

CA Inter
Test Paper-1

TOPICS: Introduction of GST, Levy, Supply & RCM

Time: 1 hr & 30 mins

Total: 50 Marks

PART A: Multiple Choice Questions (Each carries 2 marks)

Choose the most appropriate option:

Case Study 1:

Purvi, registered under GST in the State of Madhya Pradesh, is engaged in supplying multiple taxable goods and services. She has undertaken the following activities/transactions in the month of October in the current financial year:

- (i) Donated some money to Divyaprakash Charitable Trust, Madhya Pradesh, in the memory of her late father. The Divyaprakash Charitable Trust constructed a room in the school run by it from such donation and wrote "Donated by Miss. Purvi in the memory of her father" on the door of the room so constructed.
- (ii) Organized a seminar in Indore which was sponsored by WE-WIN Cricket Academy, an LLP. Purvi received a sponsorship fee of ₹ 1,50,000.
- (iii) Bindusar Public School intended to distribute gift packages consisting of fountain pen, calculator and tape dispenser to its students on the occasion of Children's Day. Therefore, it entered into a contract with Purvi on 28th October for supply of 2,000 packages at a single price of ₹ 250. Rates of GST for fountain pen, calculator and tape dispenser are 5%, 12% and 18% respectively.
- (iv) Received the following payments during the month of October:
 - earned ₹ 1,60,000 by performing at a western music concert in Indore
 - earned ₹ 50,000 for renting of space for use as a Textile Emporium
 - received ₹ 70,000 for supply of farm labour

All the amounts given above are exclusive of GST, wherever applicable.

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

- 1. Donation made by Purvi to Divyaprakash Charitable Trust is _____.
 - a) exempted from GST by way of a notification
 - b) not a supply at all
 - c) liable to GST under forward charge
 - d) liable to GST under reverse charge
- 2. Which of the following statements is correct with respect to the sponsorship fee received by Purvi?
 - a) Tax on sponsorship services is payable by Purvi under forward charge.
 - b) Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.
 - c) Sponsorship services are exempt from GST since services provided to a sports academy are exempt.
 - d) Tax on sponsorship services is payable by Purvi under reverse charge.

3. Determine the nature of supply and the applicable rate of GST for the packages supplied by Purvi to Bindusar Public School.
- a) composite supply & applicable rate of GST is 12%
 - b) mixed supply & applicable rate of GST is 18%
 - c) composite supply & applicable rate of GST is 18%
 - d) mixed supply & applicable rate of GST is 12%
4. Determine which of the following independent cases will be deemed as supply even if made without consideration in terms of Schedule I of the CGST Act, 2017?
- (i) AB & Associates (Registered under GST) transfers stock of goods from its Mumbai branch to Kolkata depot for sale of such goods at the depot.
 - (ii) Mr. Raghuveer, a dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle is blocked.
 - (iii) Mrs. Riddhi, an employee of Sun Ltd., received gift from her employer on the occasion of Diwali worth ₹ 21,000.
- a) (i)
 - b) (ii)
 - c) (iii)
 - d) Both (i) and (ii)
5. Which of the following statements is incorrect?
- a) Alcoholic liquor for human consumption is outside the realm
 - b) Manufacture/ production of alcoholic liquor is subject to State excise duty.
 - c) Inter- State/intra-State sale of the alcohol is subject to CST/ VAT respectively.
 - d) Alcoholic liquor for human consumption is subject to GST.
6. Which of the following services received, in the course or furtherance of business, without consideration amount to supply?
- (i) Import of services by a person in India from his son well-settled in USA.
 - (ii) Import of services by a person in India from his brother well settled in Germany.
 - (iii) Import of services by a person in India from his brother (wholly dependent on such person in India in France.
 - (iv) Import of services by a person in India from his daughter (wholly dependent on such person in India) in Russia.
- a) (i), (iii) and (iv)
 - b) (ii), (iii) and (iv)
 - c) (ii) and (iii)
 - d) (i) and (ii)
7. Assuming that all the activities given below are undertaken for a consideration, state which of the following is not a supply of service.
- a) Renting of commercial office complex
 - b) An employee agreeing to not work for the competitor organization after leaving the current employment
 - c) Repairing of mobile phone

- d) Permanent transfer of business assets on which ITC is availed OR Provision of services by an employee to the employer in the course of employment.

8. Mr. Varun, an unregistered person, owns two commercial shops. Shop 1 in Pune is rented to a partnership firm, which is registered under GST & have not opted for Composition Levy, for running a crockery business. Shop 2 in Mumbai is rented to a Proprietorship Concern which is paying GST under Composition Levy. Determine who is liable to pay GST in the following cases:

- a) Renting of commercial property is exempt from GST.
- b) 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.
- c) Mr. Varun is liable to pay tax under forward charge & accordingly has to get registered under GST.
- d) None of the above.

9. TT Pvt. Ltd., registered in Rajasthan, furnished following information for the month of June:

- (i) Inter-State sale of goods for ₹ 1,25,000 to JJ Enterprises registered in Haryana
- (ii) Inter-State purchases of goods from XYZ company, registered in Punjab, for ₹ 40,000
- (iii) Intra-State purchases of goods from RR Traders, registered in Rajasthan, for ₹ 65,000.

The applicable rate of GST is 18%. All the amounts are exclusive of taxes. GST liability payable in cash is-

- a) CGST ₹ 1,800 & SGST ₹ 1,800
- b) SGST ₹ 3,600
- c) IGST ₹ 3,600
- d) CGST ₹ 3,600

10. Goods as per section 2(52) of the CGST Act, 2017 includes:

- (i) Actionable claims
 - (ii) Growing crops attached to the land agreed to be severed before supply.
 - (iii) Money
 - (iv) Securities
- a) (i) and (iii)
 - b) (iii) and (iv)
 - c) (i) and (ii)
 - d) (ii) and (iii)

PART B: Descriptive Questions

Question 1:

(7 Marks)

Charm Limited, registered under GST in the State of Jharkhand, manufactures cosmetic products and appointed Mr. Handsome of Mumbai, who is registered under GST in the State of Maharashtra, as their Del-credere agent (DCA) to sell their products. Being a DCA, he agrees to raise invoices in his own name and also guarantees for the realization of payments from customers to Charm Limited.

In order to realize the payments from customers on time, he extends short term transaction-based loans to them and charges interest for the same.

Mr. Handsome provides you the following details of transactions carried out during month of March 20XX:

S.no	Particulars	Amount (₹)
OUTWARD SUPPLY		
(i)	Goods sold by Mr. Handsome in his DCA capacity (intra - State transaction)	2,80,000
(ii)	Interest earned from the above customers for short term credit facility provided for timely payment of dues. (intra-State transaction)	20,000
(iii)	Commission bill raised on Charm Limited (inter-State transaction) in respect of DCA services provided	30,000
INWARD SUPPLY		
(iv)	Inter-State supply of goods received from Charm Limited. Being a DCA, no consideration was paid. Value under section 15 - ₹ 2,00,000	Nil
(v)	Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost. Company charges ₹ 75,000 for such training when it provides the same to others.	Nil

Applicable rate of tax on both inward and outward supplies is 9% each for CGST and SGST and 18% for IGST. Amounts given above are exclusive of taxes wherever applicable. Subject to the information given above, necessary conditions are complied with for availment of input tax credit.

You are required to calculate the gross GST liability and eligible input tax credit for the month of March 20XX of Mr. Handsome.

Brief notes should form part of your answer for treatment of items in Sl. No. (i) to (v).

Question 2:

(6 + 6 = 12 Marks)

- Examine whether the following activities would amount to supply under section 7 read with Schedule I:
 - Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold from the depot.
 - Raman is an architect in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.
 - Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?
- Decide which person is liable to pay GST in the following independent cases, where the recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.
 - Renting of immovable property services provided by Government to unregistered business entity for ₹ 18 Lakhs.

- b) Vivek Goyal, an independent director, appointed in accordance with the provisions of the Companies Act, 2013, of A2Z Pvt. Ltd., has received sitting fee amounting to ₹ 1 lakh from A2Z Pvt. Ltd for attending the Board meetings.
- c) M/s. Purohit Consultants, a partnership firm registered in Delhi as a regular tax payer, paid Sponsorship fees of ₹ 70,000 at a seminar organized by a private NGO (a partnership firm) in Delhi.

Question 3:

(4 + 4 + 3 = 11 Marks)

1. Answer the following questions independently:
 - a) Discuss taxability of shares held in a subsidiary company by holding company.
 - b) Dhruv Developers sold a plot of land in Greater Noida after levelling, laying down of drainage lines, water lines and electricity lines. Determine whether GST is payable or not.
2. Which are the commodities which have been kept outside the purview of GST? Examine the status of taxation of such commodities after introduction of GST.
3. GTA services provided to an unregistered person (including unregistered casual taxable person) are exempt from GST by virtue of Entry 21 A of GST Laws. Discuss the validity of above statement.