

## CA Inter- Test Paper 2

Time: 3 hrs

Total: 100 marks

### PART A: Multiple Choice Questions

**Q1)** Bali Bells Ltd. (hereinafter referred as Bali Bells), a private limited company registered in Chennai, Tamil Nadu, provides the following outward supplies in the month of September:

Particulars	Amount (₹)	
	Taxable	Exempt
Intra-State outward supplies	40,00,000	15,00,000
Inter-State outward supplies	30,00,000	10,00,000

Bali Bells Ltd. sold land for ₹ 2,00,00,000 (excluding GST) in the month of September. Bali Bells purchased one heavy steel machinery in the month of September for ₹ 1,00,000 (excluding GST @ 18%). Bali Bells capitalized the value of machinery along with GST paid on the same in its books of accounts and claimed depreciation on the full value of machinery as well as on GST amount.

Apart from this, Bali Bells has a tax invoice dated 25<sup>th</sup> July of last financial year with respect to an inward supply of ₹ 50,000 (excluding GST @ 18%). The company has not availed ITC on said invoice yet.

Bali Bells distributed some free samples of goods in the month of October to its customers to promote its sales.

Bali Bells made a supply during November, details of which are as follows-

- Basic price of the product before TCS under Income Tax Act, 1961 – ₹ 45,000
- Tax collected at source under Income-tax Act, 1961 – ₹ 2,500
- It received a subsidy of ₹ 3,500 from Bharat

Foundation Pvt. Ltd. for usage of green energy and the subsidy was linked to the units of energy saved and not aforesaid product.

Bali Bells has not furnished its annual return for the preceding financial year till the end of November and will furnish it in the month of December of the current financial year.

Assume that there is no other outward or inward supply transaction apart from aforesaid transactions, in the months of September, October and November. All the amounts given above are exclusive of taxes, unless otherwise specified.

Based on the facts of the case scenario given above, choose the most appropriate answers. **(10 Marks)**

**1.1:** Determine the aggregate turnover of Bali Bells for the month of September.

- |                  |                |
|------------------|----------------|
| a) ₹ 2,70,00,000 | b) ₹ 95,00,000 |
| c) ₹ 2,95,00,000 | d) ₹ 70,00,000 |

**1.2:** Bali Bells wants to avail ITC on GST paid on the heavy steel machinery purchased in September. Which of the following statements is true in this regard?

- a) ITC on the machinery cannot be availed since depreciation has been claimed on the GST paid on the machinery under Income-tax Act, 1961.
- b) ITC on the machinery shall be allowed to the extent of 50% in the current financial year and balance 50% in the subsequent financial year.
- c) ITC on the machinery shall be allowed in the current financial year only to the extent of the depreciation claimed on GST paid on machinery.
- d) Full ITC of GST paid on the machinery can be availed in the current year.

**1.3:** Whether Bali Bells can avail ITC on the free samples of goods distributed in the month of October?

- a) Yes, ITC is available on outward supplies even if made without consideration in the course or furtherance of business.
- b) No; ITC is not available since supply of samples is without consideration.
- c) No; ITC on free samples is blocked under section 17(5) of the CGST Act, 2017.
- d) No; ITC is not available since supply of free samples is not in course or furtherance of business.

**1.4:** Bali Bells can claim ITC on inputs received in July of preceding financial year upto of the current financial year.

- a) 30th November
- b) 25th July
- c) 31st December
- d) 30th September

**1.5:** Compute the value of supply under section 15 of the CGST Act, 2017 made by Bali Bells in the month of November?

- a) ₹ 45,000
- b) ₹ 47,500
- c) ₹ 48,500
- d) ₹ 51,000

**Q2]** M/s. Delight 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:

- a) Vishwas Public School, a higher secondary school,
- b) Knowledge Institute of Technology, an engineering college, approved by AICTE and UGC
- c) 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 28<sup>th</sup> July. The turnover of restaurant business for the current financial year is ₹ 48,00,000.

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

M/s Delight Brothers undertakes intra-State transactions only. Based on the information given above, choose the most appropriate answer for the following questions. **(10 Marks)**

**2.1:** Compute the tax liability of M/s. Delight Brothers for the month of April?

- 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

**2.2:** Out of new orders received by the firm in May, which of the following services are exempt from GST?

- i. Service provided to Vishwas Public School
  - ii. Service provided to Knowledge Institute of Technology
  - iii. Service provided to Frontline Hospital
- a) (i) and (iii)
  - b) (ii) and (iii)
  - c) only (i)
  - d) (i) and (ii)

**2.3:** Time of supply of catering services provided to a Coral limited company is

- a) 3rd July
- b) 25th July
- c) 28th July
- d) 2nd August

**2.4:** Which of the following statements is most appropriate in respect of next financial year for M/s Delight Brothers?

- a) M/s Delight Brothers can continue to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
- b) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
- c) M/s Delight 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.
- d) M/s Delight 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.

**2.5:** Rate of GST applicable for service of repairing of air conditioners made by M/s Delight Brothers will be \_\_\_\_\_, assuming that it intends to pay the tax at the minimum rate available?

- a) 1%
- b) 5%
- c) 6%
- d) 12%

**Q3)** Black and White Pvt. Ltd. has provided the following particulars relating to goods sold by it to Colourful Pvt. Ltd. **(3 Marks)**

Particulars	₹
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
CGST and SGST chargeable on the goods	10,440
Packing charges (not included in price above)	1,000

Black and White Pvt. Ltd. received ₹ 2000 as a subsidy from a NGO on sale of such goods. The price of ₹ 50,000 of the goods is after considering such subsidy. Black and White Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods. Determine the value of taxable supply made by Black and White Pvt. Ltd.

- a) 57,000
- b) 58,000
- c) 55,000
- d) 59,000

**Q4)** Vrinda Enterprises is a trader of electronic items in Haryana. It opted for the composition scheme on 1st April of current financial year. However, with effect from 1st July, it switched to regular scheme of paying the tax since its aggregate turnover crossed ₹ 150 lakh. The stock of goods (purchased during last 6 months) and machinery (purchased on 3rd May) on 30th June is ₹ 16,00,000 and ₹ 6,20,000 respectively. Compute the amount of ITC that can be availed by Vrinda Enterprises assuming the applicable rate of GST to be 18%. **(3 Marks)**

- a) Nil
- b) ₹ 3,94,020
- c) ₹ 3,96,000
- d) ₹ 2,88,000

**Q5)** GST is not payable by recipient of services in the following cases: **(2 marks)**

- i. Services provided by way of sponsorship to ABC Ltd. located in India.
  - ii. Services supplied by a director (registered under GST) of Galaxy Ltd. to Mr. Krishna
  - iii. Services by Department of Posts by way of speed post to MNO Ltd. located in India.
  - iv. Services supplied by a recovering agent to SNSP Bank located in India.
- a) (i) & (iii)
  - b) (i) & (iv)
  - c) (ii) & (iii)
  - d) (ii) & (iv)

**Q6)** Kalim & Associates made an application for cancellation of GST registration in the month of March due to closure of its business. Its application for cancellation of GST registration was approved w.e.f. 4th September by the proper officer by passing an order for the same on 14th September. In the given case, Kalim & Associates is: **(2 Marks)**

- required to file Final Return on or before 4<sup>th</sup> December
- not required to file Final Return
- required to file Final Return on or before 30<sup>th</sup> September
- required to file Final Return on or before 14<sup>th</sup> December

**PART B: Descriptive Questions**

**Question 1:** **(12 Marks)**

'XY' of Kolkata is engaged in supply of various goods and services. It pays GST under regular scheme. The following information is provided by it for the month of July:-

Payments	Amount (₹)	Receipts	Amount (₹)
Inter-State purchases of office Stationery	1,40,000	Inter-State supply of office stationery	2,00,000
Repairing of lorry used to transport goods from warehouse to clients' location [Intra-State supply]	1,00,000	Intra-State supply of 500 combo packs containing one calculator and one diary	4,00,000
		Intra-State supply of services of business correspondent to Shubhvidhi Bank with respect to accounts in its urban area branch	1,00,000

The following additional information is provided by 'XY' in relation to the above receipts and payments:-

- 10% of the inter-State supply of office stationery are made to unregistered persons.
- Each combo pack (containing a calculator and a diary) is priced at ₹ 800. The calculator and the diary are individually priced at ₹ 700 and ₹ 200 respectively.
- An invoice of ₹ 40,000 towards purchase of office stationery is missing and no other tax paying document is available in respect of such goods.
- All the figures mentioned above are exclusive of taxes, wherever applicable.
- Rates of CGST, SGST and IGST for all services, office stationery and calculator are 9%, 9% and 18% respectively. Rates of CGST, SGST and IGST for diary are 14%, 14% and 28% respectively.
- Subject to the information given above, all the necessary conditions for availing input tax credit have been fulfilled.

Details of opening balances of input tax credit as on 1st July is given here under:

Tax	Amount (₹)
CGST	5,000
SGST	5,000
IGST	80,000

Compute the minimum net GST [CGST, SGST or IGST, as the case may be] payable in cash by 'XY' for the month of July.

**Question 2:** **(6 + 6 = 12 Marks)**

**a)** ABC Co. Ltd., registered under GST is engaged in the manufacture of heavy machinery. It procured the following items during the month of July.

S.no	Items	GST (₹)
1.	Electrical transformers to be used in the manufacturing process	5,20,000

2.	Trucks used for the transport of raw material	1,00,000
3.	Raw material to be received in August	2,00,000
4.	Confectionery items. These items were supplied free of cost to the customers in a customer meet organized by the company	25,000
5.	Capital Goods (Invoice missing for one out of 5 items & GST paid on the same was ₹ 70,000)	5,00,000
6.	GST paid on health insurance policies	80,000

Determine the amount of ITC available with ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

b) Answer the following questions:

- What do you mean by Acceptance/rejection of e-way bill.
- Mr. X, a registered person has caused movement of goods of consignment value exceeding ₹ 50,000 in relation to a supply and thus, generated e-way bill. However, after generation of e way bill, he found a mistake in the e-way bill and wants to edit it. You are required to advise Mr. X whether he can do so with the help of relevant provisions?

**Question 3:**

**(2 + 2 + 3 + 3 = 10 marks)**

Examine whether GST is payable in the following independent supply of services:-

- Ram, an agriculturist, has stored sugarcane in a warehouse. He has taken fumigation services in the said warehouse from Gupta Pest Control Co. for which he paid the consideration of ₹ 6,000.
- “Smart Kids” is a Play School located in Delhi. Smart Kids has outsourced the catering services for supply of food and drink in the canteen of Play School to BTV Caterers, Delhi for a consideration of ₹ 8,00,000 per annum
- Mr. Rahul is a proprietor of a proprietorship concern- “Rahul Trading”. Rahul Trading is registered under GST in Gujarat. Mr. Rahul rents a residential flat in his personal capacity for use as his own residence and such renting is on his own account and not that of the proprietorship concern.
- Wellness Hospital, a clinical establishment located in Tirupati, is specialised in diabetic treatment. The hospital has its own canteen – Tasty Foods. The canteen serves the food and drink to the inpatients as advised by the doctors/nutritionists of the hospital. Apart from this, other patients (who are not admitted) or attendants or visitors of the in-patients also take food and drink from the canteen.

**Question 4:**

**(6 + 4 = 10 Marks)**

a) XYZ Pvt. Ltd. provided the following particulars relating to goods sold by it to ABC Pvt. Ltd.:

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discount)	50,000
Tax levied by the Municipal Authority on the sale of such goods	6,000
Packing charges (not included in the list price above)	2,500
Subsidy received from a NGO, directly linked to price (included in the list price above)	3,000
Paid to one of the vendors by ABC Pvt.in relation to the service provided by the vendor to XYZ Pvt. Ltd. (not included in the list price above)	2,000

XYZ Pvt. Ltd. offers 2% turnover discount on the list price after reviewing the performance of ABC Pvt. Ltd. The discount was not known at the time of supply.

ABC Pvt. Ltd. delayed the payment and paid ₹ 5,000 (including GST of 18%) as interest to XYZ Pvt. Ltd.

Determine the value of taxable supply made by XYZ Pvt. Ltd. under GST law.

b) Write a short note on Goods and Services Tax (GST) Council.

**Question 5:**

**(6 + 5 + 5 = 16 Marks)**

a) Examine whether the activity of import of service in the following independent cases would amount to supply under section 7:

- (i) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from Mr. Racheal of Sydney (Australia). The amount paid for the said service is 5,000 Australian dollar.
- (ii) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia) [wholly dependent on Miss Shriniti]. Further, Miss Shriniti did not pay any consideration for the said service.

b) ABC Ltd. have filed their GSTR-3B for the month of July 20XX within the due date prescribed under Section 39 i.e. 20.08.20XX. Post filing of the return, the registered person has noticed during September 20XX that tax dues of ₹ 40,000 for the month of July 20XX have not been paid. ABC Ltd., has paid the above amount of ₹ 40,000 through GSTR-3B of September 20XX, filed on 20.10.20XX [payment through Cash ledger - ₹ 30,000 & Credit ledger ₹ 10,000]. Examine the Interest payable under the CGST Act, 2017. What would be your answer if, GSTR-3B for the month of July 20XX has been filed belatedly on 20.10.20XX and the self-assessed tax of ₹ 40,000 has been paid on 20.10.20XX [payment through electronic cash ledger - ₹ 30,000 and electronic credit ledger ₹ 10,000]

**Notes:**

- No other supply has been made nor tax payable for the month of July 20XX other than ₹ 40,000 missed out to be paid on forward charge basis
- Ignore the effect of leap year, if applicable in this case.

c) A Ltd., registered under GST, is engaged in job work of engineering goods as well as supplying of engineering goods. A Ltd. provides following details regarding orders received for Job work and supply of goods:-

**(i) Job work of engineering goods:-**

Date of confirmation of order	01.03.20XX
Date of receipt of advance of 1,50,000	03.03.20XX
Date of completion of job work	06.03.20XX
Date of issue of invoice for total amount	11.03.20XX
Date of receipt of balance payment of 1,00,000	16.03.20XX

**(ii) Supply of engineering goods:-**

Date of confirmation of order	18.01.20XX
Date of receipt of advance of 1,50,000	12.01.20XX
Date of removal of goods	17.01.20XX
Date of issue of invoice for total amount	22.01.20XX
Date of receipt of balance payment of 1,00,000	01.02.20XX

You are required to examine and determine the time and value of supply under forward charge w.r.t. job work and supply of goods under the provisions of CGST Act 2017.

**Question 6:**

**(4 + 3 + 3 = 10 Marks)**

**a)** Briefly list the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF.

**b)** 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. State the person liable to pay GST in the given case.

**c)** State the cases where provisions of TDS are not applicable.

VSMART ACADEMY