

Mock Test Paper - Series II: December, 2025

Date of Paper: 15th December, 2025

Time of Paper: 2 P.M. to 6 P.M.

FINAL COURSE: GROUP – II

PAPER – 6: INTEGRATED BUSINESS SOLUTIONS

*Attempt any **four** out of **five** case study based questions.*

Each Case Study carries 25 Marks.

Time Allowed – 4 Hours

Maximum Marks – 100

CASE STUDY 1

Background

You are a Chartered Accountant, possessing hands on rich experience of more than a decade in providing professional advice on a diverse range of businesses. You are a unique individual known for making rational and correct judgements about data and numbers, possess the ability to identify and discover the potential solutions, assess alternatives and finally select/execute best solutions to fix the issue.

Recently, you have joined as a partner in an established firm of Chartered Accountants based out of Chennai. Immediately on assuming your mantle, you were made in-charge of conducting the statutory audit of '**Youth Trends Limited**' (YTL), located at Madurai, South India, a Company that operates a vast retail network, providing consumers with a wide range of fashionable apparel options.

The Audit firm's senior Partner, CA. Rajesh Shiv Prasad (fondly referred to as 'RAJ' Sir) has allocated to you to conduct the audit. The senior partner is very close to the family which owns the Company and you strongly believe that this is at least part of the reason why the Company decided to appoint your audit firm.

The CFO of the Company made available to you the Annual Reports of the last five years and the draft summary of management prepared financial statements for the FY 2024-25.

Before the commencement of the audit, you reviewed the Company's audited financial statements and accounts of the previous year. You noticed that the Auditors Report of the previous statutory auditor was qualified due to departure from Ind As 2 on 'Inventories Accounting' wherein the management has not stated the inventories at lower of cost and net realizable value but has stated them solely at cost.

At this juncture, you wished that you had access to the working papers of the previous auditors but you were informed that it was not possible.

All said and done, you made a detailed audit program and deputed your audit team to look meticulously into every material aspect and conduct the audit from the propriety angle. You also instructed that all observations made by the audit team would be reviewed by you with proper assessments to ensure that the financial statements reflect a true and fair view.

Your audit team has summarized the following items which are open and are pending to be dealt within the financial statements for your consideration:

The Company has recognized deferred tax asset on the carried forward business losses. The Management do not for see any further profits in the next couple of years. However, the Management expects confirmed orders after a couple of years.

The amount of Cash and Cash Equivalents as at 01-04-2024 (excluding restricted cash and bank balances) was ₹ 40 lakh. The aggregate amount of Cash Flows during the FY 2024-25 from Operating, Investing and Financial Activities was ₹ 250 lakh. The amount of restricted bank balances as at 01-04-2024 and 31-03-2025 was ₹ 150 lakh and the Company does not believe the same as qualifying for disclosure under Cash and Cash Equivalents.

As at 31-03-2025, the off Balance Sheet exposure in the form of Contingent Liabilities to the extent not paid and not provided for is ₹ 125 lakh.

There was no disclosure of outstanding Letter of Credits (LCs) opened for import of certain assets from Turkey under Contingent Liabilities in the financials prepared by the Company amounting to ₹ 60 lakh.

The Company is liable to pay ₹ 5 lakh under protest against certain tax claims under dispute where the Company believes it has a fair chance of favourable orders and hence not provided in the financial statements nor was it disclosed as Contingent Liabilities. During the discussions, the Company has also mentioned that since they have not provided for the same, this would not be an item in the Companies (Auditor's Report) Order 2020 (CARO, 2020) reporting by the Statutory Auditors as disputed dues.

Sosmitha International Inc. has served a legal notice on the Company claiming ₹ 300 lakh for patent infringement and the Company has challenged the notice through its legal counsel. In this regard, an Independent legal opinion obtained suggests that the possibility of a cash outflow is more likely than not under the existing legal framework / available evidences as provided to the legal counsel.

An amount of ₹ 125 lakh towards accrual of certain liabilities relating to refurbishment of certain spares meant for a specialized operating machine is yet to be made. The spares for refurbishment/receipt of spares were sent in March, 2025. Completion of the refurbishment/receipt of spares by the Company is expected only in March, 2026.

The amount of expected credit loss for doubtful receivables pending to be accounted as at 31st March, 2025 is ₹ 105 lakh and the Company intend to account it proportionately on a straight line basis over the calendar year 2025 to spread the impact for the same. Further, no 'Expected Credit Loss' (ECL) provision is considered for the 'Retention Receivables' under the contract terms, which, if determined, would be ₹ 75 lakh as at 31st March, 2025.

Other Inputs for Management Decision Making:

YTL submitted a credit proposal to ANZ Bank Limited for sanction of a Term Loan of ₹ 150 crore required for procuring and installing a latest Plant and Machinery for their upcoming project. Based on the application, ANZ Bank Limited approached Ms. 'C', a Chartered Accountant, a friend of yours who is not associated with the Audit firm to investigate the profitability of the business for judging the accuracy of the schedule of repayment furnished by YTL as well as the value of the security in the form of assets of the business already possessed and those which will be created out of the loan.

One of the associate companies of YTL is Nahar Hotels and Resorts Limited, which is engaged in the business of owning, operating and managing hotels during the previous year 2024-25. The tips are paid by the guests by way of charge to the Credit Cards, UPI or Net Banking in the bills. The Company disburses the same to the employees at periodic intervals.

Quick Fix Electronics Limited, a subsidiary of YTL, the manufacturer of electronic components, has taken floating interest rate loan of ₹ 2 crore on 1st April, 2024. The rate of interest at the inception of loan is 9% per annum. Interest is to be paid every year on 31st March. The Central Bank of the Country released the following projections about the interest rates likely to prevail in future:

On 31 st March, 2024	9.25%
On 31 st March, 2025	9.50%
On 31 st March, 2027	9.00%
On 31 st March, 2028	8.25%

I. Multiple Choice Questions

[Please provide the correct option to the following questions].

- 1.1 The Company has recognized Deferred Tax Asset on the carried forward business losses. Do you think that this treatment is appropriate with reference to the relevant Ind AS ?
- (A) No, as it is not in compliance with the relevant Ind AS.
 - (B) Yes, as it is not only based on Management Assessment but also in compliance with the relevant Ind AS.
 - (C) Yes, as there are convincing evidences available.
 - (D) It depends on the decision to be taken by the Management if there is a probable merger with other entity.
- 1.2 What shall be amount of Cash and Cash Equivalent to be shown in the Cash Flow Statement as at 31st March, 2025 (₹ In Lakh)?
- (A) 400
 - (B) 190
 - (C) 290
 - (D) 440
- 1.3 State the total amount of Contingent Liabilities of YTL as at 31st March, 2025. (₹ In Lakh)
- (A) 130
 - (B) 315
 - (C) 390
 - (D) 430
- 1.4 Assertion (A): A legal notice can be served for patent infringement.
- Reason (R): Patents provide a source of competitive advantage and allow unlimited time benefits to the patent holder.
- Options**
- (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

- (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is **not** the correct explanation of Assertion (A).
 - (C) Assertion (A) is true, but Reason (R) is false.
 - (D) Assertion (A) is false, but Reason (R) is true.
- 1.5 Expected Credit Loss Provisioning (ECL) is not required for Retention Receivables arising out of contract terms. The said statement is:
- (A) Incorrect, since it is a financial asset/contract asset.
 - (B) Correct, in view of it being a contract asset.
 - (C) Correct, it all depends upon the general circumstances and facts.
 - (D) Incorrect, ECL is not applicable to Textile Companies. **(5 x 2 = 10 Marks)**

II. Descriptive Questions

- 1.6 In respect of the credit proposal submitted by YTL to ANZ Bank Limited for sanction of a Term Loan of ₹ 150 crore required for procuring and installing a latest Plant and Machinery for their upcoming project, elucidate the steps that should be taken by Ms. C, Chartered Accountant to fulfill the requirements of ANZ Bank Limited in this regard. **(6 Marks)**
- 1.7 Explain with reasons whether the Company is responsible for deducting tax at source from disbursement of tips to its employees? **(4 Marks)**
- 1.8 Show how the borrower can hedge the risk using Option Cap arising out of expected rise in the rate of interest when he wants to peg his interest cost at 9% per annum. **(5 Marks)**

CASE STUDY 2

A Ltd., an established player in the hospitality industry, oversees its subsidiary B Ltd., which specializes in the tourism sector, contributing to synergies between hospitality and tourism through interconnected services and offerings. In a strategic move to bolster its operational capabilities, A Ltd. undertook a significant expansion by purchasing a new building and pre-installed office furniture and fixtures from P Ltd., a well-known construction company that operates under two distinct divisions: commercial real estate and residential real estate, managed by Manager 1 and Manager 2 respectively.

A Ltd.'s purchase of the new building from P Ltd. marks a significant enhancement in its infrastructure, directly impacting its ability to deliver superior services in the hospitality sector. The integration of state-of-the-art facilities and high-quality furnishings ensures that A Ltd. can offer a first-rate experience to its clients, setting a benchmark in the industry. This strategic move also positions A Ltd. to better accommodate the growing demands and complexities of the modern businesses, which increasingly values seamless, high-quality service delivery.

Moreover, this also facilitates greater collaboration between A Ltd. and its subsidiary, B Ltd., fostering an ecosystem where both entities can thrive through mutual support and shared resources. For instance, the new building could also serve as a central hub for both managing operations and hosting client meetings, workshops, and corporate events, thereby enhancing the synergy between A Ltd.'s hospitality services and B Ltd.'s tourism offerings.

P Ltd. is recognized for its diversified portfolio, catering to a broad spectrum of clients. The commercial real estate division, under the leadership of Manager 1, focuses on developing and selling properties tailored for businesses, such as office spaces and commercial complexes. This division is renowned for its turnkey solutions, providing clients with ready-to-use spaces that are modern, functional, and well-equipped. The residential real estate division, managed by Manager 2, deals with housing projects ranging from high-rise apartments to luxury villas, emphasizing comfort, aesthetics, and community living.

P Ltd.'s ability to deliver such tailored real estate solutions stems from its robust relationships with suppliers like Q Ltd., whose high-quality materials are crucial for the construction and maintenance of premium properties. Their materials are pivotal in ensuring the structural integrity and aesthetic quality of buildings. This relationship highlights the importance of a reliable supply chain in maintaining the quality and reliability of real estate developments. P Ltd.'s strategic choice of materials ensures durability and aesthetic appeal, which are critical for properties serving the high expectations of the hospitality and tourism sectors. Q Ltd.'s commitment to quality and timely delivery helps P Ltd. maintain its reputation for reliability and excellence in the construction industry.

As A Ltd. continues to grow and adapt to the changing dynamics of these industries, the strategic foresight demonstrated in such acquisitions will be pivotal. By aligning its physical assets with its service goals, A Ltd. enhances its competitive edge and cements its reputation as a leader in providing comprehensive hospitality and tourism experiences. This strategic alignment not only benefits A Ltd. but also sets a standard for operational excellence and integration within the industry, ultimately leading to sustained growth and success in a competitive marketplace.

Overall, the interconnections between these companies exemplify a well-integrated supply chain and strategic business relationships that span different sectors, each contributing to the final delivery of quality real estate solutions tailored to the specific needs of industries such as hospitality and tourism.

The case centres around A Ltd., where a cashier committed fraud by absconding with the company's funds. The Chief Accountant of A Ltd. was unaware of the fraudulent activity until the audit had been completed. The audit, conducted in an unfocussed and haphazard manner, failed to detect the fraud, which was only discovered by the Chief Accountant post-audit. An investigation later found that the auditor had not exercised proper skill and care.

Soon, another scandal follows. The Income-tax department collected documents from ABC Bank which revealed that B Ltd. had remitted substantial amounts abroad. The documents collected include Form 15CB issued by the Chartered Accountant, list of passengers, copy of their passports, date of travel and invoice raised by the foreign party. On enquiring from the passengers and verifying their passports, it is found that they did not travel abroad during the dates mentioned in the documents. Further, the passengers denied any sort of transactions with B Ltd. The department, therefore, concluded that the amounts were remitted abroad on the basis of false invoices and for wrong reasons, leading to FEMA violations and that the Form 15CB issued by the Chartered Accountant facilitated such violations. During the nine-month period in question, the chartered accountant had issued 150 certificates in Form 15CB approximately involving remittances of 40 crores in favour of B Ltd.

The Chartered Accountant submitted that he had issued Form 15CB based on invoices produced by the company and verifying the KYC documents of the signatory to the invoices. He however, failed to bring on record the invoices. He further submitted that since he was not the statutory auditor of the company, he did not examine the books of account before issuance of Form 15CB or conduct due diligence of its business activities. He had charged ₹ 4,000 per certificate. Mostly, the fee was collected in cash. Some part of the fee was credited to his bank account.

In the wake of such huge scandals, A Ltd. wants to know the provision for applicability to conduct secretarial audit as they never conducted secretarial audit thinking they don't have enough business transactions to consider these requirements earlier. Company provides you information: Paid-up Share Capital ₹45 crore, Turnover ₹170 crore and Outstanding Loans and Borrowings of ₹ 120 crore from banks.

A Ltd has decided to appoint Mr. Anurag as Chief Internal Auditor to lead the internal audit function for the Company. The CEO of the Company has asked the HR head to define the reporting structure of the Chief Internal Auditor, so that he can discharge his duties objectively.

Further, CEO is also sceptical regarding the provisions of the Companies Act, 2013, applicable with respect to the constitution of the audit committee, he accordingly discussed his understanding with you and asked him to rectify in case he is not correct. He told you that he has the following understanding with respect to the provisions applicable for Audit Committee.

- *Any senior member of the company having expertise of accounting and financial management can be appointed as the chairperson of the Audit Committee.*

As discussed earlier, P Ltd. procures its raw materials from Q Ltd., a supplier specializing in metals. P Ltd. has recently decided to invest in an Electronic Data Interchange system that will enable P Ltd. to automatically place orders with its major suppliers. Currently, P Ltd.'s purchasing department staff have to place orders using postal mails and telephone to the company's suppliers, which is slow and inefficient.

Q Ltd. began its operations in 1991, starting as a modest enterprise and gradually transforming into a key player in the metal supply sector. Over the years, it has become an essential resource for a variety of industries, now supporting more than twelve distinct sectors with its extensive range of metal products. These sectors include Wood & Panel Products Manufacturing, Hearth Products, Site Furnishings, and both Commercial and Residential Construction, among others. This diversity has not only broadened Q Ltd.'s market presence but has also enhanced its expertise in delivering tailored solutions across various fields.

The growth of Q Ltd. can largely be attributed to its unwavering commitment to its clientele. The company has always prioritized customer satisfaction, ensuring that each client receives personalized service and support tailored to their specific industry needs. This customer-centric approach has been pivotal in fostering strong, long-lasting relationships and in securing a loyal customer base. Moreover, Q Ltd. prides itself on its dedication to quality. Each product in their extensive catalogue is a testament to meticulous craftsmanship, designed to meet the highest industry standards.

Employing a team of experts, Q Ltd. ensures that each sector it serves is backed by professionals with deep knowledge and specialized skills. These experts not only understand the unique demands of their respective industries but are also equipped to advise and assist customers in selecting the best materials for their specific applications. This level of expertise is critical in industries where the quality and specifications of materials can significantly influence the overall success of a project.

The operational structure of Q Ltd. is divided into two main divisions: Division 'F' and Division 'G'. Division 'F' focuses on serving industrial and commercial construction needs, providing robust materials that are essential for large-scale construction projects. This division is known for its ability to supply large volumes of materials reliably and efficiently, thereby supporting some of the most demanding construction timelines and project specifications.

On the other hand, Division 'G' caters more to specialized industries like Hearth Products and Site Furnishings, offering bespoke solutions that often require a finer attention to detail and aesthetics. This division combines technical expertise with creative design, ensuring that even the most aesthetically driven projects benefit from the highest standards of structural integrity and material excellence.

Each division works as an investment centre separately. The salary of each divisional manager is ₹ 7,20,000 per annum with the addition of an annual performance-related bonus based on divisional return on investment (ROI). A minimum ROI of 12% p.a. is expected to be achieved by each divisional manager. If a manager only achieves the 12% target, he will not be rewarded with a bonus. However, for every whole 1% point above 12% which the division achieves for the year, a bonus equal to 3% of annual salary will be paid subject to a maximum bonus of 20% of annual salary. The figures belonging to the year ended 31 March 2025 are given in Annexure. During the financial year 2024-25, PAO, manager of Division 'G' invested ₹ 13.6 million in new equipment including an advanced cutting machine, which will increase productivity by 10% per annum. BAO, manager Of Division 'F', has made no investment during the year, even though its computer system needs updation. Division 'F's manager has already delayed payments of its suppliers due to limited cash & bank balance although the cash balance at Division 'F' is still better than that of Division 'G'.

ANNEXURE



A Ltd. Expands Infrastructure with Strategic Acquisition of State-of-the-Art Building from P Ltd.



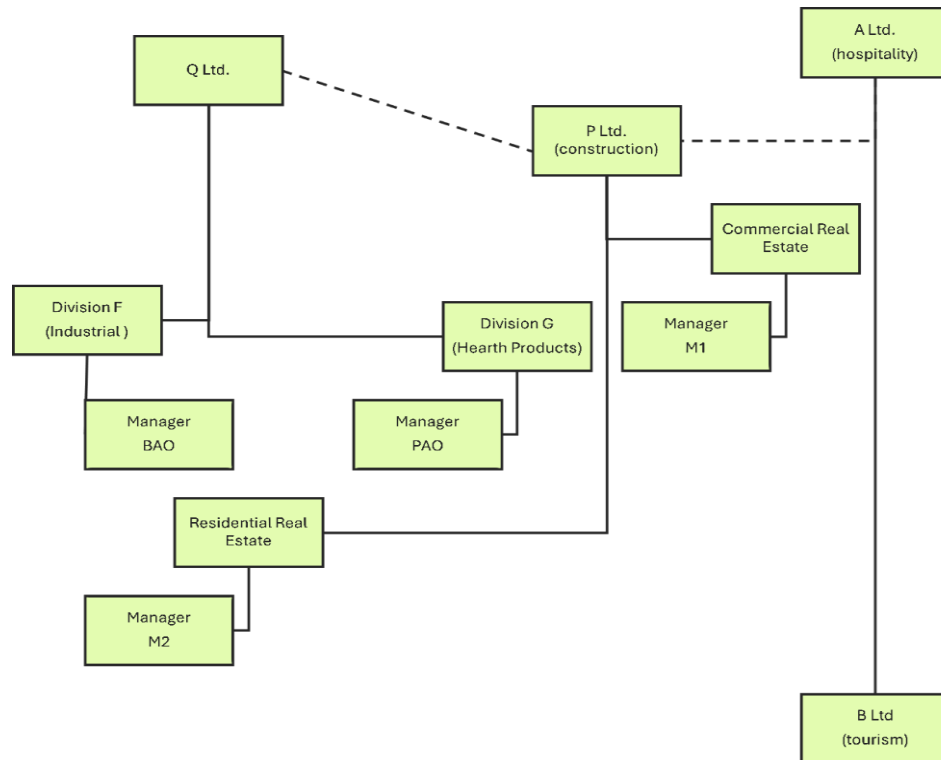
Gurugram, 20th April 2025 – In a major step towards enhancing its infrastructure and broadening its service offerings, A Ltd. has successfully acquired a state-of-the-art building from P Ltd. This acquisition is a key element of A Ltd.'s Future Ready Action Plan, aimed at revolutionizing its ability to deliver top-tier services in the hospitality sector and reinforcing its status as an industry leader.

The newly acquired building will house modern conference spaces, food labs, beverage research and development facilities, and versatile common areas. These cutting-edge additions will make conferences, virtual offices, and collaborative workspaces more accessible, affordable, and relevant, providing businesses with the tools they need to thrive in an increasingly competitive market.

With these advanced facilities and high-quality furnishings, A Ltd. is set to offer an unparalleled experience to its clients, setting new standards in the hospitality industry. This strategic investment not only reflects A Ltd.'s unwavering commitment to excellence in service delivery but also positions the company to meet the evolving demands of the modern business market.

As the complexities of the hospitality industry grow, A Ltd. is well-prepared to address the needs of today's businesses, who prioritize seamless and high-quality service. This expansion marks a pivotal moment in A Ltd.'s growth journey, underscoring its dedication to providing exceptional hospitality experiences and solidifying its future-ready approach.

Ecosystem



Financial Performance and Asset Overview of Division F and Division G

(₹ in '000)

	Division F	Division G
Revenue	30,000	17,500
Profit	5,200	4,000
Less: head office cost	(2,500)	(1,400)
Net profit	2,700	2,600
Non-current assets	19,500	30,000
Cash, inventory and trade receivables	5,000	6,500
Trade payable	6,200	2,800
Manager responsible	BAO	PAO

I. Multiple Choice Questions

2.1 Which of the following statements accurately characterize the situation of fraud committed by the cashier and the subsequent action:

- (i) The auditor exhibited due diligence and careful conduct.
- (ii) Clause (7) Of Part I of Second Schedule to the Chartered Accountants Act, 1949 and SA 240 are relevant in this situation
- (iii) The auditor failed to plan and perform the audit with an attitude of professional skepticism
- (iv) A Chartered Accountant in practice will be deemed to be guilty of professional misconduct based on clause (7) of Part II of the Second Schedule to the Chartered Accountants Act, 1949.

Options

- (A) Only (iv)
 - (B) Both (ii) & (iii)
 - (C) Both (ii) & (iv)
 - (D) Both (i) & (iii)
- 2.2 The Board of director of A Ltd. appointed you to analyse the business of the organisation and advise whether they are contravening the provision of the Companies Act, 2013 with respect to Secretarial Audit.
- (A) No, A Ltd. is not required to conduct secretarial audit under the Companies Act, 2013 since A Ltd. does not cross the threshold limit of outstanding loans and borrowings of rupees 200 crore or more.
 - (B) Yes, A Ltd. is required to conduct secretarial audit under the Companies Act, 2013 since A Ltd. crosses the threshold limit of Paid-up share capital of rupees 25 crore or more.
 - (C) Yes, A Ltd. is required to conduct secretarial audit under the Companies Act, 2013 since A Ltd. crosses the threshold limit of Turnover of rupees 100 crore or more.
 - (D) Yes, A Ltd. is required to conduct secretarial audit under the Companies Act, 2013 since A Ltd. crosses the threshold limit of outstanding loans and borrowings of rupees 100 crore or more.

- 2.3 Whether the understanding of CEO of A Ltd. is correct with respect to the appointment of chairperson of the Audit Committee (assume if it's a listed company)?
- (A) No, as the Chairperson of the Audit Committee shall be an independent director.
 - (B) No, as only the company secretary of the company can be appointed as the chairperson of the Audit Committee.
 - (C) Yes
 - (D) Partly correct as the chairperson should have expertise of accounting and financial management, however he should be a Chartered Accountant also.
- 2.4 With respect to the purchases made by A Ltd. from P Ltd., which of the following is correct regarding the GST liability?
- (A) There will be no GST liability on purchase of building and Office furniture and fixtures.
 - (B) There will be GST liability on both purchase of building and Office furniture and fixtures.
 - (C) There will be no GST liability on purchase of building while Office furniture and fixtures will be liable to GST.
 - (D) There will be GST liability on purchase of building while Office furniture and fixtures will be not liable to GST.
- 2.5 Given the diverse functionalities of EDI systems in automating and standardizing transactional data across different departments and stakeholders, which specific area within P Ltd.'s value chain is expected to see the most significant improvement due to the implementation of this new EDI system?
- (A) Inbound Logistic since it is directly involved in the transformation of a product or provisioning of a service.
 - (B) Infrastructure since it supports to perform primary activities.
 - (C) Procurement since it supports to perform primary activities.
 - (D) Outbound Logistic since it is directly involved in the transformation of a product or provisioning of a service.
- (5 x 2 = 10 Marks)**

II. Descriptive Questions

- 2.6 ADVISE the ideal reporting structure of the Chief Internal Auditor that HR head may propose to the Managing Director? **(4 Marks)**
- 2.7 EXAMINE the ethical implications of the chartered accountant's issuance of Form 15CB without proper verification and due diligence in this case. **(3 Marks)**
- 2.8 For each division of Q Ltd., COMPUTE, ROI for the year ending 31 March 2025. JUSTIFY the figures used in your calculation also COMPUTE bonus of each manager for the year ended 31 March 2025. DISCUSS whether ROI provides a justifiable basis for computing the bonuses of managers and the problems arising from its use at Q Ltd. for the year ended 31 March 2025. **(5 Marks)**
- 2.9 DISCUSS how the strategic acquisition of a state-of-the-art building from P Ltd. will provide A Ltd. with a competitive advantage in the hospitality industry. **(3 Marks)**

CASE STUDY 3

Needs Retail Limited, a Mumbai based retail start up, was founded by Swami Nathan in 2019 and has rapidly grown into one of India's profitable retail organization. Today, it operates over 3000 stores across varied formats and across more than 2000 towns in India. The company's core philosophy centres on "inclusion, growth, and building sustainable societal value." It focuses on empowering everyone small vendors, kiranas, manufacturers, consumers by offering choice, value and a quality shopping experience. Company covers a wide range of categories through its Omni-channel model: Grocery & Supermarkets, Consumer Electronics & Connectivity, Fashion & Lifestyle, Wholesale & B2B.

Needs Retail Limited represents a vast, diversified and an Omni-channel retail powerhouse in India, blending scale, reach innovation across grocery, electronics, fashion, beauty, pharma, B2B and quick commerce. It aims not just to meet consumer needs but also to revolutionize the retail ecosystem uplifting small businesses and modernizing kiranas while continuing robust expansion and digital transformation. Company continues to innovate across formats and channels - relying on partnerships, new commerce for fashion, quick-commerce scalability, and digital platforms to fuel growth and prepare for an upcoming IPO.

In early 2024, Needs Retail pitched to several venture capitalists, highlighting:

- A projected market size of \$ 5 billion in AI-driven fashion retail in India by 2028.
- A capital-efficient business model with low inventory risk (drop-shipping and vendor-managed inventory)

- Early-stage profitability at the unit level

After several negotiations, Alpha Ventures, a prominent VC firm focusing on consumer-tech startups, agreed to provide funding of ₹ 60 crore for 20% equity stake as per following details:

Seed Stage Funding-₹ 10 Crore

Mezzanine Financing - ₹ 25 Crore

Growing Working Capital Needs-₹ 15 Crore

Before proceeding with the proposed investment, the venture capitalists requested a copy of the latest audited financial statements of the company. They emphasized that the audit report would provide critical insights into the company's financial health, compliance with statutory requirements and internal control systems. The investors wanted to assess the reliability of reported revenues, the accuracy of inventory valuation and the adequacy of disclosures, particularly in the light of the company's rapid expansion and multi-location retail operations. The audited financials were seen as a basic document for their due diligence, helping them evaluate financial risks and validate the company's growth projections before committing to funding.

Needs Retail finalized its financial statements for the year ending 31st March 2025. The statutory auditor will be auditing the restated financial statements for the 2 earlier financial years i.e. 2023-24 and 2022-23 for onward submission to SEBI pursuant to their upcoming IPO (Initial Public Offer). Auditors requested for management representation for all the three financial years. On 25th April 2025, the Board approved the financial statements for the F.Y. 2024-2025. The following events happened:

- On 6th April 2025, a debtor who owed ₹ 10 lakh as of 31st March 2025 was declared insolvent.
- Company declared dividend on 10th April 2025 for the year ending 31st March 2025.
- Company suffered a massive fire on 9th April 2025 which destroyed one of its main godowns,
- Company signed an agreement on 27th March 2025 to sell one of its divisions. Regulatory approvals were pending. On 8th April 2025, before financial statements were approved, all approvals were received and the deal was completed on 14th April, 2025.

The following adjustments/disclosures were made in the Financial Statements for the year ended 31-03-2025:

- (i) Adjusted the financial statements for impairment of receivables.
- (ii) Recognised dividend as a liability in the financial statements as at 31 March, 2025.

- (iii) No accounting adjustment was made for fire but disclosed the occurrence of fire.
- (iv) Recognized the sale of assets of the division, but did not de-recognised the liability of the division.

As the statutory audit of the company was underway, the Tax Audit under Section 44AB of the Income-tax Act, 1961 was also initiated concurrently. Since many financial assertions and records overlapped, the audit teams coordinated closely to ensure consistency between the statutory and tax audit reports.

To improve operational efficiency, reduce human error and streamline inventory movement, the company has decided to invest in Advanced Material Handling Systems (AMHS) and RFID-based inventory scanning machines at its central distribution centers and large-format stores. The management team evaluated several proposals and finally selected an Indian manufacturer offering a comprehensive warehouse automation solution, covering Conveyor Belt systems, Barcode & RFID scanning equipment, Automated sorting and packing stations, Integration with existing ERP (SAP Retail). The new machine will reduce turnaround time in order processing and dispatch, enable real-time stock updates across retail locations and lay technological groundwork for future expansion and warehousing automation. Machinery was purchased for ₹ 5 Crore with additional details as per following:

- Installation charges incurred at buyer's site: ₹ 20,00,00 paid by the supplier
- Freight and Insurance paid by the supplier on sale of such goods ₹ 1,00,000 charged to the buyer.
- Discount of ₹ 2,00,000 shown on invoice and agreed upon at time of supply.
- An interest of ₹ 92,000 was later collected due to delayed payment.
- Subsidy from a non-Government body directly linked to price: ₹ 25,00,000.

During a quarterly performance review, the management of the retail company observed a concerning trend: while certain high-volume products, specifically Product A and Product B, were generating strong sales figures and occupying significant shelf space, they were not contributing proportionately to the company's overall profit margins. Despite appearing successful on the surface, a deeper analysis hinted at potential hidden costs such as high supply chain expenses, frequent markdowns, and increased handling efforts that were eroding profitability. Recognizing the limitations of relying solely on sales volume, the management resolved to conduct a detailed profitability analysis to uncover the true cost-to-serve each product. Their objective was to make more informed decisions around product assortment, pricing strategies and supply chain efficiency and to distinguish between genuinely profitable products and those that merely functioned as "space fillers" on the shelves. This strategic shift

aimed to realign the company's focus toward optimizing the product mix for maximum contribution to the bottom line.

Company traditionally uses gross margin analysis by deducting the bought-in cost of goods from the selling price to assess product profitability. However, venture capitalists question the effectiveness of this measure, as it fails to consider the significant indirect costs incurred at the organizational level. Now Company wants to move to a more accurate cost allocation approach to support strategic pricing, space utilization and product portfolio decisions.

I. Multiple Choice Questions

[Please provide the correct option to the following questions]

- 3.1 Identify the correct statement(s) from the following in relation to venture capital funding?
- (A) ₹ 25 Crore is third stage funding, ₹ 15 Crore is second stage funding and risk perception for 10 Crore is extreme.
 - (B) ₹ 25 Crore is second stage funding, ₹ 15 Crore is Third stage funding and risk perception for 10 Crore is extreme.
 - (C) ₹ 25 Crore is second stage funding, ₹ 15 Crore is Third stage funding and risk perception for 10 Crore is very high.
 - (D) ₹ 25 Crore is fourth stage funding, ₹ 15 Crore is Third stage funding and risk perception for 10 Crore is very high.
- 3.2 What is the taxable value of machinery under GST at the time of supply?
- (A) ₹ 5,19,92,000
 - (B) ₹ 5,69,92,000
 - (C) ₹ 5,43,92,000
 - (D) ₹ 5,44,00,000
- 3.3 In Your opinion which of the following statements is true in relation to actions proposed to be taken by the management to achieve the targets set?
- (i) Management should use Direct Product Profitability as it analyse the profitability of each product separately.
 - (ii) Management should use Product Based Cost Management measures like space used for transportation and storage of goods, refrigeration time, etc.

- (iii) Product batch cost will not be analyzed as a part of indirect costs while using direct product profitability.
 - (iv) As a part of technique adopted, activity analysis, which necessarily deals with eliminating non-value-added activities and thus reducing the total number of activities to be performed will also be used.
 - (A) Statement (i), (iii) and (iv)
 - (B) Only statement (i)
 - (C) Statement (i) and (ii)
 - (D) Statement (i), (ii) and (iii)
- 3.4 Identify which of the adjustments/disclosures as stated in the case study are not as per the prescribed treatment in the financial statements for the year ended 31-03-2025.
- (A) (i) and (ii)
 - (B) (ii) and (iii)
 - (C) (ii) and (iv)
 - (D) (iii) and (iv)
- 3.5 Assertion (a): The company's investment in AMHS and RFID-based scanning systems represents *Automation* in warehouse operations.
- Reason (r): Automation enables machines and systems to perform tasks with minimal human intervention, improving turnaround time, accuracy, and operational efficiency.
- Options**
- (A) Both Assertion (a) and Reason (r) are true, and Reason (r) is the correct explanation of Assertion (a).
 - (B) Both Assertion (a) and Reason (r) are true, but Reason (r) is **not** the correct explanation of Assertion (a).
 - (C) Assertion (a) is true, but Reason (r) is false.
 - (D) Assertion (a) is false, but Reason (r) is true. **(5 x 2 = 10 Marks)**

II. Descriptive Questions

- 3.6 (a) Explain why gross margin is an inadequate tool for decision-making in retail organizations like Needs Retail Limited. **(3 Marks)**

- (b) Venture capitalists want to have comprehensive and structured understanding of what is actually driving changes in a firm's operating income over time - beyond just top-line growth or bottom-line margin. Which method should they opt?

(3 Marks)

- 3.7 The Management of the Company provided Management Representation Letter covering the period of financial year 2024-25 only, as they were not in position to provide for the financial year 2022-23 and 2023-24 because they were not in place during that period.

How would auditors deal with the above situation as per relevant Standards on Auditing?

(6 Marks)

- 3.8 List three circumstances when GST input credit is not available for capital goods like machinery purchase in this case.

(3 Marks)

CASE STUDY 4

Tech Solutions Ltd. (TSL) is a listed Indian company, based in Gujarat, operating in the EV (Electric Vehicle) and battery pack manufacturing segment. It has its main factory in Pune and an R & D center in Bengaluru. The company also exports batteries to Europe and Southeast Asia. Total Net worth of TSL as per the last audited Balance sheet is ₹ 100 Crore.

TSL is undergoing a transformation as it had recently acquired a startup engaged in AI-powered battery diagnostics. The acquired start up is located in SEZ Gujarat and complies with all conditions to be recognised as a unit in SEZ.

TSL has noticed that while revenue from EV batteries has grown 30%, the overall profitability has not improved proportionately. The CFO has presented the following data:

Particulars	FY 2023-24	FY 2024-25
Revenue (₹ Crore)	2,400	3,500
Operating Cost (₹ Crore)	1,700	2,900

Observations of the team appointed by the management:

Production Department: To reduce per-unit cost, the production head decided to run longer batches and reduce machine changeover time. As a result, Inventory levels of slow-moving models increased.

Sales Department: Focused aggressively on fast-moving compact products and secured large retail orders. However, these products were often out of stock due to low production priority.

Procurement Team Negotiated bulk deals for components specific to high-capacity appliances to avail discounts. This locked up working capital and delayed procurement of parts needed for fast-selling items.

Further in Q4 of FY 2024-25, the company recorded a 70% increase in customer complaints in its electric batteries segment. The nature of complaints includes:

- Shorter battery life than advertised (less than 200 cycles Vs. claimed 500 cycles)
- Overheating during charging, especially in summer months
- Leakage and swelling of battery packs
- Delayed response from the service team and warranty claim denials

The SEZ unit procures certain input services from domestic suppliers located in the non-SEZ area. During FY 2024-25, it received consulting services and software licenses from vendors outside the SEZ, who charged IGST on invoices.

TSL filed a Letter of Undertaking (LUT) and made all its supplies from SEZ unit without payment of IGST. However, during departmental audit, the following issues were raised:

- (i) ITC was claimed on input services provided by M/s RTA & Co., where IGST was paid, but supplier did not mention "Supply to SEZ unit" on the invoice.
- (ii) M/s GHB Consultants, based in Gujarat, charged CGST and SGST, citing place of supply as Gujarat.
- (iii) TSL availed Input Tax Credit (ITC) on such services and utilized it for making exports under LUT's.
- (iv) Poonawala & Associates, a law firm, provided legal services for authorized operations and issued invoice without GST. TSL did not pay any RCM assuming that SEZ units are exempt.

In December 2024, the company entered into collaboration with a German foundation, under which it received ₹ 60 lakh for conducting a research project on AI-powered battery diagnostics.

Tech Solutions Ltd. is not registered under the Foreign Contribution Regulation Act, 2010 (FCRA), but the management believed the receipt was for a commercial purpose. The payment was received in the regular current account of the company and all the documentation was provided to the bank and RoC. Later, the Ministry of Home Affairs (MHA) raised an objection and served a notice for violation of FCRA provisions. The company had not sought prior permission or registration under FCRA. The company submitted a written reply explaining that the funds were used solely for research purposes and no part of it was diverted. They requested

for compounding of the offence. The MHA reviewed the matter and decided to initiate penalty proceedings under FCRA, 2010 and FCRA Rules, 2011.

The company receives export proceeds in convertible foreign exchange and occasionally avails export incentives from the Government. During the statutory audit, the auditor noticed that:

- Export proceeds for certain shipments made 9 months ago are still pending realisation.
- The company has received some Advance Payments received from foreign buyers in the year 2023 but no shipment has been made till date.
- It has fully converted ECBs into equity but no reporting to any authority has been done.
- As part of its strategic expansion, the company decided to acquire 60% equity in a newly formed company in Singapore, named SA Pte Ltd for a total investment of INR 500 Crore.

During an informal discussion after a board meeting, one of the directors approached the statutory auditor privately to seek advice regarding a personal income tax matter. The matter pertains to his brother Mr. Dinesh Mehra. Dinesh, aged 72, a retired professor, who owns a residential bungalow in Lucknow, purchased it in 1986 for ₹ 2,50,000. On 1st April 2001, the Fair Market Value (FMV) of the property was determined at ₹ 7,00,000. He continued to live in the property and never claimed any depreciation or rented it out.

In FY 2022-23, Mr. Mehra enters into a reverse mortgage agreement with Swan Finance Ltd., a non-notified NBFC. The circle rate of the property at that time was 1 crore. As per the agreement, he was to receive ₹ 40,000 per month for 15 years.

In April 2024, Mr. Mehra passed away. The total amount received by him under the reverse mortgage scheme was ₹ 9,60,000. His only legal heir, Anita Mehra, inherits the property.

In June 2024, Anita decides to sell the property for ₹ 1.25 crore. She incurs ₹ 75,000 as brokerage and legal expenses during the sale.

TSL prepares its annual financial statements in accordance with Ind AS. The company follows a financial year from April to March and presents quarterly interim financial reports for the periods ending 30th June, 30th September, 31st December, and 31st March.

For the quarter ended 30th September 2024, TSL identified the following developments:

- A legal case settlement was finalized in August 2024, resulting in a gain of ₹ 50 lakh. The case had been disclosed as a contingent asset in the annual report for FY 2023-24.
- Inventory was written down by ₹ 30 lakh due to obsolescence identified during a quarterly review.

- An actuarial gain of ₹ 20 lakh arose on defined benefit plans, recognised in OCI as per Ind AS 19.
- Management decided to restate the comparative interim period (Q2 of previous year) due to a material error discovered in October 2024 related to overstatement of revenue by ₹ 25 lakh.
- The company adopted a new Ind AS from 1st April 2024 which requires retrospective application.

TSL exported a consignment of goods to a client in Germany on February 15, 2025, on payment of IGST. The original invoice value was ₹ 50,00,000. Their contract included a clause allowing for price adjustments based on fluctuating steel prices.

On March 20, 2025, the price was revised upwards. TSL issued a debit note for the differential amount of ₹ 5,00,000 and paid the additional IGST of ₹ 90,000 in their GSTR-3B for March 2025. The company has received the full payment, including the revised amount, in foreign currency.

I. Multiple Choice Questions

[Please provide the correct option to the following questions]

- 4.1 TSL identifies "reducing customer complaint rate by 25% in Q1 of F.Y 2025-2026" as a Critical Success Factor. What issue does this statement reveal?
- Overemphasis on qualitative goals and Critical Success Factor
 - Improper use of operational metrics as Critical Success Factor
 - Time period is too small and ignores employee engagement
 - The statement focuses only on internal efficiency and not on customer outcomes.
- 4.2 Which of the following best describes the legal position under FCRA, 2010 regarding receipt of ₹ 60 lakh by Tech Solutions Ltd.?
- No violation has occurred as TSL is not required to register under FCRA for receipts relating to the specified purpose.
 - TSL can accept foreign amount without registration as it is a Limited Company and files the required board resolutions with Bank and RoC.
 - FCRA applies only to NGOs and not to Limited Companies as the Companies Act, 2013 controls the said transactions and reporting is being done in that Act only.
 - A company not registered under FCRA must obtain prior permission before accepting any foreign contribution.

- 4.3 Which of the following treatments is most appropriate under Ind AS 34 for the interim financial report for the quarter ended 30th September, 2024?
- (A) The legal settlement gain should be recognised in Q2 2024-25 as it was realised during the quarter and the actuarial gain must be presented in the Statement of Profit and Loss.
 - (B) The inventory write-down must be recognised in Q2 2024-25; the prior period error should be adjusted retrospectively in comparatives; actuarial gains should be excluded from interim reporting.
 - (C) The legal settlement gain and inventory write-down must be recognised in Q2 2024-25; actuarial gain should be recognised in OCI; comparative figures for Q2 2023-24 should be restated for the revenue error and adoption of new Ind AS.
 - (D) All items except the legal settlement gain are not relevant to interim reporting and must be dealt with only at the year-end.
- 4.4 Calculate the capital gain tax liability (without considering surcharge) at the time of sale of property for AY 25-26? VI
- (A) ₹ 17,84,800
 - (B) ₹ 14,65,625
 - (C) ₹ 19,76,800
 - (D) ₹ 13,45,625
- 4.5 Which of the following statement(s) is/are correct with respect to GST implications?
- (i) M/s GHB Consultants should have charged CGST and SGST on all services as TSL SEZ unit is located in Gujarat.
 - (ii) Supply to TSL SEZ unit is considered zero-rated supply and supplier must issue invoice charging IGST if supplying without LUT/Bond.
 - (iii) TSL's view in relation to services provided by Poonawala & Associates is incorrect.

Options

- (A) Statement (i) and (ii)
- (B) Statement (ii)
- (C) Statement (i) and (iii)
- (D) Statement (ii) and (iii)

(5 x 2 = 10 Marks)

II. Descriptive Questions

- 4.6 Identify and explain the problem with reference to the observations of team appointed by the management. **(2 Marks)**
Suggest which system could be implemented to resolve the inefficiencies and align departmental goals with overall organizational objectives and why? **(3 Marks)**
- 4.7 Discuss the statutory provisions which form the basis of observations of the auditor relating to receipt of export proceeds in convertible foreign exchange. **(5 Marks)**
- 4.8 As a Chartered Accountant, you are asked to prepare a checklist of all the essential documents TSL must compile to file a successful refund claim in Form GST RFD-01 for the ₹ 90,000 additional IGST paid. **(5 Marks)**

CASE STUDY 5

Retail Stores Limited (RSL) is a public listed (in top 1000) company and is one of India's largest retailers (by revenue and store count), operating a chain of hypermarkets, discount department stores, and grocery stores. Founded in 2001 by Mr. G, RSL has grown into a national powerhouse with hundreds of stores in multiple locations. RSL is having subsidiaries also as part of the group with each subsidiary being managed by separate directors (no common director). Out of all subsidiaries, RLV is considered as a material subsidiary. RSL has been successful due to its ability to offer low prices achieved through:

- Efficient Supply Chain Management.
- Economies of Scale.
- Minimal Operating Costs.

With a strong presence in both physical and online retail, RSL has revolutionized India's shopping experience.

RSL also imports premium chocolates (Ziva) from Europe by paying applicable Indirect taxes and sell them in the domestic market.

However, with the emergence of e-commerce company like "FAST DELIVERY" that specializes in delivering groceries and daily essentials to customers' doorsteps, often within 10 minutes, RSL's turnover is moving southwards as compared to previous years. (Customers can order from a selection of over 7,000 products, including groceries, fresh fruits and vegetables, bakery items, meats, personal care products, and more, through the FAST DELIVERY mobile app or website). To combat this competition, RSL decided to acquire a private unlisted entity "**DAILY NEEDS**" which is into the same business as FAST DELIVERY but not at such a large scale

operation. RSL identified DAILY NEEDS as a potential target based on market research. A preliminary assessment was conducted to evaluate its financial health, technological assets and strategic fitness. However, as a private unlisted entity, determining its valuation posed challenges. Accordingly, a financial consultant was hired for calculating the business value of DAILY NEEDS.

As soon as the news got out in the market, its effect on share price was showing positive move and those gains stabilized indicating that market took it positively. However, data analysis showed that one Investment entity "**APJ Limited**" has bought shares of RSL on a consistent basis. This has been done through two different modes, open market purchase and block deal. Total equity bought by it is to the tune of 11%. Management got feared of aggressive buyout and started getting deep into the reason of buying. To its surprise, the investment entity was a subsidiary of its competitor and when this fact came to light, management called the meeting of various stakeholders. Financial consultants were also invited to give suggestions on how to defend against this type of attack by the competitors.

RSL's Board of Directors consists of the following directors:

Ravi, Rahul and Rohit: Graduated in Science.

Vijay, Raman and Mohit Graduated in Commerce.

(Rahul, Raman and Mohit being Independent Directors).

While preparing standalone financial statements for the year ended 31-03-2024, RSL disclosed the following ratios:

	31-03-2023	31-03-2024
Return on Investment	2.75%	20.61%
Inventory Turnover Ratio	8.01	6.10
Return on Capital Employed	15.92%	12.45%
Return on Investment	1.00%	1.75%

Besides this, no other disclosures were made in the notes to financial statements.

Also, these ratios were not disclosed in the Consolidated Financial Statements.

Further, in relation to inventory, RSL has disclosed the following supplementary information in the financial statements for the year ended 31-03-2024:

- (i) Breakdown of Inventory Categories Additional details on raw-materials, work-in-progress and finished goods beyond what is required in the notes.
- (ii) Aging of Inventory - Categorization of inventory based on age to highlight obsolescence risks.

- (iii) Geographical Segmentation Breakdown of inventory held in different locations or regions.
- (iv) Obsolete and Slow-Moving Inventory - Additional disclosures on provisions for obsolete inventory and write-offs.
- (v) Inventory Purchase Commitments - Information on significant future purchase commitments that might impact inventory levels.
- (vi) Impact of Inflation or Price Changes Analysis of how inflation, foreign exchange fluctuations, or commodity price changes affect inventory valuation.
- (vii) Seasonality Effects Explanation of seasonal fluctuations in inventory levels and their impact on financial performance.

Stock includes sizeable quantity and amount of Ziva also. RSL got order from M/s. **TFC Limited** (a unit situated in SEZ in Mohali, Punjab) for supply on the occasion of valentine day. Chocolates were delivered on 13-02-2025 with invoice value of ₹ 2.5 crore. The Accounts department of the company intimated that RSL is eligible for refund of GST paid at the time of import (₹ 38 lakh) and standing in the books as ITC as supply to SEZ is treated as an exempt supply. They further intimated that within 10 days of filing the claim, RSL will get refund of ₹ 28.5 lakh and balance after the documents get verified by the department.

Ravi, being the Promoter Director has seen the growth of the company since beginning and want his next generation to take the company forward with same zeal and enthusiasm. Ravi's son Rajeev will be inducted after he gets married which is scheduled on 03-02-2025 and lavish arrangements have been made for the ceremony in which top businessman, state level leaders and Bollywood celebrities have been invited. Ravi has delegated the work of arrangements to one of his friends "Rustom" who is taking care of every small thing and arrangements and is aware of the estimated cost of the ceremony. Market news is that this will be one of the high end marriage function which everybody dreams of. One of the Inspectors of the Income Tax Department who is in charge of the Range in which ITR of Ravi falls, is aware of the developments and thinks that the real time information collected today will help him at the time of making assessment. Evidence collected today will be matched with the ITR and any substantial differences can be identified. The Inspector visited the office of Ravi on 31-01-2025 and in his absence, asked Rustom about the details of the function. Rustom showed him the documents. The Inspector took extracts of the same and went. At the time of assessment, the Inspector used the evidences collected and issued a notice for enquiry to Ravi.

Ravi's son, Rajeev is an engineer by profession and runs his own consulting firm RR Enterprises in UAE.

RSZ (P) Ltd. which is a wholly owned subsidiary of RSL obtains technical and consultancy services from RR Enterprises.

I. Multiple Choice Questions

[Please provide the correct options to the following questions]:

- 5.1 What is the biggest challenge in calculation of 'value' of DAILY NEEDS?
- (A) Arriving at the cost of capital which in turns depend on Beta.
 - (B) Industry-specific factors, market dynamics and geographical similarities.
 - (C) Illiquidity discount is objective and varies by industry and company specifics.
 - (D) Financial statements may not follow standardized accounting practices or might be less detailed.
- 5.2 Identify the correct statement in compliance with the SEBI Regulations:
- (A) RSL should have one Women Director on its Board.
 - (B) RSL should have one independent Women Director on its Board and also majority of directors of RSL should also be a director in RLV.
 - (C) RSL should have one independent Women Director on its Board and any one of Rahul, Raman or Mohit should also be a director in the Board of RLV.
 - (D) RSL should have one independent Women Director on its Board and Rahul, Raman and Mohit should also be directors in the Board of RLV.
- 5.3 Whether information used for issue of notice for enquiry to Ravi is validly collected?
- (A) It is not valid as it is based on the documents which were collected during the financial year and such document collection power is not there with the officer of Inspector level.
 - (B) It is not valid as it is based on the information and documents which were collected from Rustom and not Ravi and such document collection power is not there with the officer of Inspector level.
 - (C) It is not valid as it is based on the information and documents which were collected prior to marriage.
 - (D) It is valid as it is based on the information and documents which were collected at the permitted place, permitted time, from the person who had full knowledge about the events and by proper Income Tax Authority.
- 5.4 Whether RR Enterprises and RSZ(P) Ltd. are considered to be Associated Enterprises (AE) under the provisions of the Income Tax Act, 1961?
- Choose the correct option.

- (A) RR Enterprises and RSZ(P) Ltd. are Associated Enterprises having mutual interest in each other's firm by being relatives.
 - (B) RR Enterprises and RSZ(P) Ltd. are deemed Associated Enterprises as Ravi and Rajeev are relatives and they both control their respective enterprises.
 - (C) RR Enterprises and RSZ(P) Ltd. are not Associated Enterprises as they have no common control in each other companies/entities.
 - (D) RR Enterprises and RSZ(P) Ltd. cannot be considered as Associated Enterprises as they do not hold any stake directly or indirectly in the other enterprises.
- 5.5 Whether the classification of supply made to TFC Limited and provisional refund amount calculated is correct?
- (A) Classification is correct but the refund amount is ₹ 30.4 lakh and the same will be received within 7 days after giving the acknowledgement.
 - (B) Classification is incorrect as the same is treated as zero rated supply but the provisional refund amount is correct and the same
 - (C) Classification is incorrect as the same is treated as zero rated supply and also the correct provisional refund amount is ₹ 34.20 lakh and the same will be received within 7 days after giving the acknowledgement.
 - (D) Classification is correct but the refund amount is ₹ 34.20 lakh and the same will be received within 7 days of filing the claim. **(5 x 2 = 10 Marks)**

II. Descriptive Questions

- 5.6. Discuss some defense tactics which a company can adopt in a situation like RSL is facing. **(6 Marks)**
- 5.7 As an auditor, how will you deal with the supplementary information made in relation to inventory in the financial statements for the year ended 31-03-2024? **(4 Marks)**
- 5.8 The Accounts department of RSL is of the view that duty paid at the time of import of premium chocolates is custom duty and not IGST.
Comment its validity. **(1 Mark)**
Also explain:
(i) Which place is treated as place of supply in case of Import? **(2 Marks)**
(ii) At what point and on which value GST is collected on imported goods? **(2 Marks)**