

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.

Time Allowed – 4 Hours

Maximum Marks – 100

CASE STUDY 1

Para 1

Waqt (P) Ltd. incorporated in the year 2008 initially as private company, got itself converted into public company (unlisted) in the year 2012, with increase in its operations. At present, the company has nine directors in its board engaged in the textile business with paid-up share capital of ₹ 180 crore having 3000 members and its turnover as per the previous year audited balance sheet was ₹ 198 crore. The company is registered under GST.

Para 2

The company filed intimation with the Central Government that the affairs of the company ought to be investigated and accordingly, the Central Government passed an order of investigation and appointed three persons as the inspectors to investigate into the affairs of Waqt Ltd. Before appointing such inspectors, the Central Government required Waqt Ltd. to provide security of such amount, as prescribed, for the payments and costs of the investigation.

During the pendency of such investigation, Waqt Ltd. wanted to terminate Mr. Raghu, an employee of the company, as he had disclosed certain information to the inspectors which the management were upset about. The company filed the application to tribunal for approval of such termination. However, as the company did not receive any reply from the tribunal within thirty days of filling the application, it considered it as a deemed approval and terminated Mr. Raghu.

Para 3

Waqt Ltd. owns 500 ordinary shares in Utpal Ltd., an unquoted public company. Utpal Ltd. has a total share capital of 20,000 shares with nominal value of ₹ 10. Utpal Ltd.'s after-tax maintainable profits are estimated at ₹ 14,00,000 per year. An appropriate price/earnings ratio determined from published industry data is 15, before lack of marketability adjustment.

Waqt Ltd.'s management estimates that the discount for the lack of marketability of Utpal Ltd.'s shares and restrictions on their transfer is 20%. The fair value of Utpal Ltd.'s net assets including those recognised in its balance sheet and those that are not recognised is ₹ 1,75,00,000. Waqt Ltd. values its holding in Utpal Ltd.'s shares based on earnings.

However, one of the directors of Waqt Ltd., Mr. Mahipal Sena, suggested estimating the fair value of the shares it owns in Utpal Ltd. using a net asset valuation technique, using which, if there can be a higher valuation of such investment in the books of Waqt Ltd.

Para 4

Waqt Ltd., filed its return of income for A.Y. 2022-23, on 25th November, 2022, on the basis of following particulars of income earned by it during the P.Y. 2021-22:

Particulars	₹ (in lakhs)
Income from business carried on in India	3500

Dividend received from Tim Inc. incorporated in Australia (gross) (Note 1)	400
Income from supplies made to YT Corp., a UK based company (Note 2)	1600
Rent Income from a house property situated in Ireland (gross) (Note 3)	500
Income from supplies made to Leon Co., a Japan based company (Note 4)	1900

Note 1: India has a Double Tax Avoidance Agreement with Australia for such dividend income which provides for taxation on Residence Rule basis @ 40%.

Note 2: Waqt Ltd. had determined the Arm's Length Price (ALP) for the transaction of such supplies in accordance with the Unilateral Advance Pricing Agreement (APA) entered into with the Board.

Waqt Ltd. had applied to Director General of Income-tax (International Taxation) for Advance Pricing Agreement during P.Y. 2021-22, along with the request for rollback before entering into such transaction for supplies with YT Corp., its associated enterprise.

However, due to application of rollback provisions, income for P.Y. 2019-20 was getting reduced to ₹ 6,300 lakhs from ₹ 6,600 lakhs originally declared in return. The income adjusted by Transfer Pricing Officer for that year in the return was ₹ 6,900 lakhs.

Note 3: India has no Double Tax Avoidance Agreement with Ireland for such rent income and such income was taxed in Ireland @ 20%. Also, a municipal tax of ₹ 25 lakhs was paid for which no deduction was allowed in Ireland.

Note 4: The supplies made by Waqt Ltd. to Leon Co. constituted 92% of its raw material requirements and the transactions were denominated in Indian rupees.

Part A – Multiple Choice Questions (2 Marks each)

- In respect of Para 2, what procedure Waqt Ltd. should have followed for filing such intimation regarding investigation with the Central Government and whether the Central Government was bound to pass such order?
 - Waqt Ltd. should have passed a special resolution for filing such intimation and the Central Government was bound to pass such order.
 - Waqt Ltd. should have passed a special resolution for filing such intimation and the Central Government was not bound to pass such order.
 - Waqt Ltd. should have passed an ordinary resolution for filing such intimation and the Central Government was bound to pass such order.
 - Waqt Ltd. should have obtained applications from 100 members or member(s) holding 10% of total voting power, whichever is lower, for filing such intimation and the Central Government was not bound to pass such order.
- In respect of Para 2, what amount of security would have been paid by Waqt Ltd. regarding the investigation going on by the inspectors?
 - ₹ 10,000
 - ₹ 25,000
 - ₹ 15,000
 - ₹ 20,000
- In terms of Para 3, what shall be the fair value of Waqt Ltd.'s investment in Utpal Ltd.'s shares, considering the method of Earnings- based valuation?
 - ₹ 4,37,500

- (b) ₹ 3,50,000
 - (c) ₹ 4,20,000
 - (d) ₹ 5,25,000
4. In continuation to MCQ no. 3, what would be the fair value of Waqt Ltd.'s investment in Utpal Ltd.'s shares as per the method suggested by Mr. Mahipal?
- (a) ₹ 4,37,500
 - (b) ₹ 3,50,000
 - (c) ₹ 4,20,000
 - (d) ₹ 5,25,000
5. With reference to Para 4, the approval of which authority would have been taken by the board for entering into an Unilateral APA with Waqt Ltd. and what amount of additional fees would have been paid by Waqt Ltd. for the request of rollback?
- (a) Approval of Principal Chief Commissioner of Income Tax would have been taken and additional fees of ₹ 2 lakhs would have been paid by Waqt Ltd. for the request of rollback.
 - (b) No approval of any authority is required and also no additional fees would have been paid by Waqt Ltd. for the request of rollback as such request was made along with application for Advance Pricing Agreement for which fees would have been paid.
 - (c) Approval of Central Government as well as competent authority of UK would have been taken and additional fees of ₹ 5 lakhs would have been paid by Waqt Ltd. for the request of rollback.
 - (d) Approval of Central Government would have been taken and additional fees of ₹ 5 lakhs would have been paid by Waqt Ltd. for the request of rollback.

Part B- Descriptive Questions

6. Referring Para 4, compute total income and tax liability of Waqt Ltd. for Assessment Year 2022-23, if it does not opt for section 115BAA or section 115BAB of the Income Tax Act, 1961 and its total income for P.Y. 2019-20 was ₹ 41 crores, assuming that the international transactions undertaken by it are at arm's length price. Ignore MAT provisions. **(8 Marks)**
7. With reference to Para 4, due to application of rollback provisions, income for P.Y. 2019-20 was getting reduced to ₹ 6,300 lakhs. In this case, how the rollback provisions would be applied? **(7 Marks)**

CASE STUDY 2

Para 1

Vratam Ltd. was required to pay penalty for a breach in the performance of a contract. The company is an unlisted public company, registered under GST, having seven directors on its Board.

The company believed that the penalty was payable at a lower amount than the amount demanded by the other party. Vratam Ltd. created provision for the penalty. The contract between Vratam Ltd. and the other party carried the term that all disputes shall be arbitrated in New Delhi, and accordingly, Vratam Ltd. also approached the arbitrator with a submission that the case may be dismissed with costs.

Vratam Ltd. prepared the financial statements for the F.Y. 2021-22, which were approved in July 2022. The arbitrator, on 20th June 2022, awarded the case in favour of Vratam Ltd., which was received by both the parties on 25th June, 2022. As a result of the award of the arbitrator, the provision earlier made by Vratam Ltd. was required to be reduced. The arbitrator also decided that cost of the case should be borne by the other party.

Para 2

Vratam Ltd. had acquired 5% equity shares of Kiyat Ltd. for ₹ 20 crore during the F.Y. 2020-21. The company for the purpose of preparing the financial statements for the F.Y. 2021-22, assessed the fair value at subsequent measurement of the investment made in Kiyat Ltd.

Based on the observable input, Vratam Ltd. identified a similar nature of transaction in which Rasam Ltd. acquired 20% equity shares in Kiyat Ltd. for ₹ 120 crore. The price of such transaction was determined on the basis of Comparable Companies Method (CCM) - Enterprise Value (EV) / EBITDA which was 8.

For the current year, the EBITDA of Kiyat Ltd. is ₹ 80 crore. At the time of acquisition, the valuation was determined after considering 5% of liquidity discount and 5% of non-controlling stake discount.

Para 3

Vratam Ltd. filed its Income Tax Return for F.Y. 2021-22 on 20th November, 2022, and the Assessing Officer (A.O.) served notice of scrutiny u/s 143(2) of the Income Tax Act, 1961 to Vratam Ltd. on 25th May, 2023 in response to which Vratam Ltd. furnished the necessary information within the stipulated time limit.

On the basis of such information, the A.O., after taking the approval of the Principal Commissioner of Income-tax, referred the computation of the arm's length price in relation to the international transactions made with Kruava Co., its associate enterprise, to the Transfer Pricing Officer (TPO).

The TPO served a notice to Vratam Ltd. requiring to produce evidence on which it relied in support of the computation of arm's length price made in relation to the international transactions with Kruava Co. and on the basis of that evidence and after considering the material gathered by him, the TPO passed order u/s 92CA of the said Act, determining the arm's length price.

The copy of order passed by TPO was forwarded to the Assessing Officer (A.O.) on 3rd October, 2024. The A.O. made the draft order of assessment which was forwarded to Vratam Ltd. on 12th November, 2024, as there was variation in its total income by ₹ 120 lakhs.

Vratam Ltd. filed its objections to the A.O. as well as to the Dispute Resolution Panel (DRP). The DRP issued its directions on the basis of draft order, objections of Vratam Ltd. and other evidence. The A.O., on receipt of such directions, passed the final order on 25th February, 2025, in pursuance of the directions of DRP, confirming the variation proposed in the draft order for the total income declared by Vratam Ltd. for A.Y. 2022-23 by making a transfer pricing adjustment of ₹ 120 lakhs. Such order was communicated to Vratam Ltd. on 28th February, 2025.

Para 4

Vratam Ltd. filed an appeal with ITAT on 1st March, 2025 along with application of stay of demand by paying the requisite amount of the demand payable as per the assessment order. The Tribunal passed an appellate order dated 25th September, 2025, reducing the amount of primary adjustment made by the Assessing Officer from ₹ 120 lakhs to ₹ 105 lakhs.

Vratam Ltd. was, however, not able to repatriate the excess money from Kruava Co. within the stipulated time limit and then, finally, it decided to pay additional income tax on the same on 1st February, 2026.

Part A- Multiple Choice Questions (2 Marks each)

1. With reference to Para 1, by what date, can the other party file an application for setting aside such arbitral award and if maximum extension is granted by court, then till what date, such application needs to be filed?
 - (a) 25th December, 2022 and 24th January, 2023, respectively
 - (b) 25th September, 2022 and 25th October, 2022, respectively.

- (c) 25th October, 2022 and 24th November, 2022, respectively.
 - (d) 20th September, 2022 and 20th October, 2022, respectively.
2. Referring Para 1, when can such arbitral award be enforced by Vratam Ltd., if no application for setting aside the arbitral award has been filed by the other party, and how such award would be enforced?
- (a) Such award can be enforced after 20th September, 2022 and such award would be enforced in the same manner as if it were a decree of the court.
 - (b) Such award can be enforced after 25th June, 2022 and such award would be enforced in the same manner as if it were a decree of the court.
 - (c) Such award can be enforced after 25th July, 2022 and such award would be enforced in the manner otherwise than a decree of the court.
 - (d) Such award can be enforced after 25th September, 2022 and such award would be enforced in the same manner as if it were a decree of the court.
3. Referring Para 3, by what date the A.O. should have completed the assessment u/s 143(3) of the Income Tax Act, 1961, if no draft order was required to be forwarded to Vratam Ltd. and by what date, the TPO should have passed his order, if there was neither stay nor any reference made u/s 90/90A of the said Act?
- (a) 31st March, 2024 and 31st January, 2024, respectively.
 - (b) 31st December, 2024 and 1st November, 2024, respectively.
 - (c) 31st March, 2025 and 30th January, 2025, respectively.
 - (d) 30th September, 2025 and 1st August, 2025, respectively.
4. By what date, Vratam Ltd. should have filed its objections in respect of draft order of assessment and when the A.O. should have completed the assessment if the DRP would have issued its directions to the A.O. on the last stipulated date considering that Vratam Ltd. would have also filed its objections on the last date? Refer Para 3.
- (a) 31st December, 2024 and 31st October, 2025, respectively.
 - (b) 12th December, 2024 and 30th September, 2025, respectively.
 - (c) 30th November, 2024 and 30th September, 2025, respectively.
 - (d) 12th December, 2024 and 31st October, 2025, respectively.
5. By what date, DRP should have issued its directions to the A.O., if Vratam Ltd. would have filed its objections on the last date and on whom, such directions of DRP are binding? Refer Para 3.
- (a) 31st August, 2025 and such directions of DRP are binding on the Assessing Officer.
 - (b) 30th September, 2025 and such directions of DRP are binding on the Assessing Officer.
 - (c) 31st August, 2025 and such directions of DRP are not binding on anyone.
 - (d) 31st March, 2025 and such directions of DRP are binding on the Assessing Officer and the Assessee.

Part B- Descriptive Questions

6. What will be the fair value of Vratam Ltd.'s investment in Kiyat Ltd. as on the balance sheet date? Refer Para 2. (5 Marks)

7. With reference to Para 1,

- (i) Whether Vratam Ltd. is required to remeasure its provision and what would be the accounting treatment of the cost that will be recovered by Vratam Ltd., which has already been charged to the Statement of Profit and Loss as an expense for the year 2021-22? **(6 Marks)**
- (ii) State the type of arbitration agreement made between Vratam Ltd. and the other party. What will happen if the agreement does not have any clause relating to arbitration? **(4 Marks)**

CASE STUDY 3

Para 1

Apsflon Ltd. is engaged in the business of furniture, and it is having the status of unlisted public company with ROC. Being registered under GST, the company is having seven directors on its board and paid-up share capital of ₹ 20 crore.

Para 2

During the F.Y. 2021-22, it decided to appoint Mr. Himanshu as its Managing Director, a whole-time KMP, for a period of 3 years with effect from 1st May, 2021.

Mr. Himanshu fulfils all the conditions as specified under Schedule V to the Companies Act, 2013. The terms of his appointment are as under:

- (i) Salary - ₹ 40,000 per month;
- (ii) Commission, as may be decided by the Board of Directors of the company by passing a board resolution for the same;
- (iii) Perquisites;
 - Free Housing,
 - Medical reimbursement upto ₹ 2,000 per month,
 - Leave Travel concession for the family,
 - Club membership fee,
 - Personal Accident Insurance of ₹ 5 lakh,
 - Gratuity, and Provident Fund as per Company's policy.

The Board of Directors of the company came to know about certain questionable transactions entered into by Mr. Himanshu and therefore, terminated his services as Managing Director from 1st March, 2022. The average per month remuneration of Mr. Himanshu was ₹ 50,000.

Mr. Himanshu termed his removal as illegal and claimed compensation from the company. Meanwhile the company paid a sum of ₹ 4 lakhs on adhoc basis to Mr. Himanshu pending settlement of his dues and the vacancy caused due to removal of Mr. Himanshu was filled up by the Board on 31st May, 2022.

Para 3

Fsell Inc., a non-resident entity, provided a platform for persons resident in India to sell their goods online to all the customers' worldwide, in consideration of a commission amount.

Supplies made by persons resident in India during December, 2021 Quarter through its platform were ₹ 230 crores for which it charged commission of ₹ 12 crores including commission of ₹ 8 lakhs paid by Apsflon Ltd. which was claimed by it in calculating the income amount.

The consideration for such supplies is received by Fsell Inc. and remitted to the suppliers, after deducting its commission, as per the contractual arrangement with them.

The amount of equalisation levy, as applicable, for the December' 2021 Quarter, was deposited to the credit of Government on 31st January, 2022.

Para 4

Apsflon Ltd. uses such e-commerce platform provided by Fsell Inc. to provide supplies within India only. During the month of December, 2021, it made following supplies:-

Sr. No.	Particulars
(i)	Supply of goods valued ₹ 35 lakhs out of which goods valued ₹ 3 lakhs were returned in the same month and 2 lakhs in the next month
(ii)	Supply of repairing services valued ₹ 4 lakhs
(iii)	Supply of carpentering services valued ₹ 2 lakhs

There are other suppliers also who provide only carpentering services similar to the one as provided by Apsflon Ltd., as aforesaid, through Fsell Inc., to customers within India. However, such suppliers are not registered under GST.

Para 5

At the time of filing GSTR-8 by Fsell Inc. for the month of December, 2021, its accountant discovered that there was a discrepancy in the GSTR-8 filed for the month of November, 2021 on 10th December, 2021, due to which there was a shortfall in the TCS credited by it to the Government by ₹ 5,00,000.

The GSTR-8 of Fsell Inc. for the month of December, 2021, was filed on 5th January, 2022 by rectifying the error made during the month of November, 2021 and paying the requisite amount of shortfall in tax along with the interest, as applicable on the same.

Part A- Multiple Choice Questions (2 Marks each)

- With reference to Para 2, by what date, the Board of Apsflon Ltd. was required to fill the vacancy caused due to removal of Mr. Himanshu and what would be your answer, in case, if Apsflon Ltd. was a government company?
 - By 1st July, 2022, such vacancy was required to be filled and in other case, by 1st September, 2022, such vacancy was required to be filled, respectively.
 - By 1st September, 2022, such vacancy was required to be filled and in other case, there was no requirement to fill such vacancy.
 - By 1st July, 2022, such vacancy was required to be filled and in other case, there was no requirement to fill such vacancy.
 - In both cases, such vacancy was required to be filled by 1st September, 2022.
- With reference to Para 4, what amount of tax to be collected at source by Fsell Inc. from Apsflon Ltd. for the month of December, 2021, under GST considering all the supplies being inter-state taxable supplies?
 - Nil
 - ₹ 34,000
 - ₹ 38,000
 - ₹ 36,000
- How Fsell Inc. would be registered under GST?
 - Two separate registrations would have been taken i.e. as a regular tax payer and as a person required to collect tax at source, respectively.

- (b) Only one registration would have been taken i.e. as a person required to collect tax at source.
 - (c) Only one registration would have been taken i.e. as a regular tax payer.
 - (d) Only one registration would have been taken for serving as both i.e. as a regular tax payer as well as a person required to collect tax at source, respectively.
4. With reference to Para 5, what amount of interest would have been required to be paid by Fsell Inc. for the discordancy noticed?
- (a) ₹ 6,411
 - (b) ₹ 15,000
 - (c) ₹ 3,945
 - (d) ₹ 8,559
5. With reference to Para 3, who was required to deposit the amount of equalisation levy with the Central Government for the December' 2021 Quarter and how much interest amount shall be payable for late deposit, if any?
- (a) Fsell Inc. was required to deposit the amount of equalisation levy and interest payable shall be ₹ 72,000.
 - (b) Service recipients were required to deduct and deposit the amount of equalisation levy and interest payable shall be ₹ 72,000.
 - (c) Fsell Inc. was required to deposit the amount of equalisation levy and interest payable shall be ₹ 24,000.
 - (d) Service recipients were required to deduct and deposit the amount of equalisation levy and interest payable shall be ₹ 24,000.

Part B- Descriptive Questions

6. Draft a board resolution for appointment of Mr. Himanshu in Apsflon Limited. (4 Marks)
7. Referring Para 2, discuss whether:
- (i) The company is bound to pay compensation to Mr. Himanshu and, if so, how much?
 - (ii) The company can recover the amount of 4 lakhs paid on the ground that Mr. Himanshu is not entitled to any compensation, because he is guided by corrupt practices. (6 Marks)
8. How much amount of equalisation levy needs to be deposited for December Quarter and also by what date it needs to be deposited, in case if:- (i) Fsell Inc. has PE in India (ii) Fsell Inc. does not have PE in India. (5 Marks)

CASE STUDY 4

Para 1

Asayam Ltd.'s registered office is situated in Uttar Pradesh and is registered under GST in the state of Uttar Pradesh, West Bengal and Maharashtra, respectively. It is mainly engaged in the business of automobiles and spare parts from its branches located in the aforesaid states for which it has obtained registration under GST.

With effect from 24th September 2021, Mr. Jayprakash Sharma was appointed as the nominee director by the board of Asayam Ltd., as a representative of VPL Bank, which made his nomination for such appointment. Also, it was proposed to remove Mr. Rajveer Sena, an independent director, who was currently holding such office for the 8th consecutive year.

The company is an unlisted public company having twelve directors in its board which includes two independent directors and a woman director. Also, there is a managing director, chief financial officer and whole-time company secretary appointed as key managerial personnel by the company.

Para 2

Few employees of Asayam Ltd. had taken life insurance policies from HMFL Pramerica Life Insurance Co. Ltd. for which the maturity proceeds were due to be received during F.Y. 2021-22, the details of which are as follows:

Name of Employee	Policy taken on	Annual Premium (₹)	Date on which amount due to be received	Amount to be received (₹ in lakhs)	Sum Assured (₹ in lakhs)
Mr. Shyam	01.04.2018	60,000	31.03.2022	3.5	3.2
Mr. Rahul	31.10.2011	38,000	31.03.2022	4.2	3.7
Mr. Kalpesh	01.06.2014	35,000	01.06.2021	3.7	3.6
Mr. Daman	01.02.2019	25,000	01.02.2022	0.90	0.85

Para 3

Asayam Ltd. enters into a ten-year lease contract of one of its office building floor located in Bamrauli area of Allahabad, with Havanti Ltd., engaged in the similar line of business. Under the lease:

Asayam Ltd. receives annual lease payments of ₹ 1,50,000, payable at the end of the year and expects the residual value of the said floor to be ₹ 5,00,000 at the end of the 10-year lease term.

Havanti Ltd. provides a residual value guarantee that protects Asayam Ltd. from the first ₹ 3,00,000 of loss for a sale at a price below the estimated residual value at the end of the lease term (i.e., ₹ 5,00,000)

The floor included in the office building has an estimated remaining economic life of 15 years, a carrying amount of ₹ 10,00,000 and a fair value of ₹ 11,10,000.

The lease neither transfers ownership of the underlying asset to Havanti Ltd. at the end of the lease term nor contain an option to purchase the underlying asset. The interest rate implicit in the lease is 10.078%.

Para 4

Havanti Ltd. also took on hire machinery from Asayam Ltd. with effect from 1st September, 2021, on hire charges of ₹ 18,000 per month, by entering into an agreement for the same.

The lease rent of building floor and hire charges of machinery for the financial year 2021-22, respectively, were credited by Havanti Ltd. to the account of Asayam Ltd. in its books of account on 31.3.2022.

Havanti Ltd. is able to claim higher deduction in respect of lease rentals paid to Asayam Ltd. rather than in case of depreciation, if it would have purchased the said building floor instead of taking the same on lease.

Part A- Multiple Choice Questions (2 Marks each)

- With reference to Para 3, at what amount, Asayam Ltd. shall present the building floor in the balance sheet given under lease at the end of year 1, in accordance with relevant IndAS?
 - ₹ 11,10,000
 - ₹ 10,71,866
 - ₹ 10,33,400
 - ₹ 9,23,400

2. With reference to Para 3, whether the property given under lease by Asayam Ltd. to Havanti Ltd. can be classified as an 'Investment property' as per IndAS 40 and whether Havanti Ltd. shall be considered to be deemed owner of the said property for the purpose of the provisions of the Income Tax Act, 1961?
 - (a) The said property shall be classified as an 'Investment property' by Asayam Ltd. and Havanti Ltd. shall be considered to be deemed owner of the said property for the purpose of the provisions of the Income Tax Act, 1961.
 - (b) The said property shall be classified as an 'Investment property' by Asayam Ltd. and Havanti Ltd. shall not be considered to be deemed owner of the said property for the purpose of the provisions of the Income Tax Act, 1961.
 - (c) The said property cannot be classified as an 'Investment property' by Asayam Ltd. and Havanti Ltd. shall not be considered to be deemed owner of the said property for the purpose of the provisions of the Income Tax Act, 1961.
 - (d) The said property cannot be classified as an 'Investment property' by Asayam Ltd. and Havanti Ltd. shall be considered to be deemed owner of the said property for the purpose of the provisions of the Income Tax Act, 1961.
3. With reference to Para 4, what amount of tax shall be deducted by Havanti Ltd. in respect of transaction(s) with Asayam Ltd.?
 - (a) ₹ 10,020
 - (b) ₹ 27,600
 - (c) ₹ 17,520
 - (d) No TDS is deductible
4. With reference to Para 3 & 4, whether grandfathering would be available to Asayam Ltd. in respect of the lease contract entered into with Havanti Ltd. and would the lease rent payment be disallowed as expense under General Anti-Avoidance Rules (GAAR) to Havanti Ltd., in terms of provisions of the Income Tax Act, 1961, respectively?
 - (a) Grandfathering would be available to Asayam Ltd. and GAAR provisions would not apply in case of Havanti Ltd.
 - (b) Grandfathering would not be available to Asayam Ltd. and GAAR provisions would not apply in case of Havanti Ltd.
 - (c) Grandfathering would be available to Asayam Ltd. and the Revenue need not invoke GAAR in case of Havanti Ltd., though GAAR and SAAR can co-exist as per clarification given in the CBDT Circular.
 - (d) Grandfathering would not be available to Asayam Ltd. and GAAR provisions would apply in case of Havanti Ltd.
5. With reference to Para 1, whether Mr. Jayprakash can be considered as a director liable to retire by rotation and how Mr. Rajveer Sena can be removed by the company?
 - (a) Mr. Jayprakash can be considered as a director liable to retire by rotation, only if he is designated so, and Mr. Rajveer can be removed by the company by passing of special resolution.
 - (b) Mr. Jayprakash cannot be considered as a director liable to retire by rotation and Mr. Rajveer can be removed by the company by passing of ordinary resolution.
 - (c) Mr. Jayprakash can be considered as a director liable to retire by rotation, only if he is designated so, and Mr. Rajveer cannot be removed by the company.

- (d) Mr. Jayprakash cannot be considered as a director liable to retire by rotation and Mr. Rajveer can be removed by the company by passing of special resolution.

Part B- Descriptive Questions

6. With reference to Para 3, how should the Asayam Ltd. account for the lease entered with Havanti Ltd. in its books of accounts? (9 Marks)
7. With reference to Para 2, examine the applicability of the provisions of TDS in cases of employees of Asayam Ltd. in respect of life insurance policies taken by them. (6 Marks)

CASE STUDY 5

Para 1

Pranidhan Ltd. is registered under GST in West Bengal and Uttar Pradesh and is engaged in the business of cloth garments, both in form of whole-sale and trading across India, by itself and through its related entities.

The company is having its registered office in Kolkata, and it is an unlisted public company, with paid-up share capital of ₹ 30 crore and 600 members as its equity shareholders.

Para 2

The business premises of Pranidhan Ltd. and the residence of its directors at Kolkata, were searched under section 132 of the Income Tax Act, 1961 by the DDI Kolkata. The search was concluded by executing last authorisation for search on 13th July, 2021, and following were also seized besides other papers and records:

- (i) Papers found in the drawer of an accountant relating to Deshavart Ltd., Jaipur, indicating details of various business transactions. However, Pranidhan Ltd. is not having any direct or indirect connection of any nature with these transactions and Deshavart Ltd. and its directors.
- (ii) Cash of ₹ 40 lakhs from the bedroom of Mr. Prasidh Dave, a director of Pranidhan Ltd., which was claimed by him to be of his brother residing in different city.
- (iii) Papers recording certain transactions of income and expenses having direct nexus with the business of the company for the period from 16.4.2020 to date of search. It was admitted by the director that the transactions recorded in such papers have not been incorporated in the books.

Since the search was concluded in the financial year 2021-22, and other conditions were also fulfilled, the Assessing Officer with the prior approval of the Principal Commissioner, issued notice under section 148 of the Income Tax Act, 1961 on Pranidhan Ltd. for preceding six Assessment Years prior to the Assessment Year relevant to the previous year 2021-22. Thus, he issued the notice from A.Y. 2016-17 to A.Y. 2021-22.

Para 3

During the F.Y. 2021-22, Mr. Prasidh, was required to travel to USA for a private visit to meet his relatives abroad for which he purchased tickets, including the return ticket, from Disha Travels, an air travel agent, for ₹ 2 lakhs in which the basic air fare component was 65%.

Further for the purpose of such journey to USA, Mr. Prasidh also purchased 16,000 US \$ at the rate of ₹ 74.50 per USD from Stambh Forex Private Limited, a money changer, registered under GST in West Bengal. RBI reference rate for USD for that day was not available.

On his return, Mr. Prasidh was left over with 2,000 US \$ originally purchased by him from India and he had also received a sum of 6,000 US \$ and ₹ 50,000 as gifts from his relatives residing in USA.

Mr. Prasidh sold 8,000 US \$ brought by him to India to Stambh Forex Private Limited at the rate of ₹ 74 per US \$. RBI reference rate for US \$ on that day was ₹ 74.60.

Mr. Jatin Saxena, another director of Pranidhan Ltd. had also remitted an amount in pounds equivalent to 2,55,000 US \$, in parts, for maintenance of his close relatives residing in UK through his two normal bank accounts in India. Such remittance was made by him without taking approval from any relevant authority.

Para 4

On 1st April 2021, the fair value of the assets of Pranidhan Ltd.'s defined benefit plan were valued at ₹ 21,20,000 and the present value of the defined obligation was ₹ 22,05,000.

On 31st March, 2022, the plan received contributions from Pranidhan Ltd. amounting to ₹ 5,05,000 and paid out benefits of ₹ 3,35,000. The current service cost for the financial year ending 31st March, 2022, is ₹ 5,20,000.

An interest rate of 5% is to be applied to the plan assets and obligations. The fair value of the plan's assets at 31st March, 2022 was ₹ 24,60,000, and the present value of the defined benefit obligation was ₹ 28,00,000.

Part A- Multiple Choice Questions (2 Marks each)

1. With reference to Para 4, how much total amount should be recognised in the statement of profit and loss, by Pranidhan Ltd. with respect to plan assets and the defined benefit obligation?
 - (a) (₹ 7,60,000)
 - (b) (₹ 5,24,250)
 - (c) (₹ 6,52,300)
 - (d) (₹ 5,20,000)
2. With reference to Para 4, how much total amount should be recognised in the other comprehensive income, by Pranidhan Ltd. with respect to plan assets and the defined benefit obligation?
 - (a) (₹ 2,35,750)
 - (b) ₹ 1,21,300)
 - (c) (₹ 2,77,700)
 - (d) (₹ 2,40,000)
3. With reference to Para 3, what shall be the value of taxable supply as per relevant CGST Rules for Disha Travels in respect of tickets sold to Mr. Prasidh?
 - (a) ₹ 20,000
 - (b) ₹ 6,500
 - (c) ₹ 13,000
 - (d) ₹ 1,30,000
4. With reference to Para 3, how much excess Indian currency can be said to have been brought by Mr. Prasidh into India from USA and whether any declaration needs to be given in case of the USD currency notes brought into India by Mr. Prasidh to the Custom Authorities? Answer in terms of Foreign Exchange Management Act (FEMA), 1999.
 - (a) Mr. Prasidh has brought in excess ₹ 25,000 in India and in case of USD currency notes brought into India, he is not required to provide declaration to the Custom Authorities but to the Authorised Dealer.
 - (b) Mr. Prasidh has brought such amount of Indian currency which is within the limits in India and in case of USD currency notes brought into India, he is not required to provide declaration to the Custom Authorities.

- (c) Mr. Prasidh has brought in excess ₹ 40,000 in India and in case of USD currency notes brought into India, he is not required to provide declaration to the Custom Authorities but to the Authorised Dealer.
 - (d) Mr. Prasidh has brought in excess ₹ 25,000 in India and in case of USD currency notes brought into India, he needs to provide declaration to the Custom Authorities.
5. With reference to Para 3, what could be the maximum amount of penalty, if any, that could be levied upon Mr. Jatin in respect of foreign exchange remitted by him? Answer in terms of Liberalised Remittance Scheme.
- (a) ₹ 2,00,000
 - (b) An amount in INR equivalent to \$ 15,000
 - (c) An amount in INR equivalent to \$ 5,000
 - (d) No penalty is leviable as the remittances were made for a permissible current account transaction.

Part B- Descriptive Questions

6. With reference to Para 3, determine the value of supply for Stambh Forex Private Limited at the time of USD sold as well as purchased to/from Mr. Prasidh, in terms of rule 32(2)(a) and rule 32(2)(b) of the CGST Rules? **(7 Marks)**
7. With reference to Para 2, answer the following in terms of Income Tax Act, 1961:
- (a) What action the DDI shall be taking in respect of the seized papers relating to Deshavart Ltd., Jaipur?
 - (b) Whether the contention raised by Mr. Prasidh as to cash money found from his bedroom will be acceptable?
 - (c) What presumption shall be drawn in respect of the papers which indicate transactions not recorded in the books? **(5 Marks)**
8. With reference to Para 2, discuss the correctness of the action taken by Assessing Officer in respect of notice issued to Pranidhan Ltd. **(3 Marks)**