque at the time of checking-out and entered in the books on the same date. The lodge decided to issue her the invoice on the same date when the amount would get credited in its bank account. The lodging of hotel rooms which was exempted upto ₹ 1,000 earlier became chargeable to tax from 18th July, 20XX. Under the GST law, determine the time of supply and taxability of the service of lodging in the hands of 'Welcome Tourist Lodge' if the cheque gets credited into the bank account of 'Welcome Tourist Lodge' on 20th of July 20XX.
Note: Assume that all the days covered in the above case are working days.
- c) M/s Vijay Communication Ltd., a registered telecom operator, is planning to bid for securing the right to use spectrum offered by the Government under the spectrum allocation model followed by Department of Telecommunications (DoT).
Company appointed you as advisor to give advice when the liability of payment of GST will arise in the following independent situations:
- (i) In case where full upfront payment is made.
 - (ii) In case where deferred payment is made by the telecom operator in 18 monthly instalments.
- Give your advice by explaining the relevant legal provisions with reference to the liability to pay GST, issue of invoice and time of supply.

Question 2:

(5 Marks)

Mr. Rajbeer, a registered person at Delhi, is in the business of selling goods relating to interior decoration under the firm name M/s. Rajbeer & Sons. He has opted for composition scheme for the financial year 20XX-YY. His turnover for current FY ₹ 80 lakh and is expected to achieve ₹ 130 lakh in financial year 20YY-ZZ. Discuss whether M/s Rajbeer & Sons can still enjoy the benefits of composition scheme in financial year 20YY-ZZ.

His son Karan wants to start business of providing services relating to interior decoration, after completing post-graduation course in interior decoration under same firm name M/s Rajbeer & Sons with effect from 1st April of financial year 20YY-ZZ and wants to enjoy the benefits of composition scheme under GST. Advise Mr. Rajbeer and his son Karan.

Question 3:**(6 Marks)**

Maxx Pay Gift Solutions Pvt. Ltd., based in Bengaluru, is engaged in issuing and distributing various types of vouchers, including both RBI-recognized prepaid instruments (PPIs) like multi-brand gift cards and non-RBI-recognized brand-specific vouchers. The company sells these vouchers through two channels. In one model, it sells vouchers to distributors at a discount (e.g., ₹ 5,00,000 face value sold at ₹ 4,90,000), allowing them to resell and retain the margin. In the second model, Maxx Pay appoints agents who sell vouchers on its behalf and receive a commission for each sale. Additionally, Maxx Pay contracts with a third-party service provider for services such as advertising, technology integration, and customer support related to voucher operations. During the year, it is observed that a significant portion of vouchers worth ₹ 2,00,000 remained unredeemed after expiry (commonly referred to as breakage). Maxx Pay seeks clarity on the GST implications of voucher issuance, distribution, related services, and breakage.

Question 4:**(4 Marks)**

Arpan Singhania is an executive director in Narayan Limited, Haryana. The company paid him the sitting fee amounting to ₹ 25,000, for the month of January. Further, salary was paid to Arpan Singhania amounting to ₹ 1.5 lakh for the month of January on which TDS was also deducted as per applicable provisions under Income-tax law. Tapasya & Associates, in which Arpan Singhania is a partner, supplied certain professional services to Narayan Limited in the month of January for an amount of ₹ 2 lakh. Discuss the person liable to pay GST in each of the supplies involved in the given case.

Question 5:**(3 Marks)**

Mr. X, a trader dealing exclusively in supply of goods and paying tax under normal scheme (also eligible for composition scheme), submit the following details for coming financial year 20XX-YY. You are required to determine which scheme will be more beneficial to him and whether Mr. X should opt for composition scheme. Estimated data for coming financial year 20XX-YY are as follows:

Particulars	Amount (₹)
Inward supplies of goods from registered suppliers (amount exclusive of GST and goods chargeable to normal rate of GST @12%)	70,00,000
Outward supplies of goods to unregistered customers (sale price of goods inclusive of GST) - Normal Rate of GST is @12%	90,00,000

Other information is as given below:

- (i) Inherent nature expenses ₹ 4,50,000 per year under both the schemes.
- (ii) Books of account maintenance cost under normal scheme ₹ 2,00,000 yearly whereas under composition scheme it will be ₹ 75,000 yearly.
- (iii) Return filing expenses under normal scheme ₹ 48,000 yearly whereas under composition scheme it will be ₹ 12,000 yearly.