

CA Final
Test Paper-3
TOPICS: COMPOSITION, TOS, VOS & EXEMPTION

Time: 1 hr & 30 mins

Total: 50 marks

PART A: Multiple Choice Questions: Each carries 2 Marks

Case Study – 1

M/s Harimukund Hardwares, a partnership firm registered under GST in the State of Uttar Pradesh, is engaged in the supply of door and window fittings across India. In the month of October, it made following outward supplies:

Name of receiver (State)	Taxable value (₹)	Date of invoice	Date of receipt of payment	Date of removal of goods
M/s Nand Kishore Traders (Haryana)	5,75,000	10 th Oct	25 th Oct	10 th Oct
M/s Charanjot Hardwares & Fitters (Punjab)	3,25,000	12 th Oct	10 th Nov	10 th Oct
M/s Rana Singh Ji Hardware Products (Rajasthan)	2,70,000	17 th Oct	12 th Oct	20 th Oct
M/s Annapurai Hardwares (Karnataka)	3,75,000	18 th Oct	29 th Nov	19 th Oct

The applicable tax rates of GST on supply of above goods is 18% IGST, 9% CGST and 9% SGST. Goods are generally received by parties in Punjab, Haryana & Rajasthan on 2nd day from the date of removal whereas it takes 5 days to reach Karnataka.

M/s Harimukund Hardwares gives 2% cash discount to its customers wherever the payment is received in advance or within 15 days of the date of removal of goods and the respective credit note is also issued immediately. The buyer also takes the necessary legal action (required under GST law) with respect to such credit note immediately.

To supply such goods, as aforesaid, it received services from a local GTA, namely, M/s Khatushyam Transporters (unregistered), who raised a consolidated invoice for ₹ 1,00,000 on 22nd October for which payment was made on 27th December along with payment for the month of November.

Applicable tax rate on services of transportation of goods is CGST @ 2.5% and SGST @ 2.5%.

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

- What is the time of supply of goods in case of goods supplied to M/s Charanjot Hardwares & Fitters?
 - 12th October
 - 10th October
 - 10th November
 - 14th October
- What is the time of supply of goods in case of goods supplied to M/s Rana Singh Ji Hardware Products?
 - 17th October
 - 12th October
 - 20th October
 - 22nd October

3. What is the time of supply in case of services supplied by M/s Khatushyam Transporters?
 - a) 22nd October
 - b) 27th December
 - c) 10th October, 19th October and 20th October
 - d) 22nd December

4. What is the gross tax liability attributable to outward supplies of M/s Harimukund Hardwares for the month of October?
 - a) IGST = ₹ 2,75,060, CGST = Nil, SGST= Nil
 - b) IGST = ₹ 2,78,100, CGST = ₹ 2,500, SGST= ₹ 2,500
 - c) IGST = ₹ 2,75,058, CGST = Nil, SGST= Nil
 - d) IGST = ₹ 2,75,058, CGST = ₹ 2,500, SGST= ₹ 2,500

5. The total value of all the supplies involved in the above case scenario on which M/s Harimukund Hardwares is liable to pay tax is _____.
 - a) ₹ 16,28,100
 - b) ₹ 16,39,100
 - c) ₹ 15,45,000
 - d) ₹ 15,39,600

Case Study – 2

Bright Public School, New Delhi, under the aegis of Bright Minds Society, has provided/received following services/supplies in the month of March:

1. Provided transportation services to its students, teachers and other staff for commuting to and from school. Such transportation services are provided to Bright Public School by Ambaji Transporters. An amount of ₹ 1,500 per month is charged from students whereas such services are provided free of cost to teachers and other staff, being part of their employment contract. Consolidated amount of ₹ 2 lakh per month is paid to Ambaji Transporters.
2. It conducted entrance examination for students of Class XI for upcoming academic year. It charged entrance fee of ₹ 1,000 from external students and nominal entrance fee of ₹ 200 was charged from internal students at school. A total of 2000 students gave entrance exam out of which 1000 were internal students.
3. Bright Public School also provides boarding and lodging facilities to its students belonging to other cities of India. A consolidated amount of ₹ 1,75,000 per annum is charged per student as a consideration for educational services as well as for services of boarding and lodging provided to them.

Note: The above amounts are exclusive of GST, wherever applicable. All the transactions are intra-State. Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 6 to 9 below:-

6. Choose the most appropriate option in relation to service of transportation of students, teachers and other staff provided by Bright Public School:
 - a) Services provided for the amount of ₹ 1,500 charged per student is supply in terms of section 7 of the CGST Act, 2017 and GST is payable on the said amount.
 - b) The transportation services provided by Bright Public School to students, teachers and other staff are exempt from GST.

- c) The transportation services provided to students is specifically exempted from GST under section 11 of the CGST Act, 2017 whereas transportation services provided to teachers and other staff is not a supply as it is provided in course of employment.
- d) Transportation services provided to teachers and staff are exempt from GST. However, since ₹ 1,500 is being charged from students for their transportation, it is not an exempt supply, and GST is payable on the same.

7. Choose the most appropriate option in relation to entrance fee charged by Bright Public School from the students:

- a) No GST is leviable on entrance fee charged from internal students. However, GST is payable by school on entrance fee charged from outside students as it is a service in relation to entrance examination provided to outsiders who are not the students of the school and therefore, supply is not eligible for exemption.
- b) GST is payable on whole of the consideration received from students (internal and external both) as only services provided to educational institution relating to admission or conduct of examination are exempt and not the services provided by educational institution for conduct of entrance examination.
- c) No GST is payable on consideration of ₹ 12,00,000 received from students in the form of entrance exam fee as such amount is exempt from GST. However, it still qualifies to be a supply as per the CGST Act, 2017 and needs to be reported in the return for the month of May as exempt supply.
- d) Since entrance exam fee is received for admission to the upcoming academic session, the amount of consideration needs to be amortized over the year and value of such supply would be reported in the respective month as nil rated supply.

8. Choose the most appropriate option in relation to boarding and lodging facilities provided by Bright Public School in addition to educational services and consideration charged thereto:

- a) It is a composite supply where the principal supply is educational services. Since the principal supply is exempt, the entire consideration of ₹ 1,75,000 is also exempt from tax.
- b) It is a composite supply where the principal supply is that of boarding and lodging services; educational services are incidental to boarding and lodging services. Therefore, the tax is payable at the rate applicable to principal supply, i.e., boarding and lodging services.
- c) It is a mixed supply where educational services and boarding and lodging services are independent of each other. Therefore, the tax is payable at the highest rate of tax applicable among these supplies.
- d) It is a mixed supply where educational services and boarding and lodging services are independent of each other. Therefore, the tax is payable at the lowest rate of tax applicable among these supplies.

9. Choose the most appropriate option in relation to supply of service by Ambaji Transporters to Bright Public School:

- a) GST is payable by the school on the services provided by Ambaji Transporters as they are covered under section 9(3) of the CGST Act, 2017 which includes services by a transporter.
- b) GST is not payable on the services provided by Ambaji Transporters as services provided by it do not qualify as supply under the CGST Act, 2017.

- c) GST is payable on the services provided by Ambaji Transporters as Ambaji Transporters is not an educational institution and said services are exempt only when provided by an educational institution.
- d) GST is not payable at all on the services provided by Ambaji Transporters as services provided to an educational institution by way of transportation of students, faculty and staff are exempt from GST.

Case Study – 3

Mr. Venkat, a practicing Chartered Accountant, based in Hyderabad, is registered under GST in the State of Telangana. He undertook following transactions/activities during the current financial year:

1. He provided consultancy services to Kuick Tours, a UK based entity engaged in the business of e-commerce in the field of tour and travels, having its office at UK. Kuick Tours paid a sum of Euro 95,000 to Mr. Venkat billed @ ₹ 75 per Euro. Mr. Venkat made travel to UK several times during the year and incurred Euro 5,000 @ ₹ 75 as incidental expenses (including VAT paid ₹ 10,000) which was ultimately charged from Kuick Tours. Kuick Tours also paid a sum of EURO 5,000 @ ₹ 75 to Mr. Venkat as interest on account of delay in payment of agreed consideration. Mr. Venkat also hired the services of a professional firm based in UK to complete the assignment of providing services to Kuick Tours and paid Euro 10,000 @ ₹ 75. This was not recovered from Kuick Tours.
2. Mr. Venkat's taxable earnings for services provided in India for the financial year are ₹ 85,00,000. In addition to this, Mr. Venkat also provided return filing services free of charge in the month of July to Indian residents who were economically weaker. OMV of such services was ₹ 1,40,000. Further, in July, Mr. Venkat also provided financial services to his real brother Mr. Kamath who is working at an IT company and earning handsomely, for ₹ 75,000 (invoice raised at open market value). However, Mr. Venkat offered him 90% discount on the invoice raised to him. Therefore, Mr. Kamath paid ₹ 7,500 only.
3. Dumdum Electricals Ltd., registered under GST in Guwahati, Assam approached Mr. Venkat to impart GST training to its accounts and finance personnel. Mr. Venkat imparted the said training to 50 employees of Dumdum Electricals Ltd. at a conference room of Swaraj Hotel located in Siliguri, West Bengal on 25th August.

Notes: The rates of tax are 9% (CGST), 9% (SGST) and 18% (IGST) on all inward/ outward supplies. All the amounts given above are exclusive of taxes, wherever applicable.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 10 to 12 below:-

10. Compute the value of supply made by Mr. Venkat to Kuick Tour (in Euros).
 - a) ₹ 1,20,000
 - b) ₹ 1,05,000
 - c) ₹ 1,15,000
 - d) ₹ 1,25,000
11. Compute aggregate turnover of Mr. Venkat for the current financial year.
 - a) ₹ 1,78,75,000
 - b) ₹ 1,86,25,000
 - c) ₹ 1,63,82,500
 - d) ₹ 1,80,90,000

12. What is value of supply made by Mr. Venkat to Mr. Kamath if Mr. Kamath is the son of Mr. Venkat and not his brother and supply is made free of cost, other facts remaining the same?
- ₹ 7,500
 - ₹ 75,000
 - Not a supply since they are related
 - Value cannot be determined

PART B: Descriptive Questions

Question 1:

(8 Marks)

Vividh Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka, having turnover of ₹ 200 lakh in last financial year. It has furnished following information for the month of June.

Particulars	Amount (₹) Excluding GST
Services provided by way of a labour contract for repairing a single residential unit otherwise than as a part of residential complex	13,00,000
Fee received from students of a competitive exam training academy run by Vividh Pvt. Ltd.	5,40,000
4 buses each with a seating capacity of 72 passengers given on hire to State Transport Undertaking	6,00,000
Rent paid to Local Municipal Corporation for premises taken on rent for competitive exam training academy	2,50,000
Goods transport services received from registered GTA who has opted to pay tax under forward charge @ 12%	1,80,000
Services provided by way of fumigation in a warehouse of agricultural produce	13,00,000
Service of transportation of passengers by metered cabs provided through Webcastle Ltd., an electronic commerce operator (ECO)	5,40,000

Compute gross GST liability (ignoring ITC provisions) of Vividh Pvt. Ltd. for the month of June assuming that the above amounts are exclusive of GST and rate of GST, wherever applicable, is 18% unless otherwise mentioned.

Question 2:

(8 Marks)

M/s ABC Ltd. a manufacturer of heavy machines registered at Jaipur (Rajasthan) supplied one machine to M/s. XYZ Ltd. of Udaipur (Rajasthan) on 05-02-20XX under an invoice of the same date.

Using the information given below, compute the value of the machine and the GST payable (CGST & SGST or IGST as the case may be) in cash for the month of February, 20XX by M/s ABC Ltd. with appropriate working notes.

Assume Rate of CGST, SGST and IGST on the machine to be 9%, 9% and 18% respectively.

S.no	Particulars	Amount (₹)
1.	The Basic price of the machine (exclusive of taxes and discount).	28,50,000
2.	Trade discount is allowed at 3% on the basic price and is shown in the invoice.	85,500
3.	Secondary packing (in iron sheets) charges for safe transportation of the machine on the request of buyer.	30,000
4.	Design and engineering charges of the machine	90,000
5.	Tax levied by Municipal Authority on the sale of the machine.	25,000
6.	Subsidy received by the supplier from the State Government to encourage	80,000

	manufacture of the machine. (extra amount received in addition to list price)	
7.	Pre-delivery inspection charges paid to an independent agency in terms of the agreement for supply. The amount was paid by M/s. XYZ Ltd.	22,000
8.	Interest amount paid by M/s. XYZ Ltd. for delay in payment for the machine.	12,000
9.	Inward Supplies i. IGST paid on food items for consumption by employees working in the factory. ii. SGST and CGST (₹ 15,000 each) paid on Electrical transformer used in the manufacturing process.	8,000 30,000

Note :

1. M/s ABC Ltd. has no input tax credit balance at the beginning of February, 20XX. All the other conditions necessary for availing the eligible input tax credit have been fulfilled.
2. There are no other transactions of supplies during the month of February, 20XX.
3. M/s ABC Ltd. and M/s. XYZ Ltd. are not related persons.

Question 3:

(4 + 3 + 3 = 10 Marks)

Answer the following questions independently:

1. Dev Enterprises is the supplier of water coolers. Dev Enterprises supplied water coolers to an unrelated party, Vimal Traders for consideration of ₹ 2,95,000 (inclusive of GST @ 18%). Vimal Traders also gave some materials to Dev Enterprises [valuing ₹ 10,000 (exclusive of GST)] as an additional consideration for such supply.
At the same time, Dev Enterprises has supplied the same goods to another unrelated person at price of ₹ 2,97,360 (inclusive of GST@18%).
You are required to:
 - (i) Determine the value of goods supplied by Dev Enterprises to Vimal Traders.
 - (ii) What would your answer be if price of ₹ 2,97,360 is not available at the time of supply of goods to Vimal Traders? Explain briefly
2. Basis the following information, determine the time of supply:

S.no	Event	Date
1.	Commencement of provision of service	5 th June
2.	Completion of service	10 th October
3.	Invoice issued	20 th October
4.	Payment received by cheque and entered in the Books	15 th October
5.	Amount credited in Bank account	18 th October
6.	Rate changed from 12% to 18%	16 th October

Note: Assume that all the days covered in the above case are working days

3. M/s Neelkanth Electronics, a registered taxpayer in Rajasthan, opted for the composition scheme under Section 10(1) of the CGST Act for the financial year 20YY–ZZ. The turnover in the preceding financial year was ₹ 85 lakh. During an audit, it was found that the business also provided installation and repair services amounting to around 15% of its total turnover. The proper officer cancelled the composition registration with retrospective effect and demanded the differential tax under the regular scheme along with interest and penalty. Examine the validity of the action taken by the proper officer.

VS
SMART
ACADEMY