

**CA Inter
Test Paper-2**

TOPICS: Supply, RCM, Composition Levy & VOS

Time: 1 hr & 30 mins

Total: 50 Marks

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

Case Study 1:

Reddy & Reddy Associates, a partnership firm registered under GST, is engaged in various types of business activities. It has provided the details of the following activities undertaken by it in the current financial year:

- a) It supplied taxable goods to Suryan Enterprises valuing ₹ 8,00,000 in the month of April, with a credit period of 1 month for payment. Thereafter, interest @ 12% p.a. is chargeable on the consideration. The payment is received from Suryan Enterprises after the lapse of two months from the date of supply.
- b) It enters into a contract for supply of 100 office chairs @ ₹ 15,000 with Veer Mart on 21st August. Chairs are removed from the warehouse of Reddy & Reddy Associates on 5th September along with the invoice of said date. Veer Mart has paid 30% of the total contract value on 21st August; 70% is paid after delivery of chairs on 10th September.
- c) In the month of October, it provided services by way of transportation of goods in a goods carriage by road to Fisheries Department of Government of India, which is registered under GST only for the purpose of deducting tax at source. Reddy & Reddy Associates is a registered goods transport agency and charges ₹ 1,20,000 for the said services.
- d) It also provided services of Direct Selling Agent to an NBFC located in Mumbai in the month of December for ₹ 50,000.
- e) It organized a business exhibition in the month of December for which it received a sponsorship fee of ₹ 3,00,000 from Kiran Ltd.
- f) It has a policy to provide free gifts to each of its employees valuing ₹ 50,000 at the end of each financial year.

All the amounts given above are exclusive of GST, wherever applicable. All conditions for availing ITC are fulfilled subject to the information given above.

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

1. Value of supply made to Suryan Enterprises, assuming the interest on delayed payment to be exclusive of GST, is _____.
 - a) ₹ 8,00,000
 - b) ₹ 8,08,000
 - c) ₹ 7,92,000
 - d) ₹ 8,16,000
2. Determine the value of outward supplies made by Reddy & Reddy Associates on which tax is payable under reverse charge.
 - a) ₹ 1,20,000
 - b) ₹ 50,000
 - c) ₹ 1,70,000
 - d) ₹ 3,00,000

3. Free gifts of value of ₹ 50,000 provided by Reddy & Reddy Associates to each of its employee is:
- a supply as gifts of only less than ₹ 50,000 in value are not treated as supply in terms of Schedule I of the CGST Act, 2017.
 - a supply as gifts provided by employer to employee of any value are treated as supply in terms of Schedule I of the CGST Act, 2017.
 - a supply as gifts of only more than ₹ 50,000 in value are not treated as supply in terms of Schedule I of the CGST Act, 2017.
 - not a supply as gifts not exceeding ₹ 50,000 in value in a financial year by an employer to an employee shall not be treated as supply in terms of Schedule I of the CGST Act, 2017.

Case Study 2:

Himadri started providing a bouquet of goods and services in the month of April of the current financial year under the regular scheme in the State of Telangana and obtained voluntary registration under GST before starting the business.

In the month of April, she availed the services of construction of a godown for the business from her brother-in-law who was financially dependent on him.

She also availed professional consultancy services in April for her business from her son who is a well settled Chartered Accountant in Telangana. Himadri did not pay any consideration for both these services as both of them were her relative/ family member respectively.

In April, she supplied 1,000 packages to Natraj Traders each consisting of a pen holder, a pen and a pencil box at a single price of ₹ 150. Rates of GST for pen holder, pen and pencil box are 5%, 12% and 18% respectively.

She received following payments during the month of May:

- earned ₹ 1,60,000 by providing services as business facilitator to YYZ Bank with respect to accounts in its urban area branch
- earned ₹ 50,000 by providing services by way of renting of residential dwelling for use as a boutique to Supriya, an unregistered person.
- received ₹ 70,000 for supply of manpower for cleanliness of roads, public places, architect services, etc., not involving any supply of goods, to Municipality.

Himadri made supply of taxable Product A during June, details of which are as follows

- Basic price of Product A before TCS under Income tax Act, 1961 – ₹ 45,000
- Tax collected at source under Income-tax Act, 1961 – ₹ 2,500

She received a subsidy of ₹ 55,000 from Habitat Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of green energy and not the aforesaid product.

Himadri provides the following information regarding receipt of inward supplies during July

- purchased buses (seating capacity of 24 persons) for transportation of her employees from their residence to office and back. Depreciation is claimed on the GST component under the Income tax Act, 1961.
- purchased a truck having GST component of ₹ 1,50,000 for transportation of finished goods. No depreciation claimed on the GST component under the Income tax Act, 1961.
- availed outdoor catering services for a marketing event organised for her prospective customers.

All the amounts given above are exclusive of taxes, wherever applicable. Further, all the supplies referred above are intra-State supplies unless specified otherwise. Conditions necessary for claiming input tax credit (ITC) have been fulfilled subject to the information given above. The opening balance of input tax credit for the relevant tax period of Himadri is Nil. Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 4 to 7 below:

4. Supply of package made by Himadri to Natraj Traders is a _____ and is taxable under GST @ _____.
- a) Composite supply; 12%
 - b) Mixed supply; 18%
 - c) Composite supply; 18%
 - d) Mixed supply; 12%
5. Compute the value of supply under section 15 of the CGST Act, 2017 made by Himadri in the month of June.
- a) ₹ 45,000
 - b) ₹ 47,500
 - c) ₹ 48,500
 - d) ₹ 51,000
6. In respect of services availed by Himadri in April, which of the following is a correct statement?
- a) Godown construction service availed from her brother-in-law free of cost is considered as a deemed supply.
 - b) Professional service availed from her son free of cost is considered as a deemed supply.
 - c) Neither of the two services availed by her is a deemed supply.
 - d) Both services availed by her are deemed supply.
7. Out of payments received by Himadri in month of May, the value of supply on which tax payable by the recipient under reverse charge is _____.
- a) ₹ 50,000
 - b) ₹ 70,000
 - c) ₹ 1,20,000
 - d) ₹ 1,60,000

Case Study 3:

M/s. Veena & Co. of Jabalpur was registered under GST under composition scheme. Outward Supply of the firm for the month of July 20XX was ₹ 10 lakh, out of which ₹ 2 lakh was supply of services. In the preceding financial year, the firm was doing trading of taxable goods only. Turnover of the concern for the previous financial year was ₹ 100 lakh.

The firm imported the following services during August, 20XX:

Architect services from Mr. Vinod, a partner of the firm, who resides in France for ₹ 1,00,000. The said service was paid but not used for the furtherance of the business.

Management consultancy services from Mr. Lal, a renowned lawyer in Sweden, who was an ex-employee of the firm. The value of the said service was ₹ 3,00,000. Even though it was used in the furtherance of the business, no consideration was paid by the firm.

Aggregate Turnover of the firm crossed the limit of ₹ 150 lakh on 25.09.20XX from which date the firm was liable to pay tax under regular scheme.

All the amounts given above are exclusive of taxes wherever applicable. All the supply referred above is intra-State unless specified otherwise.

From the information given above, choose the most appropriate answer for the 8 & 9 questions:

8. Tax liability of Veena & Co. for the month of July 20XX is ₹ _____ each under CGST and SGST.

- a) 5,000
- b) 9,000
- c) 10,000
- d) 14,000

9. Import of services by Veena & Co. that will be treated as supply is ₹ _____.

- a) Nil
- b) ₹ 1,00,000
- c) ₹ 3,00,000
- d) ₹ 4,00,000

PART B: Descriptive Questions

Question 1:

(8 Marks)

Vishwanath Ltd., a registered supplier in Karnataka has provided the following details for supply of one machine:-

S.no	Particulars	Amount (₹)
1.	List price of machine supplied [exclusive of items given below from (2) to (4)]	80,000
2.	Tax levied by Local Authority on sale of such machine	6,000
3.	Discount of 2% on the list price of machine was provided (recorded in the invoice of machine)	
4.	Packing expenses for safe transportation charged separately in the invoice	4,000

Vishwanath Ltd. received ₹ 5,000 as price linked subsidy from a NGO on sale of each such machine, The Price of ₹ 80,000 of the machine is after considering such subsidy.

During the month of February, Vishwanath Ltd. supplied three machines to Intra-State customers and one machine to Inter-State customer.

Vishwanath Ltd. purchased inputs (intra-State) for ₹ 1,20,000 exclusive of GST for supplying the above four machines during the month.

The Balance of ITC at the beginning of February was:

CGST	SGST	IGST
₹ 18,000	₹ 4,000	₹ 26,000

Note:

- (i) Rate of CGST, SGST and IGST to be 9%,9% and 18% respectively for both inward and outward supplies.
- (ii) All the amounts given above are exclusive of GST.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum net GST payable in cash by Vishwanath Ltd. for the month of February.

Question 2:

(6 + 6 = 12 Marks)

- 1. Determine whether the supplier in the following cases are eligible for composition levy 10(1)/10(2A), provided their turnover in preceding financial year does not exceed ₹ 1.5 Crore:-
 - a) Sugam Manufacturers has registered offices in Punjab and Haryana and supplies goods in neighbouring States.
 - b) Can a person paying tax under composition scheme make supplies of goods to SEZ?

- c) Raju is engaged in the manufacture of 'Fly ash Bricks' in the State of Kerala. He started his activity in the month of April, 20XX and deals only in intra-State. His tax consultant advised him to register under composition levy under GST as Raju's turnover is expected to be below ₹ 1 crore for the said financial year.

Briefly discuss the relevant provision, correct conclusion & validity of given advice.

2. 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.
- a) 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:

(5 + 4 + 3 = 12 Marks)

Answer the following questions independently:

1. Examine whether the following activities would be treated as supply under GST law?
- a) Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of ₹ 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd.
- b) Mr. Sonu from Chandigarh purchased a water cooler from Malhotra Bros. of Hoshiarpur for ₹ 25,000 to donate it to a temple situated in Hoshiarpur. Mr. Sonu directed Malhotra Bros. to engrave the words on the water cooler- "Donated by Mr. Sonu from Chandigarh" and dispatch the water cooler directly to the temple.
2. Zen Pvt. Ltd. is a dealer in goods having registered office at Noida, Uttar Pradesh and shops are located at Noida, Uttar Pradesh and Chennai, Tamil Nadu.

Details of various supplies both inward & outward undertaken by them during June 20XX quarter are given in the table below :-

All the values given in the table are inclusive of GST (CGST/SGST/ UTGST/IGST), wherever applicable. Applicable IGST Rate is 5% and CGST & SGST @ 2.5% each, on inward & RCM supplies as well.

S.no	Particulars	Amount (₹)
(i)	Export of goods to China from Noida	20,00,000
(ii)	Goods supplied to SEZ located at Delhi from Noida	15,00,000
(iii)	Supply of goods directly to customer from location of job worker at Lucknow (U.P.) after completion of job work. (Intra state)	2,00,000
(iv)	Sales from Chennai Shop (Inter State)	11,00,000
(v)	Local sales at Noida (Intra State)	25,00,000
(vi)	Services of transport availed from M/s. ABC Transport (Inter State)	3,00,000

(vii)	Commission paid to Mr. Nagar, Sales Executive which is not part of the terms of employment. (Intra State)	50,000
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Calculate the aggregate turnover of Zen Pvt. Ltd. for June 20XX quarter. Brief and suitable notes should form part of your answer.

3. "Under the GST law, taxes on taxable services supplied by the Central Government or the State Government to a business entity in India are payable by recipient of services".
State the exceptions of the above statement

VSMART ACADEMY