

**MOCK TEST PAPER**  
**FINAL COURSE: GROUP – II**  
**PAPER – 6F: MULTIDISCIPLINARY CASE STUDY**

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

Each Case Study carries 25 Marks.

**CASE STUDY 1**

1. Upal Ltd. is a public company (herein after referred as 'The Company'), listed in NSE & BSE, having paid up share capital of ₹600 crores, with 20,000 shareholders, incorporated since 2004, and the company got listed in 2012.

The company avails certain services from a sub-service organization, named Paryupasna HR & Accounting Services Pvt. Ltd., that are part of the Upal Ltd.'s information system relevant to financial reporting.

The company was required to pay penalty for a breach in the performance of a contract with Paryupasna HR & Accounting Services Pvt. Ltd. Upal Ltd. believed that the penalty was payable at a lower amount than the amount demanded by the other party. The company created provision for the penalty but also approached the arbitrator with a submission that the case may be dismissed with costs. The company prepared the financial statements for the year 2022-2023, which were approved in May 2023. The arbitrator, in April 2023, awarded the case in favour of Upal Ltd. As a result of the award of the arbitrator, the provision earlier made by the company was required to be reduced. The arbitrator also decided that cost of the case should be borne by the other party i.e. Paryupasna HR & Accounting Services Pvt. Ltd.

2. The company has a headcount of around 1,000 employees in the organisation in 2022-23. As per the company's policy, the employees are given 30 days of privilege leaves (PL), 10 days of sick leaves (SL) and 5 days of casual leaves. Out of the total PL and sick leaves, 10 PL leaves and 5 sick leaves can be carried forward to next year. On the basis of past trends, it has been noted that 300 employees will take 5 days of PL and 2 days of SL and 700 employees will avail 10 days of PL and 5 days of SL.

Also the company has been incurring profits since 2012. It has decided in F.Y. 2022-2023 to distribute profits to its employees @ 4% during the year. However, due to the employee turnover in the organisation, the expected pay-out of the Upal Ltd. is expected to be around 3.5%. The profits earned during 2022-2023 is ₹ 1,800 crores.

Upal Ltd. has a post-employment benefit plan also available which is in the nature of defined contribution plan where contribution to the fund amounts to ₹ 100 crores which will fall due within 12 months from the end of accounting period. The company has paid ₹ 20 crores to its employees in 2022-2023.

3. Upal Ltd., at present, is having 1000 small shareholders who are desirous of appointing Mr. Merumal as their Director on the Board of Directors. Mr. Merumal held 500 equity shares of ₹ 10 each in the said company. According to the provisions of the Companies Act, 2013, a listed company may have one Director elected by such small shareholders in such manner and on such terms and conditions as may be prescribed. Hence, Mr. Merumal was appointed as a small shareholders' Director by the company.
4. The company pays sitting fee of ₹ 25,000 each to its 10 directors per meeting. Further, there are two directors who are in the executive roles and are withdrawing ₹ 2,10,000 each per month as salary from the company and the applicable TDS amount, under section 192 of the Income-tax Act, 1961, is deducted from such salary.

A Board Meeting was held on 19th January, 2023, at the Registered Office at 4 P.M. The agenda of the Board Meeting was to increase the sitting fees of Directors and sale of one of the undertakings of the company. The Board of Directors of the company decided to raise the payment of sitting fees for each meeting of Board of Directors to a maximum of ₹ 40,000 by altering its Articles of Association. In view of the Board, from the last one year there had been an increase in the work responsibilities of all the directors including woman Director Ms. Reema Vakaria and other two independent Directors. Hence, it was necessary to increase the sitting fees.

The Articles of Association of Upal Ltd. contain a provision by which Directors are empowered to sell or otherwise deal with the property/undertaking of the company. The Board was of the view that the sale consideration received from selling the undertaking would be used to clear off the part of existing term loan availed from BKG Commercial Bank Limited. However, except Mr. Shyamal and Mr. Ramesh who objected to the selling of company's undertaking, all other directors were in favour of said sale.

5. The company imported certain cloud services from Apnacart.com for an amount of ₹ 52,00,000. There is an additional charge of 2% as equalisation levy on such services in India which is recovered from the offshore service supplier by the Government. Apnacart.com passes the taxes to its customers by charging them, as its internal policy.

**Multiple Choice Questions (5 questions of 2 Marks each):**

1. With reference to information given under Para 4, what shall be the taxability of the sitting fee payable to directors and salary payable to the executive directors?
  - (a) Sitting fees paid to the directors is liable to GST under reverse charge and the salary paid to executive directors shall not be liable to GST.
  - (b) Total amount payable to directors (sitting fees as well as salary) is exempt from GST.
  - (c) Total amount payable to directors (sitting fees as well as salary) is liable to GST under reverse charge in hands of Upal Ltd.
  - (d) Total amount payable to directors (sitting fees as well as salary) is liable to GST under forward charge in the hands of the directors as professional income.
2. With reference to information given under Para 5, the liability to pay GST for cloud services procured by Upal Ltd. from Apnacart.com shall be, assuming GST rate to be 18%?
  - (a) On Apnacart.com since the services are online information and database access or retrieval services and GST of ₹ 9,36,000 shall be paid by Apnacart.com.
  - (b) Nil. There will not be any GST liability on the transaction since Apnacart.com is located outside India and services are provided electronically.
  - (c) On Apnacart.com under forward charge and GST of ₹ 9,54,720 shall be paid by Apnacart.com.
  - (d) On Upal Ltd. under reverse charge and GST of ₹9,54,720 shall be paid by Upal Ltd.
3. With reference to information given under Para 4, in case, the company desires to increase sitting fees of independent Directors as well as woman Director from the existing ₹ 40,000 per meeting, whether it can do so?
  - (a) The proposal of giving sitting fees to independent Directors as well as woman Director in excess of ₹ 40,000 can be accepted but such fees cannot exceed the maximum limit of ₹ 50,000 per meeting for each such Director.

- (b) The proposal of giving sitting fees to independent Directors as well as woman Director in excess of ₹ 40,000 cannot be accepted because all the Directors are eligible for equal sitting fees per meeting and that too maximum upto ₹ 50,000.
  - (c) The proposal of giving sitting fees to independent Directors as well as woman Director in excess of ₹ 40,000 can be accepted but such fees cannot exceed the maximum limit of ₹ 1,00,000 per meeting for each such Director.
  - (d) Since women Directors unlike other independent Directors are not eligible for higher sitting fees per meeting, only independent Directors are eligible to be paid sitting fees in excess of ₹ 40,000 but maximum upto ₹50,000 per meeting.
4. With reference to information given under Para 4, choose the correct alternative from those stated below as to the procedure which is required to be followed by the company before selling the undertaking to some other interested party?
- (a) The Board of Directors of Upal Ltd. can sell the undertaking with the consent of 3/4th majority of the Directors present at the Board Meeting.
  - (b) The Board of Directors of Upal Ltd. can sell the undertaking but the proposal needs to be approved by a special resolution passed at a General Meeting of the company.
  - (c) The Board of Directors of Upal Ltd. can sell the undertaking but only with the unanimous consent of all the Directors of the company and thereafter, seeking the approval of the shareholders through passing an ordinary resolution at a General Meeting.
  - (d) The Board of Directors of Upal Ltd. can sell the undertaking but only after seeking the approval of the shareholders through passing an ordinary resolution at a General Meeting and thereafter, obtaining the permission of the jurisdictional Registrar of Companies.
5. With reference to information given under Para 3, how many small shareholders are required to give notice to the company for appointment of their Director and also what is the minimum time period of giving such notice before the meeting where the issue of appointment of small shareholders' Director shall be considered?
- (a) Minimum 100 small shareholders of Upal Ltd. are required to give notice to the company for appointment of Merumal as their Director and such notice needs to be given minimum 14 days before the meeting where the issue of appointment of small shareholders' Director shall be considered.
  - (b) Minimum 200 small shareholders of Upal Ltd. are required to give notice to the company for appointment of Merumal as their Director and such notice needs to be given minimum 15 days before the meeting where the issue of appointment of small shareholders' Director shall be considered.
  - (c) Minimum 150 small shareholders of Upal Ltd. are required to give notice to the company for appointment of Merumal as their Director and such notice needs to be given minimum 21 days before the meeting where the issue of appointment of small shareholders' Director shall be considered.
  - (d) Minimum 300 small shareholders of Upal Ltd. are required to give notice to the company for appointment of Merumal as their Director and such notice needs to be given minimum 30 days before the meeting where the issue of appointment of small shareholders' Director shall be considered.

#### **DESCRIPTIVE QUESTIONS [Total 15 Marks]**

1. With reference to information given under Para 1, whether Upal Ltd. is required to remeasure its provision and what would be the accounting treatment of the cost that will be recovered by Upal Ltd., which has already been charged to the Statement of Profit and Loss as an expense for the year 2022-2023? **(5 Marks)**

2. With reference to information given under Para 2, what would be the treatment of the short-term compensating absences, profit-sharing plan and the defined contribution plan in the books of Upal Ltd? What would be the treatment, if the contribution paid from defined contribution plan exceeds the contribution due? Further, what would be the accounting if the payment from defined contribution plan does not fall due within 12 months from the end of accounting period? **(5 Marks)**
3. With reference to information given under Para 1, as a user auditor i.e. as an auditor of Upal Ltd., what information would you obtain about controls at a sub-service organization, Paryupasna HR & Accounting Services Pvt. Ltd.? **(5 Marks)**

## CASE STUDY 2

1. The Board of Directors of Chandhriv Ltd., is contributing every year to a charitable organization, named, Krut Foundation, a sum of ₹1,50,000. During F.Y. 2022-23, the company suffered losses and the directors contemplated to contribute the said amount in spite of the losses.

Krut Foundation entrusted the said amount of ₹ 1,50,000 received from Chandhriv Ltd. with its auditor, CA Matvar, proprietor of M/s MS and Co., a Chartered Accountant firm, to invest in specified securities. Mr. Matvar deposited the said amount in his father, Mr. Soham's saving bank account, in Apna Tree Bank, and no investment was made in the next five months.

2. Mr. Soham, father Mr. Matvar, is a resident Indian and is in retail business in Delhi. His turnover for F.Y.2021-22 was ₹ 9crores. He is having two bank accounts, one in SBL Bank and other in Apna Tree Bank, a saving account, as aforesaid. He only uses SBL account for conducting all the business transactions.

However, during F.Y. 2022-23, he used Apna Tree Bank account to pay purchase commission to one agent ₹ 25,000 on 13.6.2022 towards purchases made during the year and also made payments to Civil engineer of ₹ 5,00,000 on 23rd August, 2022 for construction of residential house for self use.

Mr. Soham regularly purchases goods from another resident, Mr. Nartan, a wholesaler in Delhi. The aggregate payments made by Mr. Soham to Mr. Nartan during the F.Y.2022-23 towards consideration for purchase of goods were ₹ 80 lakh (₹ 15 lakh on 8.5.2022, ₹ 30 lakh on 27.8.2022, ₹ 20 lakh on 18.10.2022 and ₹ 15 lakh on 11.2.2023). Mr. Nartan's turnover for F.Y.2021-22 was ₹ 12crores.

3. Mr. Nartan paid ₹ 5 lakhs on 5.9.2022 to M/s. James Durbin for a holiday package to Dubai for a week with his family, comprising of his wife and two children, being twins aged 23 years, in the last week of September. He also took an education loan of ₹ 15 lakhs on 1.2.2023 from State Bank of India, Madam Cama Road, Mumbai, for his son's two-year Master of Public Administration program in Eurpia University, UK and remitted the said amount through the same bank, which is an authorised dealer, under the Liberalised Remittance Scheme of RBI (LRS).

For his daughter's MBA in Aaron State University, UK, he remitted ₹ 12 lakhs on 15.2.2023, out of his personal savings, through Bank of India, Bandra branch, Mumbai which is also an authorised dealer, under LRS. Mr. Nartan also remitted ₹ 6 lakh on 29.3.2023, out of his personal savings, under LRS through Bank of India, Bandra branch, as gift to his sister residing in Germany, on the occasion of her 51<sup>st</sup> birthday.

4. CA Matvar was appointed as the Tax Auditor of Mr. Nartan's firm for the Assessment Year 2023-24. While carrying out the Tax Audit under section 44AB of the Income-tax Act, 1961. CA Matvar observed following:
  - (i) Interest of ₹60,000 paid to Vendor Mahesh who was registered under MSME Act, 2006.
  - (ii) Interest payment ₹ 12,000 was incurred in relation to earning exempt interest income from Tax Relief bonds.

- (iii) Sum of ₹ 1,10,000 was received from Mr. Deepak, for sale of one plant and machinery. But due to non-compliance of one of the conditions as specified in the contract with Mr. Deepak, Mr. Nartan forfeited ₹ 1,10,000 during AY 2023-24 as per forfeiture clause mentioned in the contract.

**Multiple Choice Questions (5 questions of 2 Marks each):-**

1. With reference to information given under Para 2, are provisions of TDS/TCS under the Income-tax Act, 1961 attracted in respect of purchase/sale transaction between Mr. Soham and Mr. Nartan? If so, what is the quantum of tax to be deducted/collected for the P.Y.2022-23?
  - (a) No; TDS/TCS provisions are not attracted for F.Y.2022-23, since the turnover of Mr. Soham in the immediately preceding financial year i.e., F.Y. 2021-22 does not exceed ₹ 10 crores.
  - (b) Yes, Mr. Soham has to deduct tax@0.1% of ₹ 30 lakhs (₹ 15 lakhs on 18.10.2022 and ₹ 15 lakhs on 11.2.2023)
  - (c) Yes, Mr. Nartan has to collect tax@0.1% of ₹ 30 lakhs (₹ 15 lakhs on 18.10.2022 and ₹ 15 lakhs on 11.2.2023)
  - (d) Yes, Mr. Nartan has to collect tax@0.1% of ₹ 80 lakhs
2. With reference to information given under Para 2, in case of failure to furnish PAN by the deductee/collectee as required based on the answer to Q.no.1 above, what would be the applicable rate of TDS/TCS?
  - (a) Not applicable, since there is no requirement to deduct or collect tax
  - (b) 20%
  - (c) 5%
  - (d) 1%
3. With reference to information given under Para 3, is M/s. James Durbin required to collect tax at source on receipt of ₹ 5 lakh from Mr. Nartan for holiday package to Dubai? If so, what is the amount of tax to be collected?
  - (a) Yes; ₹ 25,000
  - (b) Yes; ₹ 5,000
  - (c) Yes; ₹ 2,500
  - (d) No tax is required to be collected at source, since the receipt does not exceed ₹ 7 lakh
4. With reference to information given under Para 3, what is the amount of tax to be collected from Mr. Nartan in respect of the remittance of amounts overseas for his son's and daughter's education?
  - (a) TCS@0.5% of ₹ 8 lakhs and ₹ 5 lakhs are attracted in respect of remittance for son's and daughter's education, respectively.
  - (b) TCS@5% of ₹ 8 lakhs and ₹ 5 lakhs are attracted in respect of remittance for son's and daughter's education, respectively.
  - (c) TCS@0.5% of ₹ 8 lakhs and TCS@5% of ₹ 5 lakhs are attracted in respect of remittance for son's and daughter's education, respectively.
  - (d) TCS@5% of ₹ 8 lakhs is attracted in respect of remittance for son's education; No TCS is attracted in respect of remittance for daughter's education.

5. With reference to information given under Para 3, are TCS provisions attracted in respect of remittance of gift to sister? If so, what is the amount of tax to be collected from Mr. Nartan?
  - (a) No, since the remittance is out of personal savings for a personal purpose
  - (b) No, since the amount remitted to his sister is less than ₹ 7 lakhs
  - (c) No, due to reasons stated in (a) and (b) above
  - (d) Yes, ₹ 30,000.

#### **DESCRIPTIVE QUESTIONS [Total 15 Marks]**

1. With reference to information given under Para 2, decide whether provisions relating to deduction of tax at source are attracted for the payments made to agent and civil engineer during the financial year 2022-23? **(4 Marks)**
2. With reference to information given under Para 1,
  - (a) Whether Chandhriv Ltd. could have made such contribution to Krut Foundation? **(3 Marks)**
  - (b) Whether Mr. Matvar can be held guilty of professional misconduct? **(3 Marks)**
3. With reference to information given under Para 4, guide CA Matvar in reporting the said transactions under the relevant clauses in Form No. 3CD. **(5 Marks)**

#### **CASE STUDY 3**

##### **Para 1**

CDT Hospitality is a business trust, registered under SEBI (Real Estate Investment Trusts) Regulations, 2014, gives particulars of its income for the P.Y. 2022-23:

- (i) Interest income from Liyak Ltd. – ₹ 10 lakh;
- (ii) Dividend income from Liyak Ltd. – ₹6 lakh;
- (iii) Short-term capital gains on sale of listed shares (STT paid both at the time of purchase and sale) of Indian companies – ₹5 lakh;
- (iv) Short-term capital gains on sale of developmental properties – ₹ 8 lakh
- (v) Interest received from investments in unlisted debentures of real estate companies – ₹2 lakh;
- (vi) Rental income from directly owned real estate assets – ₹ 20 lakh

Liyak Ltd. is an Indian company in which the business trust holds 100% of the shareholding. Liyak Ltd. does not opt to pay tax under section 115BAA.

The business trust has distributed the entire ₹51 lakh to the unit holders in the P.Y. 2022-23 in the month of March, 2023. Mr. Raman is a resident holder holding 100 units and Mr. Suketu is a non-resident holder holding 500 units. The total number of units subscribed to by all unit holders is 5,000

##### **Para 2**

CDT Hospitality writes an option contract for sale of certain number of shares of Liyak Ltd. at a fixed price of ₹95 per share to Mahishi Ltd., a company in which one of the trustees of CDT Hospitality, Mr. Raman holds some equity stake. This option is exercisable anytime for a period of 90 days ('American option').

### Para 3

In F.Y. 2022-23, after the entity's 31 March 2022 annual financial statements were approved for issue, a latent defect in the composition of a new product manufactured by the entity was discovered (that is, a defect that could not be discovered by reasonable or customary inspection).

As a result of the latent defect the entity incurred ₹90,000 in unanticipated costs for fulfilling its warranty obligation in respect of sales made before 31 March 2022. An additional ₹22,000 was incurred to rectify the latent defect in products sold during 2022-23 before the defect was detected and the production process rectified, ₹6,000 of which relates to items of inventory at 31 March 2022. The defective inventory was reported at cost ₹ 15,000 in the 2021-22 financial statements when its selling price less costs to complete and sell was estimated at ₹ 19,000.

The accounting estimates made in preparing the 31 March 2022 financial statements were appropriately made using all reliable information that the entity could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

### Para 4

For the FY 2022-23, M/s Digubatti & Associates were the statutory auditors of Mahishi Ltd.

During the course of audit, the audit team was unable to obtain sufficient appropriate audit evidence about a single element of the consolidated financial statements. That is, the auditor was also unable to obtain audit evidence about the financial information of a joint venture investment (in Mahim Ltd.) that represents over 80% of the entity's net assets which is carried at ₹ 85 crores in its consolidated balance sheet.

### Multiple Choice Questions (5 questions of 2 Marks each):-

1. With reference to information given under Para 1, in respect of the component of interest income from Liyak Ltd. distributed by the business trust to unit-holders Raman and Suketu -
  - (a) No tax is deductible by the business trust, since such income is not taxable in the hands of unit holders
  - (b) Tax is deductible@5% on ₹ 20,000 distributed to Mr. Raman and @5.2% on ₹ 1 lakh distributed to Mr. Suketu
  - (c) Tax is deductible@10% on ₹ 20,000 distributed to Mr. Raman and @5.2% on ₹ 1 lakh distributed to Mr. Suketu
  - (d) Tax is deductible@10% on ₹ 20,000 distributed to Mr. Raman and 10.4% on ₹ 1 lakh distributed to Mr. Suketu
2. With reference to information given under Para 1, in respect of short-term capital gains of ₹5 lakh on sale of listed shares of Indian companies and ₹ 8 lakh on sale of developmental properties
  - (a) The business trust is liable to pay tax@15.6% and 31.2%, respectively
  - (b) The business trust is liable to pay tax@42.744%
  - (c) The business trust enjoys pass through status and hence, it need not pay any tax on such short-term capital gains; such income is subject to tax in the hands of unit-holders
  - (d) The business trust is liable to pay tax @15.6% and 42.744%, respectively.
3. With reference to information given under Para 1, the dividend component of income from Liyak Ltd., distributed to unit-holders Raman and Suketu -
  - (a) would be subject to distribution tax in the hands of Liyak Ltd., hence exempt in the hands of the business trust and the unit holders

- (b) is exempt in the hands of the business trust, since the trust enjoys pass through status in respect of such income; such income is taxable in the hands of the unitholders Raman and Suketu
  - (c) is taxable in the hands of the business trust; hence, exempt in the hands of the unitholders
  - (d) is exempt in the hands of the business trust and in the hands of the unit holders
4. With reference to information given under Para 1, if Liyak Ltd. exercises option under section 115BAA, then, the dividend component of income from Liyak Ltd., distributed to unitholders Raman and Suketu-
- (a) would be subject to distribution tax in the hands of Liyak Ltd., hence exempt in the hands of the business trust and the unit holders
  - (b) is exempt in the hands of the business trust, since the trust enjoys pass through status in respect of such income; such income is taxable in the hands of Raman and Suketu
  - (c) is taxable in the hands of the business trust; hence, exempt in the hands of the Raman and Suketu
  - (d) is exempt in the hands of the business trust and in the hands of the unit holders Raman and Suketu
5. With reference to information given under Para 1, interest received by the business trust from investments in unlisted debentures of real estate companies and distributed to unit holders would be –
- (a) subject to tax in the hands of the unit holders
  - (b) subject to tax in the hands of the business trust @ 31.2%
  - (c) subject to tax in the hands of the business trust @ 42.744%
  - (d) subject to tax in the hands of the business trust at the average rate of tax

#### **DESCRIPTIVE QUESTIONS [Total 15 Marks]**

1. With reference to information given under Para 2, evaluate this under the definition of financial instrument. **(5 Marks)**
2. With reference to information given under Para 3, analyse the situation in accordance with relevant Ind AS? **(5 Marks)**
3. With reference to information given under Para 4, what kind of opinion should the statutory auditors issue in such case? **(5 Marks)**

#### **CASE STUDY 4**

1. Xaviers Logistics Limited (XLL) is into warehousing and logistics business. It has two Container Freight Stations (CFS): one at Inland Container Depot (ICD) Dadri, Uttar Pradesh and other at ICD Tughlakabad, Delhi. XLL is also engaged in the business of freight forwarding and multimodal transportation. Intermittently, XLL also deals in trading of goods, primarily in export to countries outside India.

XLL started its operations on 30th June by setting up head/corporate office in Gurgaon, Haryana and two CFS at U.P. and Delhi. Services as well as invoicing to customers was done from Delhi and U.P. unit only. Top management was placed at the head office for the management of the company. Further, trading of goods was also carried out from the head office only.

The aggregate turnover of the XLL's Delhi unit crossed ₹ 20 lakh on 31st October. It applied for GST registration for Delhi on 25th November. Registration was granted on 7th December. GST component involved in stock of goods at Delhi as on 30th October was ₹ 45 lakh, on 25th November was ₹ 40 lakh and on 7th December was ₹ 20 lakh. Such stock was procured approximately 4 to 6 months before the respective dates.

- The primary business of XLL is container handling service of import/export containers. In July next year, a shipper placed a work order on XLL for handling of an export container from ICD Tughlakabad to Dubai UAE, through Nhava Sheva seaport in Mumbai. XLL was responsible for stuffing goods in containers at ICD, assisting in obtaining customs clearance, and transportation of goods from ICD to seaport.

XLL requested the customer to issue e-way bill for the movement of customs sealed containers from ICD to seaport as the value of goods in container exceeded ₹ 50,000. However, the customer denied issuing e-way bill stating that the responsibility to issue the same is on the person who arranges the transport of goods. Consequently, the management of XLL issued e-way bill with the assistance of a consultant.

- There is a green cess applicable on the goods handled through CFS for exports outside India. XLL as a policy deposits green cess with the Government in the name of the customer and recovers such cess on actual basis from the customer by charging it separately in the invoice.

Few customers of XLL are based in Nepal & Bhutan. It provides container handling services for their containers/ cargo which are in transit to Nepal or Bhutan. It receives consideration from Nepal/ Bhutan customers in INR (₹).

- XLL entered into a contract with a customer – SK Trends Ltd. for transportation of its goods from India to Sri Lanka through sea. The voyage is expected to take 18 days from Mumbai to Colombo.

XLL also provides containers for use by customers for multiple purposes. The containers are returnable at the end of the service contract period (3 years) between XLL and its customers.

In addition to the monthly charge, there is a security deposit that each customer makes with XLL for ₹ 20,000 per container and such deposit is refundable when the service contract terminates. Deposits do not carry any interest.

- On 1 January 2023, one of the group entities of XLL, UdakChem Ltd. (UCL) in a joint contract with XLL, entered into a one-year contract with a customer to deliver water treatment chemicals. The contract stipulates that the price per container will be adjusted retroactively once the customer reaches certain sales volume, defined, as follows:

| Price per container | Cumulative sales volume          |
|---------------------|----------------------------------|
| ₹ 100               | 1 - 1,000,000 containers         |
| ₹ 90                | 1,000,001 - 3,000,000 containers |
| ₹ 85                | 3,000,001 containers and above   |

Volume is determined based on sales during the calendar year. There are no minimum purchase requirements. UCL estimates that the total sales volume for the year will be 2 million containers, based on its experience with similar contracts and forecasted sales to the customer.

UCL sells 600,000 containers to the customer during the first quarter ended 31st March 2023 for a contract price of ₹ 100 per container.

- Son of one of the directors of XLL, Mr. Paresh who resided in India during the F.Y.2021-22 left India on 15th July, 2022 for Switzerland for pursuing higher studies in Logistics Management for 2 years, as in the view of the directors of the company, such an education of Mr. Paresh will be helpful to XLL in its business.

#### Multiple Choice Questions (5 questions of 2 Marks each):-

- With reference to information given under Para 1, which of the following statements is correct regarding eligibility of ITC on opening stock at the time of new registration?

- (a) XLL can avail credit of ₹45 lakh.
  - (b) XLL can avail credit of ₹ 40 lakh.
  - (c) XLL can avail credit of ₹ 20 lakh.
  - (d) XLL cannot avail credit on opening stock.
2. With reference to information given under Para 1, which of the following statements is correct regarding GST registration by XLL?
- (a) XLL was liable for registration of only Delhi unit.
  - (b) XLL was liable for registration of units at Delhi and UP.
  - (c) XLL was liable for registration of units at Delhi, UP and Haryana.
  - (d) XLL was liable for normal registration at Delhi and UP unit, and ISD registration at Haryana unit.
3. With reference to information given under Para 2, which of the following statements is correct regarding generation of e-way bill for movement from ICD Tughlakabad to Nhava Sheva seaport in Mumbai?
- (a) E-way bill was not required to be generated since goods were being transported from ICD to seaport.
  - (b) E-way bill was mandatorily required to be generated irrespective of the value of the goods being transported as such goods were being transported from ICD to seaport.
  - (c) E-way bill was required to be generated since the value of goods being transported exceeded ₹ 50,000.
  - (d) E-way bill was rightfully issued by Xaviers Logistics Limited being the transporter of goods.
4. With reference to information given under Para 3, which of the following statements is correct regarding value of container handling services provided by the company?
- (a) Value of the taxable container handling services should exclude transportation cost and green cess.
  - (b) Value of the taxable container handling services should exclude green cess but include transportation cost.
  - (c) Value of the taxable container handling services should exclude transportation cost but include green cess.
  - (d) Value of the taxable container handling services should include transportation cost and green cess.
5. With reference to information given under Para 3, which of the following statements is correct regarding invoicing to Nepal/ Bhutan customers?
- (a) GST is not chargeable on container handling services provided to Nepal/ Bhutan customers as the place of supply of such services is outside India.
  - (b) GST is not chargeable on container handling services provided to Nepal/ Bhutan customers as the same qualifies as export of service.
  - (c) GST is not payable on container handling services provided to Nepal/ Bhutan customers as the supply of services associated with transit cargo to Nepal and Bhutan are exempt services.
  - (d) GST is chargeable on container handling services provided to Nepal/ Bhutan customers.

### DESCRIPTIVE QUESTIONS [Total 15 Marks]

1. With reference to information given under Para 4,
  - (a) Whether XLL's performance obligation is met over period of time? **(3 Marks)**
  - (b) Analyse the fair value of leasing containers upon initial recognition in the books of customers. Market rate of interest for 3 year loan is 7% per annum? **(4 Marks)**
2. With reference to information given under Para 5, how should XLL determine the transaction price? **(4 Marks)**
3. With reference to information given under Para 6, what would be his residential status under the Foreign Exchange Management Act, 1999 during the Financial Years 2022-23 and 2023-24? **(4 Marks)**

### CASE STUDY 5

#### Para 1

Mr. Tushnim, a property dealer, sold a building in the course of his business to his friend Mr. Swairam, who is a dealer in automobile spare parts, for ₹ 100 lakh on 1.1.2023, when the stamp duty value was ₹ 122 lakh. The agreement was, however, entered into on 1.9.2022 when the stamp duty value was ₹ 110 lakh. Mr. Tushnim had received a down payment of ₹ 15 lakh by NEFT from Mr. Swairam on the date of agreement. Mr. Tushnim has purchased the building for ₹ 50 lakh on 12.7.2021.

#### Para 2

Mr. Tushnim's brother, Mr. Rusht, a managing director in a company, sold a residential house to Mr. Vidhaay, a wholesale trader for ₹ 50 lakh on 1.2.2023, when the stamp duty value was ₹ 70 lakh. The agreement was, however, entered into on 1.8.2022 when the stamp duty value was ₹ 55 lakh. Mr. Rusht had received a down payment of ₹ 7 lakh by a crossed cheque from Mr. Vidhaay on the date of agreement. Mr. Rusht has purchased the building for ₹ 32 lakh on 17.8.2021.

#### Para 3

Mr. Rusht, is a managing director in Nishkantak Paths Limited, which is listed company. The company proposes to pay the following managerial remuneration:

- (i) Commission at the rate of five percent of the net profits to its Managing Director, Mr. Rusht.
- (ii) The directors other than the Managing Director are proposed to be paid monthly remuneration of ₹ 60,000 and also commission at the rate of one percent of net profits of the company subject to the condition that overall remuneration payable to ordinary directors including monthly remuneration payable to each of them shall not exceed two percent of the net profits of the company. The commission is to be distributed equally among all the directors.
- (iii) The company also proposes to pay suitable additional remuneration to Mr. Shigram, a director, for professional services rendered as mechanical engineer, whenever such services are utilized.

#### Para 4

Nishkantak Paths Limited has investments in various subsidiaries. In its annual financial statements for the year ending 31<sup>st</sup> March 2022 as well as 31<sup>st</sup> March 2023, Nishkantak Paths Ltd. classified Aviskrutya Ltd. a subsidiary as 'held-for-sale' and presented it as a discontinued operation. On 1 November 2021, the shareholders had authorized the management to sell all of its holding in Aviskrutya Ltd. within the year. In the

year to 31<sup>st</sup> March 2022, the management made a public announcement of its intention to sell the investment but did not actively try to sell the subsidiary as it was still operational within the Nishkantak Paths group.

Certain organizational changes were made by Nishkantak Paths Ltd. during the year to 31<sup>st</sup> March 2023, thereby resulting in additional activities being transferred to Aviskrutya Ltd. Additionally, during the year ending 31 March 2023, there had been draft agreements and some correspondence with investment bankers, which showed in principle only that Aviskrutya was still for sale.

**Multiple Choice Questions (5 questions of 2 Marks each):-**

1. With reference to information given under Para 1, what is the amount of income chargeable to tax in the hands of Mr. Tushnim in respect of the transaction of sale of building to Mr. Swairam and under which head is it taxable?
  - (a) ₹ 72 lakh is taxable as his business income
  - (b) ₹ 60 lakh is taxable as his business income
  - (c) ₹ 50 lakh is taxable as his business income
  - (d) ₹ 50 lakh is taxable as short-term capital gains
2. With reference to information given under Para 1, is any amount taxable in the hands of Mr. Swairam in respect of the above transaction? If so, what is the amount and under which head is it taxable?
  - (a) No amount is taxable in the hands of Mr. Swairam
  - (b) ₹ 22 lakh is taxable under the head "Income from Other Sources"
  - (c) ₹ 10 lakh is taxable under the head "Income from Other Sources"
  - (d) ₹ 10 lakh is taxable as his business income
3. With reference to information given under Para 2, what is the amount of income chargeable to tax in the hands of Mr. Rusht in respect of the transaction of sale of residential house to Mr. Vidhaay and under which head is it taxable?
  - (a) ₹ 18 lakh is taxable as short-term capital gains
  - (b) ₹ 23 lakh is taxable as short-term capital gains
  - (c) ₹ 38 lakh is taxable as short-term capital gains
  - (d) ₹ 18 lakh is taxable as his business income
4. With reference to information given under Para 2, is any amount taxable in the hands of Mr. Vidhaay in respect of the above transaction? If so, what is the amount and under which head is it taxable?
  - (a) No amount is taxable in the hands of Mr. Vidhaay
  - (b) ₹ 20 lakh is taxable under the head "Income from Other Sources"
  - (c) ₹ 5 lakh is taxable under the head "Income from Other Sources"
  - (d) ₹ 5 lakh is taxable as his business income
5. With reference to information given under Para 1 & 2, is tax deductible by Mr. Swairam and Mr. Vidhaay on making payment to the seller?
  - (a) Yes, tax is deductible at source by both Mr. Swairam and Mr. Vidhaay

- (b) No, tax is not deductible at source by either Mr. Swairam or Mr. Vidhaay
- (c) Tax is deductible at source by Mr. Swairam but not by Mr. Vidhaay
- (d) Tax is deductible at source by Mr. Vidhaay but not Mr. Swairam

**DESCRIPTIVE QUESTIONS [Total 15 Marks]**

1. With reference to information given under Para 3, you are required to examine with reference to the provisions of the Companies Act, 2013 the validity of the such proposals? **(9 Marks)**
2. With reference to information given under Para 4, discuss whether the classification of Aviskrutya Ltd. as held for sale and its presentation as a discontinued operation is appropriate, by referring to the principles of the relevant Ind AS and evaluate the treatment in the context of the Conceptual Framework for Financial Reporting? **(6 Marks)**