

MOCK TEST PAPER
FINAL (NEW) COURSE: GROUP – II
PAPER – 6F: MULTIDISCIPLINARY CASE STUDY

*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

The Firm “Gautam Agrawal & Associates” was set up in the year 1985 by CA. Gautam Agrawal who has more than 35 years of experience in the profession.

The Firm strives best to bestow quality services in the area of Audit, Investigation, Due Diligence, Accounting, Reporting as per IndAS, Taxation (Direct & Indirect), Company Law Matters for both domestic and foreign companies, Management Consultancy, Information Systems Audit and FEMA. The Firm is well-balanced and has a robust team including Chartered Accountants, Company Secretaries and semi qualified personnel which furthermore include Article clerks.

The partners of the Firm having specialized knowledge and experience head each service department. They share their knowledge and practical experience with the team members to ensure effective and timely redressal of issues arising on routine basis or that can arise later. This will succor the clients in the best possible manner with cost optimization.

The Firm makes optimum utilization of their man-power resources for their broad spectrum of clientele. There are 5 partners in the Firm, CA. Gautam Agrawal, CA. Manish Agrawal, CA. Sudhir Joshi, CA. Jayesh Talati and CA. Rakesh Patel. The Firm has many Articled Trainees as well as other senior Assistants who are directly assisting the main Partners in their respective departments. They are otherwise called the ‘MAN FRIDAY’!

1. CA. Gautam Agrawal with his Senior Assistant paves the way with respect to Financial Reporting under IndAS.

Amid the eminent clients of the Firm, Goyal Textiles Ltd. is a distinct one. Leading the premium cotton shirting fabrics and the high street fashion printed fabrics; Goyal Textiles Ltd. is the global rulers of the industry. Goyal Textiles Ltd. recently undertook a backward integration project to integrate the manufacturing processes and to reduce dependence on vendors of yarn and weaved fabric. The expansion project is intended to replace the outsourcing of raw materials (yarn and fabric) and enable the company to achieve higher levels of integration of spinning, weaving and printing activities and thereby improve the margins. Consequently, the company purchased land and constructed a new factory for it. They solicited service of CA. Gautam Agrawal and his team in this respect.

On 1st April, 2021, Goyal Textiles Ltd. purchased some land for ₹ 2 Crores (including legal costs of ₹ 20 Lacs) in order to construct a new factory. Construction work commenced on 1st May, 2021. Goyal Textiles Ltd. incurred the following costs in relation with its construction:

Preparation and leveling of the land – ₹ 6,00,000.

Purchase of materials for the construction – ₹ 121.60 lacs in total.

Employment costs of the construction workers – ₹ 4,00,000 per month.

Overhead costs incurred directly on the construction of the factory – ₹ 2,00,000 per month.

Ongoing overhead costs allocated to the construction project using the company's normal overhead allocation model – ₹ 100,000 per month.

Income received during the temporary use of the factory premises as a car park during the construction period – ₹ 100,000.

Costs of relocating employees to work at the new factory – ₹ 600,000

Costs of the opening ceremony on 31st January, 2022 – ₹ 300,000

The factory was completed on 30th November, 2021 (which is considered as substantial period of time as per IndAS 23) and production began on 1st February, 2022. The overall useful life of the factory building was estimated at 40 years from the date of completion. However, it is estimated that the roof will need to be replaced 20 years after the date of completion and that the cost of replacing the roof at current prices would be 30% of the total cost of the building.

At the end of the 40-year period, Goyal Textiles Ltd. has a legally enforceable obligation to demolish the factory and restore the site to its original condition. The directors estimate that the cost of demolition in 40 years' time (based on prices prevailing at that time) will be ₹ 400 Lacs.

An annual risk adjusted discount rate which is appropriate to this project is 5%. The present value of ₹ 1 payable in 40 years' time at an annual discount rate of 5% is ₹ 0.142.

The construction of the factory was partly financed by a loan of ₹ 200 Lacs taken out on 1st April, 2021. The loan was at an annual rate of interest of 8%. Goyal Textiles Ltd. received investment income of ₹ 100,000 on the temporary investment of the proceeds.

2. CA. Jayesh Talati has vast Experience in the field of Statutory Audits, Taxation, Capital Market, Investment Advisory and Financial Advisory. He is an eminent consultant acting for various corporate houses in matters of project finance and heads the business and transaction advisory unit of the firm. His forte is handling Income Tax Search & seizure matters before the Income Tax Settlement Commission and other direct tax litigation matters. He has a multi-disciplinary team which works in a cohesive manner.

Among many of the classic clients of the firm, Riddhi Siddhi Traders Pvt. Ltd. is one of them. The Company's books of Accounts were being audited by the Firm. However, the Taxation Department was in hands of another Advisory Firm.

The Company, Riddhi Siddhi Traders Pvt. Ltd., is a leading supplier of fiber boards in India. With their extensive experience of supplying and trading WPC Board, the Company has made a reputed name for themselves in the market with high quality Fiber Board. Woefully, a survey was carried out at the business premises of the Company by the Income Tax Department on 31st March 2021. The Directors admitted the undisclosed portion of Stocks and Sales. After this incident, the distressed Directors with their senior Accounts Head approached CA. Jayesh Talati to guide them in the field of Taxation. The Senior Accounts head furnished following financial data as prepared by them.

The Trading & Profit & Loss Account of Riddhi Siddhi Traders Pvt. Ltd. having business of Agricultural produce, consumer items and other products for the year ended 31.03.2021.

Trading Account

Particulars	Amount (₹)	Particulars	Amount (₹)
Opening Stock	7,50,000	Sales	3,11,00,000
Purchases	2,51,50,000	Closing Stock	9,00,000

Freight & Cartage	2,52,000		
Gross Profit	58,48,000		
	3,20,00,000		3,20,00,000

Profit & Loss Account

Particulars	Amount (₹)	Particulars	Amount (₹)
Bonus to staff	95,000	Gross Profit	58,48,000
Rent of premises	1,07,000	Income tax refund	40,000
Advertisement	10,000	Warehousing Charges	15,00,000
Bad Debts	1,50,000		
Interest on loans	3,35,000		
Depreciation	1,43,000		
Goods and Service tax demand paid	2,16,700		
Miscellaneous Expenses	10,51,300		
Net Profit	52,80,000		
	73,88,000		73,88,000

The Senior Accountant of the Company provided following further details:

- i. A survey under section 133A was regulated at the business premises on 31st March 2021 in which it was revealed that the value of last year Closing Stocks was ₹ 17,50,000 and current year Sales to the tune of ₹ 1,50,000 was not recorded in the Books of Accounts. The value of Closing Stocks after these adjustments is calculated at ₹ 25,00,000 as on 31.03.2021.
- ii. Income tax refund includes amount of ₹ 9,140 of interest allowed thereon.
- iii. Bonus to staff includes an amount of ₹ 15,000 paid in December 2020 which was provided in the Books on 31st March 2020.
- iv. Rent on premises included ₹ 11,000 incurred on repairs. The assessee was under no obligation to incur such expense as per rent agreement.
- v. Advertisement expenses include an amount of ₹ 5,000 paid for the advertisement published in the souvenir issued by a Political party. The mode of payment was through account payee cheque.
- vi. Miscellaneous expenses includes :
 - a. Amount of ₹ 30,000 paid towards penalty for non-fulfillment of delivery conditions of a contract of sale for the reasons beyond control.
 - b. Amount of ₹ 2,00,000 paid to the wife of a director, who is working as a junior lawyer for seeking advice in a disputed issue. The junior advocate of High Courts generally charges ₹ 50,000 for the same kind of opinion.

- c. Amount of ₹ 1,00,000 paid to an Electoral Trust by cheque.
 - vii. Goods and Service tax demand paid includes an amount of ₹ 10,600 charged as penalty for delayed filing of returns and ₹ 25,500 towards interest for delay in payment of tax.
 - viii. The Company invested ₹ 25 Lacs on construction of a warehouse in rural area for purpose of storage of agricultural produce. It was put to use from 15.09.2020 and income from the said activity is credited to P& L A/c under the heading 'Warehousing Charges'.
 - ix. Depreciation under the Act is calculated at ₹ 1,20,000.
 - x. Interest on loan includes an amount of ₹ 1,20,000 paid to Mr. Raj, a resident, on which tax was not deducted.
3. CA. Sudhir Joshi is also a member of the Institute of Secretaries of India ('ICSI'). He has more than 15 years of experience and has obtained comprehensive exposure in handling Corporate Legal & Secretarial Matters, Statutory Compliances of both Listed & Unlisted Companies, drafting of requisite documents for the Initial Public Offering and vetting of various legal agreements and NCLT matters. He is well versed with the Companies Act 2013 & other statutory laws & regulations. He has provided his services to various Industries like Food Processing, Dairy Distribution etc.

Happy Crunch Ltd. is an upcoming Brand in the field of Confectioners and bakery segment, with the motto of providing best quality food products to the clients to ensure the best return of client's investment. Directors of Happy Crunch Ltd. approached CA. Sudhir Joshi to lend a hand in matters of Company Law provisions.

Happy Crunch Ltd. is an Unlisted Public Company having authorised share capital of ₹ 150 Lacs as on 31st March 2021. However, its shares are paid up only to the extent of ₹ 95 Lacs. The Company has got their Books audited for the financial year 2020-21. During April 2021, the Company increased its Paid-up capital to ₹ 120 Lacs through issue of Right Shares. The Turnover of the Company was to the tune of ₹ 275 Lacs during the year ended 31st March 2021.

The Company has 8 directors in its Board. One of them, Mr. Ramakrishna died due to a sudden cardiac arrest. This resulted in casual vacancy. This was filled by the Board at its meeting by appointing Mr. Shyam by passing a resolution. Subsequently, it was approved by the members in the immediate next general meeting.

Every Company registered under Companies Act is required to file their Financial Statements in E-Form AOC-4 including Directors Report along with other relevant attachments (Annual Report) and Annual Return in E-Form MGT-7 within 30 days/60 days respectively from conclusion of its Annual General Meeting (AGM). Owing to empty headedness of the Directors of the Company, the Company failed to file Financial Statements or Annual Returns for a continuous period of 3 years.

One of the Directors of the Company, Mr. P V Krishnan has been offered directorship in Agile Circuits Ltd. as Independent Director. It is an unlisted public company. The paid-up Capital of the Company is ₹ 20 Crores.

A Board Meeting was held on 20th October 2020. But due to lockdown amid the Covid-19 pandemic, minimum quorum could not be met. Video-conferencing was also not possible. The proceedings of the meetings could not be held and hence, the Chairman adjourned the meeting to next week on the same day. The date fixed for the adjourned meeting turned out to be the day of Diwali.

QUESTIONS

Part A- Multiple Choice Questions (2 Marks each)

1. Happy Crunch Ltd.'s board had 8 Directors in total but was not represented by any woman Director. The Shareholders sought reasons for not appointing Woman Director on the Board. Is it mandatory for the Company to appoint a Woman Director for the year 2020-21?
 - (a) The Company is not required to appoint Woman Director as it is an Unlisted Public Company.
 - (b) The Company is required to appoint Woman Director as the Authorised Share Capital is more than ₹ 100 Lacs.
 - (c) The Company is required to appoint Woman Director as the Paid –up Capital has increased to ₹120 Lacs.
 - (d) The Company is not required to appoint Woman Director as its paid-up capital does not exceed ₹100 Lacs as well as the Turnover does not exceed ₹ 300 Lacs as per the Audited Balance Sheet dated 31.03.2021.
2. In Happy Crunch Ltd., due to unforeseen circumstances, Mr. Shyam vacated the office. What should be the course of action by the Board in such a situation?
 - (a) It will be a case of Casual vacancy that should be filled by the Board.
 - (b) The new director would be elected and appointed in the next general meeting.
 - (c) It shall be filled by the Board by appointing an Additional Director.
 - (d) The Board shall appoint Alternate Director in place of Mr. Shyam.
3. With reference to filing of Financial Statements with Registrar of Companies, throw light on provisions of Companies Act, 2013 which of the following would be an appropriate further action?
 - (a) The Directors of the Company shall be disqualified from being reappointed as a director of that company or appointed in any other company for a period of 5 years, from the date on which his company fails to do so.
 - (b) The directors shall not be disqualified, only the Company will attract penal provisions.
 - (c) The Directors of the Company shall be disqualified from being reappointed as a director of that company only for a period of 5 years and not other Companies.
 - (d) If the default is made good by the Company, the Director shall not continue to be disqualified for a period of 5 years.
4. Mr P V Krishnan was irresolute whether the Company Agile Circuits Ltd. can appoint Independent Directors? Albeit they can appoint Independent Directors, which of the following class of Companies can appoint them? How many minimum Independent Directors to be appointed in such class of Companies? Kindly shed light on provisions of Companies Act, 2013 to eliminate ambiguity of Mr. P V Krishnan. Which of the following is a CORRECT option?
 - (a) All such Public Companies which have paid up share capital of ₹ 5 Crores or more or whose turnover is ₹ 50 Crores or more or all such public companies which have in aggregate outstanding loans, debentures and deposits exceeding ₹ 50 crores shall have at least 2 Directors as Independent directors.
 - (b) All such Public Companies which have paid up share capital of ₹ 10 Crores or more or whose turnover is ₹ 100 Crores or more or all such public companies which have in aggregate

outstanding loans, debentures and deposits exceeding ₹ 50 crores shall have at least 2 Directors as Independent directors.

- (c) All such Public Companies which have paid up share capital of ₹ 5 Crores or more or whose turnover is ₹ 100 Crores or more or all such public companies which have in aggregate outstanding loans, debentures and deposits exceeding ₹ 50 crores shall have at least 3 Directors as Independent directors.
 - (d) All such Public Companies which have paid up share capital of ₹ 10 Crores or more or whose turnover is ₹ 50 Crores or more or all such public companies which have in aggregate outstanding loans, debentures and deposits exceeding ₹ 100 crores shall have at least 2 Directors as Independent directors.
5. The Board of Directors of Happy Crunch Ltd. was befuddled whether the adjourned meeting of the Board can be held on the day of Diwali? Please guide them the appropriate course of action.
- (a) The adjourned Board Meeting can be held any day thereafter, need not be the same day or the same time next week.
 - (b) The adjourned meeting cannot be held on the day of Diwali, as it is a holiday.
 - (c) The adjourned meeting cannot be held only on National Holidays. Diwali, not being a national holiday, the meeting can be held.
 - (d) The Board can adjourn the meeting only when minimum quorum is there.

Part B- Descriptive Questions

6. Compute the carrying amount of the factory in the Balance Sheet of Goyal Textiles Ltd. as at 31st March, 2022. You should explain your treatment of all the amounts referred to in this part in your answer. **(7 Marks)**
7. Compute the Income chargeable to tax for AY 2021-22 of Riddhi Siddhi Traders Pvt. Ltd. with supporting reasons. Ignore provisions of section 115BAA and MAT. **(8 Marks)**

CASE STUDY 2

- 1) Ideal Fabrics Ltd. is a Ludhiana based company incorporated in 1996. The company is one of the leading textile manufacturers of India having its presence across a wide spectrum, from manufacturing lowest to highest range of fabrics. The Company expanded its product offerings and entered into strategic alliance with leading global textile players to gain access to state-of-the-art technologies. Ideal Fabrics Ltd. is one of the very few vertically integrated fabric manufacturers in India producing large variety of fabrics in the apparel segment serving large retailers across USA, Europe, Asia and other emerging nations.
- 2) In recent board meeting, the following particulars are extracted from statement of profit and loss of the company for the year ended 31.03.2021:

Particulars	Amount (₹)
Gross Profit	90,00,000
Profit on sale of building (Cost ₹ 15,00,000 and written down value ₹ 9,00,000)	7,50,000
Salaries & Wages	3,75,000
Sundry Repairs to Fixed Assets	1,50,000

Compensation for breach of contract	1,50,000
Depreciation as per section 123 of the Companies Act, 2013	2,10,000
Loss on sale of current Investments	3,00,000
Interest on unsecured loans	75,000
Interest on Debentures issued by Company	1,50,000
Repair Expenses to Fixed Assets (Capital in nature)	3,00,000
Net Profit (after giving effect of all the items given above)	19,50,000

The management of the company is asking from Company Secretary of the company regarding the overall managerial remuneration payable as per the provisions of Companies Act, 2013.

- 3) Mr. Rajesh is an independent director of the company. He plays a vital role in the management of the Company and contributes to major decision-making process of organisation. The Company pays sitting fees of ₹ 60,000 to him for every Board meeting he attends. The Articles of Association of the company have fixed the payment of sitting fees for each Meeting of Directors subject to a maximum of ₹ 60,000. In view of increased responsibilities of independent directors of companies, the company proposes to increase the sitting fees to ₹ 1,25,000 per meeting.
- 4) Ideal Fabrics Ltd. is registered under GST in Punjab. The product of the company is making its market worldwide because of its quality and price. One of the customer from Haryana, Mr Raju, is asking for a sample of the company. The company is first time sending its sample in Haryana. The company is generally involved in high value transactions but this time company is sending goods of taxable value of ₹ 48,000. The billing department of the company strongly believes that there is no need to generate e-way bill in respect of this consignment as the value is less than ₹ 50,000. The GST applicable on the above goods is 18%. Hence the company did not issue the e-way bill in respect of above consignment.
- 5) The company wanted to add a new product in its range of products. In order to achieve this goal, the company has purchased a new machinery from USA for \$ 1,00,000 on 01.01.2021. The exchange rate on the date of transaction is 1 \$ = ₹ 68. The company is not required to pay for this purchase until 30.06.2021. The exchange rate as on 31.03.2021 is 1 \$ = ₹ 65. Mr. Mohan, the CFO of the company feels that the exchange fluctuation would not affect the financial statements of the Company. Hence, he did not make any changes in respect of currency fluctuations as on 31.03.2021.
- 6) The accounts team of the company is not able to understand the new TCS provision under section 206 C(1H) which has come into force with effect from 1st October, 2020. So, Mr. Mohan discussed the issue with management of the company. Hence the company called their statutory auditors CA Rakesh Asija for the meeting. CA Rakesh Asija visited the company and gave presentation on the above topic. CA Rakesh discussed the provisions in a brief manner. Mohan also discussed with him about the prestigious customers of the company i.e. Kunal Textiles & Madhu Textiles. The company has made sales to Kunal Textiles of ₹ 85 lakhs from 1st April 2020 to 30th September 2020 out of which payment of ₹ 45 lakhs was received till 30th September and amount received on or after 01.10.2020 is ₹ 40 lakhs. There is another buyer of the company Madhu Textiles to whom the company made sales up-to 30.09.2020 ₹ 65 lakhs. Amount received up-to 30.09.2020 is ₹ 55 lakhs. Sales made on or after 01.10.2020 is ₹ 30 lakhs. Amount received after 1.10.2020 is ₹ 40 lakhs. Company's turnover for the financial year 2019-20 exceeds ₹ 10 crores. The sales made to Kunal Textiles & Madhu Textiles are inclusive of GST and both the buyers have furnished their PAN.

QUESTIONS

Part A- Multiple Choice Questions (2 Marks each)

1. As per relevant Section of TCS, the amount of TCS collected by seller shall be paid to the credit of Central Government within _____ from the last day of the month in which the collection is made. These transactions are to be reported by the sellers in the Form no _____.
 - (a) 15 days, 26 Q
 - (b) 7 days, 27EQ
 - (c) 7 days, 27 Q
 - (d) 15 days, 27EQ
2. If Ideal Fabrics Ltd. makes sale to Madhu Textiles of ₹ 18,00,000 (exclusive of GST @ 18%) on 18.02.2021 in addition to the sales data given in the case study, what would be the amount of TCS to be collected by Ideal Fabrics Ltd. on such additional sales, the payment in respect of such sales is made on the same date?
 - (a) ₹ 1,800
 - (b) ₹ 1,350
 - (c) ₹ 1,593
 - (d) ₹ 2,124
3. With respect to para no. (4), which of the following statement is not correct in respect of E-way bill?
 - (a) E-way bill is not valid for movement of goods without vehicle number on it.
 - (b) Once E-way bill is generated, it can be edited for any mistake.
 - (c) E-way bill can be cancelled within 24 hours of generation.
 - (d) E-way bill is required to be generated even if movement of goods is by reasons other than supply.
4. Calculate the amount of loss/gain as per IndAS 21 in respect of machinery purchased by Ideal Fabrics Ltd. in foreign currency that needs to be recognised in the statement of profit and loss.
 - (a) Gain - ₹ 6 Lakhs
 - (b) Loss - ₹ 6 Lakhs
 - (c) Gain - ₹ 3 Lakhs
 - (d) Loss - ₹ 3 Lakhs
5. With reference to para no. (3), the director may receive remuneration under the Companies Act, 2013 by way of sitting fee for attending meetings of the board which shall not exceed:
 - (a) ₹ 75,000
 - (b) ₹ 1,00,000
 - (c) ₹ 50,000
 - (d) ₹ 80,000

Part B- Descriptive Questions

6. a) Whether e-way bill in respect of material sent to Raju in Haryana is required to be generated?
b) With reference to last part of para no. (4), what will be the consequence for non-issuance of e-way bill? **(5 marks)**
7. a) Compute the amount of TCS which needs to be collected from-
• Kunal Textiles Ltd., &
• Madhu Textiles Ltd.
b) Discuss about the due dates of filing TCS Returns and furnishing of certificates to the buyer. **(5 marks)**
8. With reference to para no. (2), compute the overall managerial remuneration payable under the provisions of Companies Act, 2013 subject to provisions under Schedule V. **(5 marks)**

CASE STUDY 3

LWS & Co., a Chartered Accountant Firm has been into practice since 2006 in Delhi. CA Suresh Shah and CA Harvinder Kaur started their firm after practicing individually for almost 4 years and now firm has grown into big firm of 5 partners. The partners of firm have contributed various articles on subjects of Direct Tax and Allied Laws in professional journals and Magazines. The clientele encompasses various segments i.e. software, education, NGOs, Government Bodies, Real Estates, Construction, jewellery and a host of others. Over the years, the firm has evolved into renowned professional firm that has worked on various assignments ranging from Statutory Audits, Management Audits, Income Tax Planning, FEMA Consultancy, GST Consultancy, Establishment of Overseas ventures and other related matters.

The firm has unique way of training its articles by involving them with its experienced partners on crucial projects so that they are able to learn and understand the practical issues arising in the industry. Recently Subhash, Ashish, Manoj being articles of the firm are working with CA Harsh Bhatia, CA Nikhil Grover and CA Sakshi Ahuja respectively for the prestigious clients of the firm.

(1) Subhash assisting CA Harsh Bhatia

Recently CA Harsh Bhatia is working on the applicability of IndAS. The firm has a prestigious client Shivalik Construction Private Limited, a construction Company. On 1st January 2021, the Company contracts to renovate a building including the installation of new elevators. The Company estimates the following with respect to the contract:

Particulars	Amount (₹)
Transaction price	60,00,000
Expected costs:	
(a) Elevators	10,00,000
(b) Other costs	35,00,000
	45,00,000

The company purchases the elevators and they are delivered to the site six months before they will be installed. The Company uses an input method based on cost to measure progress towards completion. The Company has incurred actual other costs of 7,00,000 by 31st March, 2021. The accounts team of the Company is facing difficulty in recognising revenue in respect of above contract. So, they have approached

CA Harsh Bhatia with the abovementioned facts. So, CA Harsh Bhatia delegated the work to Subhash to start initial working and then revert to him with his opinion.

(2) Ashish assisting CA Nikhil Grover

CA Nikhil Grover handles the tax department of the firm. The final calculation of income tax and their tax planning is being headed by CA Nikhil Grover. He is nowadays being assisted by Ashish. One of the oldest clients of the firm is MVS Private Ltd. The accountant of the Company approached CA Nikhil Grover for calculation of final tax liability of the Company. CA Nikhil assigned the work to Ashish. The accountant showed the financials of the Company to Ashish.

The Profit & Loss Account of MVS private Limited for the year ended 31st March, 2021 shows a profit of ₹ 75 lakhs after debiting the following items:

- (i) ₹ 2 Lakhs contributed to Employee's Welfare Trust.
- (ii) ₹ 7,80,000 paid towards course fee and hostel expenses for MBA course of a close relative of a director. The relative is not in employment with the company.
- (iii) ₹ 3.50 lakhs being expenses incurred on installation of a traffic signal, so as to facilitate its employees coming to office to overcome traffic jam and save office time.
- (iv) ₹ 3 lakhs spent on gift items distributed to various dealers under the company's sales incentive scheme.
- (v) ₹ 6 lakhs being expenses incurred on the travelling of the wife of MD, who accompanied him on tour to Singapore on invitation of Trade and Commerce chamber, Singapore.
- (vi) ₹ 3 lakhs being amount paid in March 2021 consequent upon change in currency rate due to exchange fluctuation in excess of the amount due to the supplier of machinery.
- (vii) ₹ 18,000 and ₹ 9,000 paid in cash on 25th October, 2020 by two separate vouchers to a contractor who carried out certain repair work in the office premises.
- (viii) Interest of ₹ 2 lakhs was paid in March, 2021 to a company on a loan taken from a company. Tax deducted at source from such interest was deposited in July, 2021.

Additional Information:

- (a) Audit fee of ₹ 6 lakhs was credited during Previous Year 2019-20 without deducting tax at source. Such fee was paid to the auditors in September, 2020 after deducting tax under section 194J and the tax so deducted was deposited on 7th December, 2020. 30% of audit fee was disallowed.
- (b) During the year the company purchased 10,000 shares of AB Private Limited at ₹ 40 per share. The fair market value of such shares on the date of transaction was ₹ 60 per share.

(3) Manoj assisting CA Sakshi Ahuja

Mr Amit, the director of SSI Pvt. Ltd. visited CA Sakshi Ahuja who is handling all the custom related work of the clients for 7 years. The company imported Machinery from USA by Air & the details of which are given as follows:

Purchase cost of Machinery	US \$ 7,000
Accessories worth US \$ 2,000 compulsorily supplied with machine, price of which is included in price of machine	
Air Freight	US \$ 2,000

Insurance	US \$ 100
Local Agent Commission	₹ 4,500
Exchange Rate	1 US \$ = 70
Custom Duty on Machine	10% ad valorem
Custom duty on Accessory	20% ad valorem
Integrated Tax	12%
GST Compensation cess	Nil
SWS (Social Welfare Surcharge)	10%

QUESTIONS

Part A- Multiple Choice Questions (2 Marks each)

- With reference to the Information given in point (3), compute the FOB value of machinery purchased by SSI Pvt. Ltd. as per Customs Act ,1962.
 - ₹ 4,90,000
 - ₹ 4,94,500
 - ₹ 6,30,000
 - ₹ 6,37,000
- With reference to the Information given in point (3), compute Assessable Value of Machinery purchased by SSI Pvt. Ltd. as per Customs Act ,1962.
 - ₹ 6,00,400
 - ₹ 6,37,000
 - ₹ 6,41,500
 - ₹ 7,81,500
- With reference to the Information given in point (3), compute the custom duty payable as per Customs Act, 1962 by SSI Pvt. Ltd. in respect of imported machine.
 - ₹ 1,54,918
 - ₹ 1,46,017
 - ₹ 1,56,013
 - ₹ 1,90,060
- With reference to the Information given in point (2), compute the Income of MVS Private Limited taxable under the head "Income from other sources".
 - ₹ 4,00,000
 - ₹ 1,50,000

(c) ₹ 2,00,000

(d) Nil

5. Referring para (1) above, while applying input method, a careful consideration should be given for events that do not depict a direct relationship between entity's inputs and transfer of control of goods or services. For example, when cost-based input method is used, an adjustment may be required when cost incurred is not proportionate to entity's progress in satisfying its performance obligation. In such cases, the best reflection is to adjust the input method to recognise revenue only to the extent of costs incurred. Such recognition of revenue to the extent of costs incurred is appropriate, if at contract inception, all the following conditions exist:

- (i) The goods do not represent a distinct performance obligation;
- (ii) The goods represent a distinct performance obligation;
- (iii) Customer is expected to obtain control of the goods significantly before receiving the services;
- (iv) Cost of such goods is significant relative to the total expected costs to complete the performance obligation; and
- (v) The entity procures the goods from a third party and does not significantly involve in designing / manufacturing the goods (even if the entity is a principal in the arrangement between the entity and end customer).

In the above context, which of the following is correct combination:

- (a) (i), (ii), (iii), (iv), (v)
- (b) (i), (iii), (iv), (v)
- (c) (ii), (iii), (iv), (v)
- (d) (i), (ii), (iii), (iv)

Part B- Descriptive Questions

6. Compute total income of MVS Private Limited for Assessment Year 2021-22 and tax payable under Income Tax Act on such income indicating reasons for treatment of each item. Ignore the provisions relating to minimum alternative tax. (Turnover of the company for Previous Year 2018-19 was ₹ 250 crores) **(8 marks)**
7. How will the company Shivalik Construction Private Limited recognize revenue as per IndAS 115, if performance obligation is met over a period of time. **(7 marks)**

CASE STUDY 4

SSP & CO. LLP, a Chartered Accountancy Firm has been into Practice since year 2009 at Vadodara, Gujarat. The Senior Partners of the Firm – CA Sagar Shah, CA Simran Kaur & CA Pankaj Bansal started the firm after practicing individually for almost 3 years and now it has grown into a big firm of 7 Partners. Since its inception, this CA Firm has always been in news among the Chartered Accountants and the Articled Trainees for its unique way of working. The 3 Partners have given their best to inculcate a working culture of hard work, learning, training, development and rendering best quality in the service industry it belongs to. Under one of the unique ways of its working, the firm annually holds a one month long and continuous competition among its Articled Trainees to motivate them towards working hard and reward 3 best candidates as the "Winning Articled Assistants" who get incentives in the form of important roles with the Senior Partners in handling crucial work projects of different clients of the firm.

This year, around 25 Articled Trainees, excluding the recently joined ones, were a part of this annual competition & after a one-month continuous assessment of their performance, Pratham, Shivam & Ragini were declared as the winning Articled Trainees for the said year. As a part of the incentive, they were assigned important roles with the 3 Senior Partners as follows:

- 1) Pratham would assist CA Sagar in carrying out the tax-audit work of the 3 major clients of the Firm.
- 2) Shivam would be leading the team headed by CA Simran to carry out the work of accounting for different projects handled by one of their important clients.
- 3) Ragini would be an important part of the team headed by CA Pankaj to conduct "TDS Audit" of the major clients of the Firm to check their TDS compliance and report thereon.

Pratham assisting CA Sagar Shah

CA Sagar briefs his team about the various objectives, guidelines and working involved in carrying out different audits by a Chartered Accountant with special emphasis on Tax Audit. He tells them that for ensuring compliance sometimes audit becomes a necessity. Therefore, various statutes, including legislations governing direct tax provisions have incorporated audit provisions in some or the other form. Under direct taxes, the Central Board of Direct taxes has posed onerous responsibility on the auditor via Income-tax Act, 1961 which has various provisions requiring compulsory audit. The Income-tax Act, 1961 contains several provisions for audit of accounts of public charitable trusts, non-corporate assesses and other assesses to meet the specific objectives of the Act. Under the Act, several sections such as 12A, 35D, 35E, 44AB, 80IA, 80-IAB, 80-IB, 80-IC, 80-ID, 80-IE, 142(2A), etc., require audit of accounts for tax purposes. He deliberates them in detail on the various provisions as entailed in Section 44AB of the Income Tax Act, 1961 and its various clauses and sub clauses on applicability of the Tax audit provisions to any enterprise. He also tells them about the amendments which had been made in the Tax audit Provisions by the Government of India whereby with effect from assessment year 2020-21, the threshold limit, for a person carrying on business, had been increased from ₹ 1 crore to ₹ 5 crores in case when cash receipts and payments made during the year does not exceed 5% of total receipt or payment, as the case may be. Section 44AB provides for the compulsory audit of accounts of certain persons carrying on business or profession. Now, he delegates his team to work out the tax audit applicability of various client firms for the Financial Year 2020-21 and Pratham gets to work out the Tax audit applicability on various clients as follows:

1. PQR Ltd. is engaged in the business of manufacturing of threads and having 97% of the receipts and payments through account payee cheque. The company has recorded turnover of ₹ 5.50 crores during the financial year 2020-21 before adjusting the following:

Discount allowed in the Sales Invoice	₹ 9,50,000
Cash discount (other than allowed in Cash memo/ sales invoice)	₹ 10,30,000
Trade discount	₹ 5,30,000
Commission on Sales	₹ 7,80,000
Sales Return (F.Y. 2018-19)	₹ 6,60,000
Sale of Investment	₹ 15,30,000

2. Mr. Anurag Basu, owning an Agency of Samsung Mobile, has turnover of ₹ 97 lacs during the F.Y. 2020-21.
3. XYZ & Co. (a Partnership firm) engaged in trading of electronic goods is having a turnover of ₹ 175 lacs for the F.Y. 2020-21.

Shivam with CA Simran Kaur

CA Simran and her team would handle the accounting of various complex operations of their client firms and provide consultancy accordingly. This year, CA Simran is dealing with the Grants received from the Government during the COVID 19 Pandemic period and how to deal with them in the accounts of their various clients. She enlightens her team members on this topic and tells them that the government gives grants to entities for various purposes including for industrial, geographic and social development, to facilitate the flow of foreign investments, to promote entrepreneurship, as subsidies to reduce the prices of goods and services offered by these entities. The grant could be in different forms, e.g., monetary or non-monetary government grants. Government grants may be significant for an entity and require appropriate treatment in the books of accounts and disclosures in financial statements to facilitate comparison with other entities and with prior periods. She delegates this work of different clients among her team members and Shivam gets to work on the case of 2 Client companies as follows:

1. Spectra Limited is carrying out various projects for which the company has either received government financial assistance or is in the process of receiving the same. The company has received two grants of ₹ 2,00,000 each, relating to the following ongoing research and development projects:
 - (i) The first grant relates to the “Clean river project” which involves research into the effect of various chemicals waste from the industrial area in Madhya Pradesh. However, no major steps have been completed by Spectra limited to commence this research as at 31st March, 2021.
 - (ii) The second grant relates to the commercial development of a new equipment that can be used to manufacture eco-friendly substitutes for existing plastic products. Spectra Limited is confident about the technical feasibility and financial viability of this new technology which will be available for sale in the market by April 2022.

In September 2020, due to the floods near one of its factories, the entire production was lost and Spectra Limited had to shut down the factory for a period of 3 months. The State Government announced a compensation package for all the manufacturing entities affected due to the floods. As per the scheme, Spectra Limited is entitled to a compensation based on the average of previous three month's sales figure prior to the floods, for which the company is required to submit an application form on or before 30th June, 2021 with necessary figures. The financial statements of Spectra Limited are to be adopted on 31st May, 2021, by which date the claim form would not have been filed with the State Government.

2. BCD Pharmaceuticals Ltd.: Government gives a grant of ₹ 20,00,000 for past research of COVID 19 vaccine to BCD Pharmaceuticals Limited, one of the top clients of SSP & CO., LLP. There is no condition attached to the grant.

Ragini with CA Pankaj Bansal

CA Pankaj Bansal lectures his team on various TDS provisions to carry out the below mentioned tasks and also makes them aware of the amendments brought into effect via Budget 2020 as well as the relaxations provided by the Government during the COVID 19 Pandemic Period to infuse capital into the economy by way of TDS relaxations during this hard period so that they are able to:

- examine the provisions relating to deduction and collection of tax at source to determine whether tax needs to be deducted/collected at source;
- compute the amount of tax to be deducted/collected at source;
- analyse and apply the provisions relating to deduction and collection of tax at source to address related issues;

- examine the provisions relating to advance tax obligations, the instalments and due dates, and interest and penal consequences of non- payment or delayed payment of advance tax; analyse and apply such provisions to determine the quantum of advance tax payment and interest liability, if any, and address related issues;
- examine the provisions relating to chargeability of interest for defaults in furnishing return of income, for non-payment of advance tax and deferral of advance tax; analyse and apply such provisions to compute interest and address related issues;
- analyse and apply the provisions relating to refunds to compute the refund due and address related issues.

After this, he hands over TDS working & compliance of various client firms to all the team members and Ragini, being a part of the winner trio, gets the following responsibilities of various important clients under the supervision of CA Pankaj:

- On 17.6.2020, a commission of ₹ 60,000 was retained by the consignee 'PQR Packaging Ltd.' and not remitted to the consignor 'ABC Developers Ltd.', the client company of SSP & Co., LLP, while remitting the sale consideration. Ragini had to examine the obligation of the client firm to deduct tax at source.
- Raj is working with ABC Developers Ltd. He is entitled to a salary of ₹ 60,000 per month w.e.f. 01.04.2020. He has a house property which is self-occupied. He paid an interest of ₹ 90,000 on loan, during the previous year 2020-21. The loan was taken for construction of house. He has notified his employer ABC Developers Ltd. that there will be a loss of ₹ 90,000 in respect of this house property for financial year ended 31.03.2021. Raj is not opting for the provisions of section 115BAC.
- By virtue of an agreement with ABC Developers Ltd., a catering organisation receives a sum of ₹ 55,000 per month towards supply of food, water, snacks etc. during office hours to the employees of the company.
- DK, a part time director of ABC Developers Ltd., was paid an amount of ₹ 3,50,000 as fees which was actually in the nature of commission on sales for the period 01.07.2020 to 30.09.2020.
- ACD Ltd., a Pharmaceutical company, credited ₹ 18,000 towards fees for professional services and ₹ 17,000 towards fees for technical services to the account of HG in its books of account on 06.10.2020. The total sum of ₹ 35,000 was paid by cheque to HG on 18.12.2020.
- XYZ Ltd., a foreign company, pays outside India, salary to its employee, Mr. Raghav, a foreign national and a non-resident, for services rendered in India for 265 days during the Previous Year 2020-21.

You are required to work out the following questions as to how the Winning Articled Assistants would have worked out on the issues given to them w.r.t the various important clients and projects of the firm SSP & CO. LLP.

QUESTIONS

Part A- Multiple Choice Questions (2 Marks each)

- The Winning Articled Trainee is told that the Partnership firm – XYZ & Co. would not be able to ensure that the aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash, does not exceed five per cent of the said amount and aggregate of all payments made including amount incurred for expenditure, in cash, during the previous year does not exceed five per cent of the said payment. Which of the following statements hold true w.r.t. taxability of business profits of the firm?

- (a) The Partnership Firm can opt for presumptive scheme under section 44AD.
 - (b) Section 44AB would only be applicable to the Partnership Firm and it can't avail the benefit of Presumptive taxation scheme as the same is available to Individuals & HUF only.
 - (c) If the firm opts for Presumptive income scheme under section 44AD, even then, it has to get its books of accounts audited u/s 44AB of the Act, being a Partnership firm.
 - (d) It can declare the minimum profit @ 6% of the turnover as its turnover during the PY 2020-21 is not expected to exceed ₹ 2 crores.
2. What should be the outcome of the Tax Audit applicability as worked upon by Pratham in the case of Mr. Anurag Basu?
 - (a) He can opt for section 44AD. Hence, he is not liable for tax audit.
 - (b) He needs to get his books of accounts audited u/s 44AB of the Act.
 - (c) He need not get his books of accounts audited u/s 44AB of the Act.
 - (d) He can opt for section 44ADA. Hence, he is not liable for tax audit.
3. XYZ Ltd. is required to deduct tax at source as follows in case of the payment made by it to Mr. Raghav-
 - (a) TDS u/s 192 of the Income tax Act, 1961.
 - (b) TDS u/s 194J of the Income tax Act, 1961.
 - (c) TDS u/s 195 of the Income tax Act, 1961.
 - (d) No liability of TDS as it being a foreign company and the remuneration is paid outside India.
4. What should be the TDS liability on the payment made by ACD Ltd. to the account of HG?
 - (a) TDS u/s 194J is applicable and would be deducted @ 30% w.r.t each kind of payment.
 - (b) TDS u/s 194J is applicable considering the aggregate payment made.
 - (c) TDS u/s 194C would be applicable as it becomes a Contract when two services got clubbed.
 - (d) TDS u/s 194J is applicable on such payments but the threshold limit is w.r.t. each kind of payment and therefore, no TDS liability in this case.
5. Examine how the Government grant be recognised in the books of BCD Pharmaceuticals Limited.
 - (a) To be capitalized in the Books of account.
 - (b) The entire grant should be recognised immediately in profit or loss.
 - (c) To be deferred till the research work proves to be marketable.
 - (d) Credited to a special Research Fund.

Part B- Descriptive Questions

6. Help Pratham in working out the applicability of Income tax Audit on PQR Ltd. **(3 Marks)**
7. Explain the accounting treatment of, if any, for the two grants received and the flood-related compensation in the books of accounts of Spectra Limited as on 31st March, 2021, to be worked out by Shivam. **(6 Marks)**
8. State all the TDS provisions applicable on ABC Developers Ltd. w.r.t. their transactions as stated in the above case scenario. **(6 Marks)**

CASE STUDY 5

Mr. Hari Mehta is an Indian citizen who is based in Thailand for past 20 years. His father had their Family business in India when he graduated but he chose to do something different and migrated outside India to start a different business abroad and successfully took this challenge. At present, he has his business spread all over Thailand and now he wants to take his business on a global scale. Being a true Indian he is, by heart, the first destination for overseas investment he has chosen is India. Being a hardcore & experienced businessman, he understands that to successfully venture out of a country with a new business or diversification, one needs to carry out proper research work and get acquainted with the knowledge of laws and practical working of business at such Target countries where one is willing to invest. He himself started studying various laws applicable in India relating to the nature of his business and further consults CA Vani Mehta, one of his friend's daughter in India who is an expert consultant in handling International Business matters. Through a Video conference, they both discussed how in the present age of commercial globalisation, it is a universal phenomena that Multinational Companies (MNCs) have branches/ subsidiaries/ divisions operating in more than one country. In such a situation, it is a common event for MNCs to transfer goods produced by a branch in one tax jurisdiction to an associate branch operating in another tax jurisdiction. While doing so, the MNC concerned has in mind the goal of minimizing tax burden and maximizing profits but the two tax jurisdictions/countries have also the consideration of maximizing their revenue while making laws that govern such transactions. It is an internationally accepted practice that such 'transfer pricing' should be governed by an Arm's Length Principle (ALP) and the transfer price should be the price applicable in case of a transaction of arm's length. In other words, the transaction between associates should be priced in the same way as a transaction between independent enterprises. The principles governing the taxation of MNCs are embodied in the OECD Model Tax Convention on Income and Capital (OECD Model Convention), which serves as the basis for the bilateral income-tax treaties between OECD member countries and between OECD member and non-OECD member countries. According to these guidelines, "Transfer prices" are the prices at which an enterprise transfers physical goods and intangible property or provides services to associated enterprises. Two enterprises are "associated enterprises" if one of the enterprises participates directly or indirectly in the management, control or capital of the other or if both enterprises are under common control. Since international transfer pricing involves more than one tax jurisdiction, any adjustment to the transfer price in one jurisdiction requires a corresponding adjustment in the other jurisdiction. If a corresponding adjustment is not made, double taxation will result.

He tells CA Vani that he has the following options available with him to invest in India:

OPTION – A: By acquiring controlling shares in Golden Rivers (P) Ltd., an Indian associate Company of one of his friend's Thais company, RPP Ltd. It is a company incorporated in Thailand and 55% of its shares are held by Golden Rivers (P) Ltd., an Indian company. RPP Ltd. has its presence in India also. The details relating to RPP Ltd. for the P.Y.2020-21, are as under:

Particulars	India (₹ in crore)	Thailand (₹ in crore)
Fixed assets at depreciated values for tax purposes	288	192
Intangible assets	120	480
Other assets (value as per books of account)	96	288
Income from trading operations	60	120

The above figure includes:		
(i) Income from transactions where purchases are from associated enterprises and sales are to unrelated parties	4.80	9.60
(ii) Income from transactions where sales are to associated enterprises and purchases are from unrelated parties	7.20	12
(iii) Income from transactions where both purchases and sales are from/to associated enterprises	12	24
Interest and dividend from investments	48	36
Payroll expenses on employees	19.20	28.80
Number of employees (Residents in respective countries)	168	216

CA Vani deliberates on how the Residential Status determination of Companies has changed in India recently when he left India to times now and the importance of the concept of POEM (Place of Effective Management). Mr. Mehta tells CA Vani about his research on Foreign Companies in India and this POEM concept and tells that he has studied the business model of two of his Friends' companies:

1. His friend Amit's company - ABC Inc, a US company has its place of effective management also in the USA, has advanced a loan equivalent to ₹ 255 crores to PQR Ltd., an Indian company on 10-4-2020. The total book value of assets of PQR Ltd. is ₹ 450 crores. The market value of the assets, however, is ₹ 480 crores. PQR Ltd. repaid ₹ 45 crores before 31-3-2021.
2. His nephew Rahul's company - Kings plc., a French company having its place of effective management also in France, has the power to appoint 4 of the directors of Golden Rivers Ltd., an Indian company, whose total number of directors in the Board is 9.
3. Zen Limited is one of his other Companies registered in Thailand, headed by his son. The Board of Directors usually meet and execute business decisions at their Board Meeting held in India.

OPTION – B: Mr. Mehta tells CA Vani that one of his Associate Companies engaged in the business of manufacturing and distribution of industrial gases, can acquire a listed Indian Company ABC Ltd. having a market share of more than 65% of the industrial gas business in India but only after a "Due Diligence" of this Indian Company is conducted. CA Vani tells him that Due Diligence is used to investigate and evaluate a business opportunity. It implies a general duty to exercise care in any transaction. Most legal definition of due diligence describe it as a measure of prudence activity, or assiduity, as is properly to be expected from, and ordinarily exercised by, a reasonable and prudent person under the particular circumstance, not measure by any absolute standard but depends on the relative facts of the special case. Due diligence is a process of investigation, performed by investors, into the details of a potential investment such as an examination of operations and management and the verification of material facts. It entails conducting inquiries for the purpose of timely, sufficient and accurate disclosure of all material statements/information or documents, which may influence the outcome of the transaction. Due diligence involves a careful study of the financial as well as non-financial possibilities for successful implementation of restructuring plans. Due diligence involves an analysis carried out before acquiring a controlling interest in a company to determine that the conditions of the business conform with what has been presented about the target business. Also, due diligence can apply to recommendation for an investment or advancing a loan/credit. Due Diligence may also require to be performed in cases of corporate restructuring, venture capital financing, lending, leveraged buyouts, public offerings, disinvestment, corporatisation, etc. Sometimes, in a restructuring exercise, while the unit may remain within a group, it may pass from under the charge of one

management team to that of another team. This situation also gives rise to the need for a due diligence review.

OPTION – C: Mr. Mehta will get incorporated a new Company in India itself at Kolkata as a Foreign Company which would work under the supervision of its Thais counterpart and invest Capital in the construction of infrastructure required to set up the company. He has worked on this option and tells CA Vani that he has studied the Borrowing & Financing options, his father's new company Key Ltd. has opted for. Key Ltd. began construction of a new building at an estimated cost of ₹ 14 lakh on 1st April, 2020. To finance construction of the building it obtained a specific loan of ₹ 4 lakh from a financial institution at an interest rate of 9% per annum. The construction of building was completed by 31st January, 2021. The company's other outstanding loans were:

Amount (₹)	Rate of Interest per annum
14,00,000	12%
18,00,000	11%

The expenditure incurred on the construction was:

April, 2020	₹ 3,00,000
August, 2020	₹ 4,00,000
October, 2020	₹ 7,00,000
January, 2021	₹ 2,00,000

Mr. Mehta comes to India for the first time on June 17, 2020 to discuss these options as per their practicality with CA Vani and her team and he leaves India on September 29, 2020. His total income (other than from foreign sources) does not exceed ₹ 15 lakhs.

QUESTIONS

Part A- Multiple Choice Questions (2 Marks each)

- Under OPTION – C, Mr. Mehta would be required to deliver various documents to Registrar of Companies under the provisions of the Companies Act, at:
 - Kolkata
 - New Delhi
 - Ranchi
 - Mumbai
- What would be Residential status of Mr. Mehta for the A.Y. 2021-22?
 - Resident and ordinarily resident
 - Resident but not ordinarily resident
 - Non-resident
 - Deemed resident
- Under the Income Tax Act, 1961, ABC Inc. & PQR Ltd. are?
 - Associated Enterprises.

- (b) Unrelated Entities.
 - (c) Holding & Subsidiary.
 - (d) ABC Inc. is a specified foreign company of PQR Ltd.
4. Under the Income Tax Act, 1961, Kings plc & Golden Rivers Ltd. are?
- (a) Associated Enterprises.
 - (b) Two Independent Entities.
 - (c) Holding & Subsidiary.
 - (d) Kings plc is a specified foreign company of Golden Rivers Ltd.
5. What is the status of Zen Ltd. as per the provisions of the Companies Act, 2013?
- (a) Indian company.
 - (b) Foreign Company.
 - (c) Not a Foreign Company.
 - (d) Special Purpose Company.

Part B- Descriptive Questions

6. Determine the residential status of RPP Ltd. for A.Y. 2021-22, if during the F.Y. 2020-21, eight board meetings were held – 3 in India and 5 in Thailand. **(5 marks)**
7. CA Vani would conduct the Due Diligence work w.r.t ABC Ltd. as required by Mr. Hari Mehta. Help her list out the contents of Due Diligence Review Report that she may submit. **(5 marks)**
8. Following the provisions of Ind AS 23 'Borrowing Costs', calculate the amount of interest to be capitalized and pass necessary journal entry for capitalizing the cost and borrowing cost in respect of the building as on 31st January, 2021, by Key Ltd. **(5 marks)**